

COVER SHEET

SEC Registration Number

						1	6	3	4	2
--	--	--	--	--	--	---	---	---	---	---

Company Name

S	M		I	N	V	E	S	T	M	E	N	T	S		C	O	R	P	O	R	A	T	I	O	N		A	N	D
	S	U	B	S	I	D	I	A	R	I	E	S																	

Principal Office (No./Street/Barangay/City/Town/Province)

1	0	t	h		F	l	o	o	r	,		O	n	e		E	-	c	o	m		C	e	n	t	e	r	,	
H	a	r	b	o	r		D	r	i	v	e	,		M	a	l	l	o	f		A	s	i	a		C	o	m	
p	l	e	x	,		C	B	P	-	1	A	,		P	a	s	a	y		C	i	t	y		1	3	0	0	

Form Type

2	0	-I	S
---	---	----	---

Department requiring the report

--	--	--	--

Secondary License Type, If Applicable

--	--	--	--

COMPANY INFORMATION

Company's Email Address

-

Company's Telephone Number/s

8857-0100

Mobile Number

-

No. of Stockholders

1,261 (as of February 28, 2021)
--

Annual Meeting
Month/Day

April 28, 2021

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Mr. Frederic C. DyBuncio

Email Address

-

Telephone Number/s

8857-0100

Mobile Number

-

Contact Person's Address

10th Floor, One E-com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.



INVESTMENTS
CORPORATION

**Notice of Annual Stockholders' Meeting
April 28, 2021 at 2:30 p.m.**

To all Stockholders:

The 2021 Annual Stockholders' Meeting of SM Investments Corporation (the **Company**) will be held on April 28, 2021 at 2:30 p.m., with the proceedings livestreamed and voting conducted in absentia through the Company's secure online voting facility. The agenda of the meeting is set forth below:

A G E N D A

1. Call to order
2. Certification of Notice and Quorum
3. Approval of Minutes of the Annual Meeting of Stockholders held on June 24, 2020
4. Annual Report for the Year 2020 (Open Forum)
5. Ratification of the acts of the Board of Directors and the Management from the date of the last annual stockholders' meeting up to the date of this meeting
6. Election of Members of the Board of Directors for 2021-2022
7. Appointment of External Auditor
8. Other Matters
9. Adjournment

Attached are the rationale for the above agenda items for reference.

The Board of Directors has fixed the end of trading hours of the Philippine Stock Exchange (PSE) on **March 29, 2021** as the record date for the determination of stockholders entitled to notice of, participation via remote communication, and voting *in absentia* at such meeting and any adjournment thereof.

Stockholders who wish to participate in the meeting via remote communication and to exercise their vote *in absentia* must notify the Corporate Secretary by registering at asmregister.sminvestments.com and submitting supporting information listed there on or before **April 19, 2021**. All information submitted will be subject to verification and validation by the Corporate Secretary.

Stockholders who wish to appoint a proxy may accomplish the attached proxy form (which need not be notarized) and submit the same to the office of the Corporate Secretary at the 33rd Floor, The Orient Square, F. Ortigas Jr. Road, Ortigas Center, Pasig City 1600 at least seven (7) business days (or until April 19, 2021) before the annual meeting, as provided in the By-laws. Validation of proxies will be conducted on April 21, 2021 at the Office of the Corporate Secretary.

Successfully registered stockholders can then cast their votes in *absentia* through the Company's secure online voting facility and will be provided access to the live streaming of the meeting. For the detailed registration and voting procedures, please refer to the "***Guidelines for Participation via Remote Communication and Voting in Absentia***" appended to the Definitive Information Statement to be posted on the Company's website and PSE EDGE.

A copy of the Audited Financial Statements of the Company for the period ended December 31, 2020 shall be posted in the Company's website <www.sminvestments.com/asm2021> and PSE EDGE on or before April 22, 2021. Hard copies of the audited financial statements shall be provided upon written request of any stockholder.

For complete information on the annual meeting, please visit <www.sminvestments.com/asm2021>.

Pasig City, March 12, 2021.

BY THE ORDER OF THE BOARD OF DIRECTORS



ELMER B. SERRANO
Corporate Secretary
SM INVESTMENTS CORPORATION

Rationale for Agenda Items:

Agenda Item 3: To acknowledge and consider for approval the Minutes of Annual Stockholders' Meeting (ASM) held on June 24, 2020.

The minutes were also posted on the website of SM Investments Corporation (SMIC) within the period prescribed by pertinent rules and regulations. The Board of Directors recommends that the stockholders consider subject minutes for approval on April 28, 2021.

Agenda Item 4: To acknowledge and consider for approval the Annual Report of the Company for 2020.

The Company's 2020 performance results have been duly summarized in the Annual Report which includes the Audited Financial Statements (AFS) of the Company for the year ended 2020. The AFS have been audited by the external auditors who expressed an unqualified opinion on the aforementioned financial statements, and have been reviewed and recommended for approval by the Audit Committee and the Board of Directors. Any stockholder who would like to receive a hard copy of the 2020 Annual Report may request for a copy from the Investor Relations Office.

Agenda Item 5: To acknowledge and ratify all the acts of the Board of Directors and Management from the date of the last ASM to the date of this meeting.

The Company's performance in 2020, as detailed in the Annual Report, is attributed to the strategic directions and key policies set by the Board of Directors which were effectively executed and complied with by Management in conformance with good corporate governance and ethical best practices.

Agenda Item 6: To elect the Board of Directors for 2021 to 2022.

Qualifications of the nominated Directors have been reviewed and the nominated Directors were determined to be qualified and are being recommended by the Company's Corporate Governance Committee for election. Their proven competence, expertise, and qualifications based on current regulatory standards and the Company's own norms, will help sustain the Company's solid performance for the benefit of all its stockholders.

Agenda Item 7: To consider and approve the Audit Committee's recommendation for the appointment of the external auditor.

Based on the recommendation of the Audit Committee, the Board nominates SyCip Gorres Velayo & Co. (SGV & Co.) as the Company's external auditor for 2021. SGV & Co. is one of the top auditing firms in the country which is duly accredited with the Securities and Exchange Commission. The stockholders are also endorsed to delegate to the Board the authority to approve the appropriate audit fee for 2021.

Pasig City, March 12, 2021.

PROXY

The undersigned stockholder of SM Investments Corporation (the “**Company**”) appoints _____ or in his absence, the Chairman of the meeting, as attorney and proxy, with power of substitution, to represent and vote _____ shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on April 28, 2021 and at any of the adjournments thereof for the purpose of acting on the following matters:

- 1. Approval of minutes of previous annual stockholders’ meeting.
___ Yes ___ No ___ Abstain
- 2. Approval of 2020 Annual Report.
___ Yes ___ No ___ Abstain
- 3. Ratification of all acts and resolutions of the Board of Directors and Management.
___ Yes ___ No ___ Abstain

- 4. Election of Directors.
___ a) Vote for all nominees listed below:

- 1. Teresita T. Sy
- 2. Henry T. Sy, Jr.
- 3. Harley T. Sy
- 4. Jose T. Sio
- 5. Frederic C. DyBuncio
- 6. Tomasa H. Lipana (Independent Director)
- 7. Alfredo E. Pascual (Independent Director)
- 8. Robert G. Vergara (Independent Director)

___ b) Withhold authority for all nominees listed above

___ c) Withhold authority to vote for the nominees listed below:

- 5. Election of SyCip Gorres Velayo & Co. as external auditor.
___ Yes ___ No ___ Abstain

- 6. At their discretion, the proxies named above are authorized to vote upon such other matters as may be properly come before the meeting.
___ Yes ___ No ___ Abstain

Printed Name of Stockholder

Signature of Stockholder /
Authorized Signatory

Date

(SAMPLE PROXY FORM FOR CORPORATIONS)

SECRETARY'S CERTIFICATE

I, _____, Filipino, of legal age and with office address at _____, certify that:

1. I am the duly appointed Corporate Secretary of _____ (the "**Company**"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at _____;
2. As of record date, the Company holds _____ (_____) shares in SM Investments Corporation;
3. Based on the records, during the lawfully convened meeting of the Board of Directors of the Company held on _____, the following resolution was passed and approved:

“RESOLVED, That _____ be authorized and appointed, as he is hereby authorized and appointed, as the Company's proxy (the "**Proxy**") to attend all meetings of the stockholders of SM Investments Corporation (**SMIC**) whether the meeting is regular or special, or at any meeting postponed or adjourned therefrom, with full authority to vote the shares of stock of the Company held in SMIC and to act upon all matters and resolution that may come before or presented during meetings, or any adjournments thereof, in the name, place and stead of the Company.

“RESOLVED, FINALLY, That SMIC be furnished with a certified copy of this resolution and SMIC may rely on the continuing validity of this resolution until receipt of written notice of its revocation.”

4. The foregoing resolution has not been modified, amended or revoked in accordance with the records of the Company presently in my custody.

IN WITNESS WHEREOF, I have signed this instrument in _____ on _____.

Printed Name and Signature of the
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME on _____ in _____.
Affiant exhibited to me his Competent Evidence of Identity by way of _____ issued on _____ at _____.

Doc. No. _____;
Page No. _____;
Book No. _____;
Series of _____.

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **APRIL 19, 2021 (MONDAY)**, THE DEADLINE FOR SUBMISSION OF PROXIES.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED 'FOR' THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED.



INVESTMENTS CORPORATION

2021 ANNUAL STOCKHOLDERS' MEETING **April 28, 2021 at 2:30 pm**

Guidelines for Participating via Remote Communication and Voting *in Absentia*

The 2021 Annual Stockholders' Meeting (ASM) of SM Investments Corporation (SMIC or the Company) is scheduled on **April 28, 2021 at 2:30pm** and the Board of Directors of the Company has fixed the end of trading hours of the Philippine Stock Exchange on **March 2, 2021 (Record Date)** as the record date for the determination of stockholders entitled to the notice of, to attend, and to vote at such meeting and any adjournment thereof.

In light of the ongoing community quarantine imposed in several areas of the country and in consideration of health and safety concerns of everyone involved, shall allow attendance, participation and voting by stockholders via remote communication or *in absentia* pursuant to Sections 23 and 57 of the Revised Corporation Code of the Philippines and SEC Memorandum Circular No. 6-2020.

Registration

Stockholder must notify the Corporate Secretary of their intention to participate in the ASM via remote communication and to exercise their right to vote *in absentia* no later than **April 19, 2021**, by registering at <asmregister.sminvestments.com> and by submitting the following supporting documents/information, subject to verification and validation:

- For Certificated Individual Stockholders (i.e., with physical stock certificates)
 1. Copy of valid government-issued ID of stockholder/proxy
 2. Stock certificate number/s, if available
 3. If appointing a proxy, copy of proxy form duly signed by stockholder (need *not* be notarized)
 4. Email-address and contact number of stockholder or proxy

- For Certificated Multiple Stockholders or Joint Owners
 1. Copy of valid government-issued IDs of ALL registered stockholders
 2. Stock certificate number/s, if available
 3. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need *not* be notarized)
 4. Email-address and contact number of authorized representative

- For Certificated Corporate Stockholders
 1. Secretary’s Certification of Board resolution appointing and authorizing proxy to participate in the ASM
 2. Valid government-issued ID of the authorized representative
 3. Stock certificate number/s, if available
 4. Email-address and contact number of authorized representative

- For Stockholders with Shares under PCD Participant/Broker Account
 1. Certification from broker as to the number of shares owned by stockholder
 2. Valid government-issued ID of stockholder
 3. If appointing a proxy, copy of proxy form duly signed by stockholder (need *not* be notarized)
 4. Email-address and contact number of stockholder or proxy

Important Reminder: Please refrain from sending duplicate and inconsistent information/documents as this can result in failed registration. All documents/information shall be subject to verification and validation by the Company.

Online Voting

Stockholders who have successfully registered shall be notified via email of their unique log-in credentials for the voting portal. Stockholders can then cast their votes for specific items in the agenda, as follows:

1. Log-in to the voting portal by clicking the link, and using the log-in credentials, sent by email to the email address of the stockholder provided to the Company.

2. Upon accessing the portal, the stockholder can vote on each agenda item. A brief description of each item for stockholders’ approval are appended as Annex A to the Notice of Meeting.
 - 2.1 A stockholder has the option to vote “Yes”, “No”, or “Abstain” on each agenda item for approval.

 - 2.2 For the election of directors, the stockholder has the option to vote for all nominees, withhold vote for any of the nominees, or vote for certain nominees only.

***Note:** A stockholder may vote such number of his/her shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected (eight [8] directors for SMIC) multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholder.*

3. Once the stockholder has finalized his vote, he can proceed to submit his vote by clicking the “Submit” button.
4. The stockholder can still change and re-submit votes, provided, such new votes are submitted using the same log-in credentials. Previous votes will be automatically overwritten and replaced by the system with the new votes cast.

ASM Livestream

The ASM will be broadcasted live and stockholders who have successfully registered can participate via remote communication. Details of the meeting will be sent to stockholders in the emails provided to the Company. Instructions on how to access the livestream will also be posted at www.sminvestments.com/asm2021.

Video recordings of the ASM will be adequately maintained by the Company and will be made available to participating stockholders upon request.

Open Forum

During the virtual meeting, the Company will have an Open Forum, during which, the meeting’s moderator will read and where representatives of the Company shall endeavor to answer as many of the questions and comments received from stockholders as time will allow.


Stockholders may send their questions in advance by sending an email bearing the subject “ASM 2021 Open Forum” to asm2021@sminvestments.com no later than April 27, 2021. A section for stockholder comments/questions or a “chatbox” shall also be provided in the livestreaming platform.


Questions/comments received but not entertained during the Open Forum due to time constraints will be addressed separately by the Company’s Investor Relations.

For any queries or concerns regarding this Guidelines, please contact the Company’s Corporate Governance Team at (632) 8857-0100 or via email at asm2021@sminvestments.com.

For complete information on the annual meeting, please visit www.sminvestments.com/asm2021.

PROFILES OF THE BOARD OF DIRECTORS

<p style="text-align: center;">JOSE T. SIO <i>Chairman of the Board</i></p> <p>Member, Audit Committee Member, Risk Management Committee Member, Compensation Committee Member, Related Party Transaction Committee</p>									
<p>EDUCATION/EXPERIENCE</p>	<p>Jose T. Sio is the Chairman of the Board of SMIC. He is also a Director of China Banking Corporation, Belle Corporation, Atlas Consolidated Mining and Development Corporation, NLEX Corporation, and Ortigas Land Corporation, Independent Trustee of Far Eastern University, Incorporated, and Adviser to the Board of Directors of BDO Unibank, Inc. and Premium Leisure Corporation. Mr. Sio holds a master's degree in Business Administration (MBA) from New York University, is a certified public accountant, and is a former Senior Partner of SyCip Gorres Velayo & Co. (SGV). He was voted CFO of the Year in 2009 by the Financial Executives of the Philippines. He was also awarded as Best CFO (Philippines) in various years by several Hong Kong-based publications.</p>								
<p>BOARD ATTENDANCE</p>	<p>100%; 9 of 9 meetings</p>								
<p>DATE OF FIRST APPOINTMENT</p>	<p>May 2005</p>								
<p>NO. OF YEARS ON THE BOARD</p>	<p>16 years</p>								
<p>DIRECTORSHIP/S IN OTHER REPORTING COMPANIES</p>	<table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Belle Corporation</td> <td style="text-align: right;">Director</td> </tr> <tr> <td>China Banking Corporation</td> <td style="text-align: right;">Director</td> </tr> <tr> <td>Atlas Consolidated Mining and Development Corporation</td> <td style="text-align: right;">Director</td> </tr> <tr> <td>Far Eastern University Incorporated</td> <td style="text-align: right;">Independent Trustee</td> </tr> </table>	Belle Corporation	Director	China Banking Corporation	Director	Atlas Consolidated Mining and Development Corporation	Director	Far Eastern University Incorporated	Independent Trustee
Belle Corporation	Director								
China Banking Corporation	Director								
Atlas Consolidated Mining and Development Corporation	Director								
Far Eastern University Incorporated	Independent Trustee								

<p style="text-align: center;">TERESITA T. SY <i>Vice Chairperson of the Board</i></p> <p>Chairperson, Compensation Committee Chairperson, Executive Committee</p>			
<p>EDUCATION/EXPERIENCE</p>	<p>Teresita T. Sy is the Vice Chairperson of SMIC and Adviser to the Board of SM Prime Holdings, Inc. She also sits as Chairperson of SM Retail Inc. She also holds board positions in several companies within the SM Group. She is also the Chairperson of BDO Unibank, Inc. ("BDO") and serves as the Chairperson and/or Director of various subsidiaries and affiliates of BDO such as BDO Private Bank, Inc. and BDO Foundation, Inc. She also serves as Adviser to the Board of One Network Bank, Inc. (A Rural Bank of BDO). A graduate of Assumption College with a Bachelor of Arts and Science degree in Commerce major in Management, she brings to the board her diverse expertise in retail merchandising, mall and real estate development, and banking and finance.</p>		
<p>BOARD ATTENDANCE</p>	<p>100%; 9 of 9 meetings</p>		
<p>DATE OF FIRST APPOINTMENT</p>	<p>May 1979</p>		
<p>NO. OF YEARS ON THE BOARD</p>	<p>42 years</p>		
<p>DIRECTORSHIP/S IN OTHER REPORTING COMPANIES</p>	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">BDO Unibank, Inc.</td> <td style="text-align: right;">Chairperson of the Board</td> </tr> </table>	BDO Unibank, Inc.	Chairperson of the Board
BDO Unibank, Inc.	Chairperson of the Board		

HENRY T. SY, JR.
Vice Chairman of the Board



Henry T. Sy, Jr. is the Vice Chairman of SMIC and Chairman of SM Prime Holdings, Inc. He is also the Chairman and Chief Executive Officer of SM Development Corporation and Vice Chairman of National Grid Corporation of the Philippines. He is responsible for the real estate acquisitions and development activities of the SM Group which include the identification, evaluation, and negotiation for potential sites as well as the input of design ideas. He graduated with a Management degree from De La Salle University.

EDUCATION/EXPERIENCE

BOARD ATTENDANCE	100%; 9 of 9 meetings	
DATE OF FIRST APPOINTMENT	May 1979	
NO. OF YEARS ON THE BOARD	42 years	
DIRECTORSHIP/S IN OTHER REPORTING COMPANIES	SM Prime Holdings, Inc.	Chairman of the Board

FREDERIC C. DYBUNCIO
President/CEO



Member, Executive Committee

Frederic C. DyBuncio is the President and Chief Executive Officer of SMIC and 2GO Group, Inc. He is the Vice Chairman of the Board of Atlas Consolidated Mining and Development Corporation. Prior to holding the post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong, and Manila. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and finished a Master's degree in Business Administration program at the Asian Institute of Management.

EDUCATION/EXPERIENCE

BOARD ATTENDANCE	100%; 9 of 9 meetings	
DATE OF FIRST APPOINTMENT	April 2017	
NO. OF YEARS ON THE BOARD	4 years	
DIRECTORSHIP/S IN OTHER REPORTING COMPANIES	2GO Group, Inc.	President/CEO/Director
	Atlas Consolidated Mining and Development Corporation	Vice Chairman of the Board

HARLEY T. SY
Executive Director



Member, Executive Committee

EDUCATION/EXPERIENCE

Harley T. Sy is the Executive Director of SMIC. He is a Director of China Banking Corporation and other companies within the SM Group, and Adviser to the Board of Directors of BDO Private Bank. He is the Co-Vice Chairman and Treasurer of SM Retail Inc. He holds a degree in Bachelor of Science in Commerce, Major in Finance from De La Salle University.

BOARD ATTENDANCE	100%; 9 of 9 meetings	
DATE OF FIRST APPOINTMENT	May 1993	
NO. OF YEARS ON THE BOARD	28 years	
DIRECTORSHIP/S IN OTHER REPORTING COMPANIES	China Banking Corporation	Director

ALFREDO E. PASCUAL
Lead Independent Director



Chairman, Corporate Governance Committee
Chairman, Related Party Transactions Committee
Member, Audit Committee
Member, Compensation Committee
Member, Risk Management Committee

EDUCATION/EXPERIENCE

Alfredo E. Pascual is the Lead Independent Director of SMIC. He was the President and CEO of the Institute of Corporate Directors (ICD) in 2018 & 2019. From 2011 to 2017, he led the University of the Philippines (UP) System as President, CEO, and Board Co-Chair. Before UP, Mr. Pascual worked at the Asian Development Bank (ADB) for 19 years in several positions, including Director for Private Sector Operations, Director for Infrastructure Finance, and Advisor for Public-Private Partnership. He was based mainly in ADB's Manila headquarters but had postings in India and Indonesia. He also served on the board of ADB's investee companies in China, India, and the Philippines. Earlier on, he took an educator role for a decade as a finance professor at the Asian Institute of Management. Currently, Mr. Pascual is an independent director at other publicly-listed companies (Megawide Construction Corporation, Asiabest Group International Inc., and Concepcion Industrial Corporation). He holds board seats at several non-profit organizations (Management Association of the Philippines, FINEX Academy, SharePHIL, ICD, Institute for Solidarity in Asia, UP Foundation, US-Philippines Society). He is the President of the global Association of Former Employees of ADB, a board adviser at the Philippine Institute for Development Studies, and a special adviser at UP. He finished his MBA and BS in Chemistry (cum laude) from UP.

BOARD ATTENDANCE	100%; 9 of 9 meetings	
DATE OF FIRST APPOINTMENT	April 2017	
NO. OF YEARS ON THE BOARD	4 years	
DIRECTORSHIP/S IN OTHER REPORTING COMPANIES	Megawide Construction Corporation	Independent Director
	Asiabest Group International Inc.	Independent Director
	Concepcion Industrial Corporation	Independent Director

TOMASA H. LIPANA
Independent Director



Chairperson, Audit Committee
Member, Corporate Governance Committee

EDUCATION/EXPERIENCE

Tomasa H. Lipana is an independent director of SMIC. She is a former Chairperson and Senior Partner of Isla Lipana & Co., the Philippine member firm of PricewaterhouseCoopers. She is also an independent director and Audit Committee Chairperson of Flexo Manufacturing Corporation, and Trade and Investment Development Corporation of the Philippines (Philippine Guarantee Corporation, formerly Philippine Export Import Credit Agency), a government-owned and controlled corporation. Previously, she was an independent director of Goldilocks Bakeshop Inc., Inter-Asia Development Bank, and QBE Seaboard Insurance Philippines. She is a fellow and trustee of the Institute of Corporate Directors. She is also a trustee of the Shareholders' Association of the Philippines, Inc., among other non-profit organizations. Ms. Lipana took up Executive Education/Management Development Programs at Harvard Business School, University of Western Ontario, and Asian Institute of Management. She received the Outstanding CPA in the Public Practice Award from the Philippine Institute of Certified Public Accountants and the Outstanding Alumna Award from the University of the East where she graduated Cum Laude. She is also a CPA Board placer.

BOARD ATTENDANCE	100%; 9 of 9 meetings
DATE OF FIRST APPOINTMENT	April 2016
NO. OF YEARS ON THE BOARD	5 years
DIRECTORSHIP/S IN OTHER REPORTING COMPANIES	Currently no directorships in other reporting companies.

ROBERT G. VERGARA
Independent Director



Chairperson, Risk Management Committee
Member, Corporate Governance Committee
Member, Related Party Transactions Committee

EDUCATION/EXPERIENCE

Robert G. Vergara is an Independent Director of SMIC. He was recently appointed as an Independent Director of Metro Pacific Hospital Holdings, Inc. He is currently the President of Vergara Advisory Management, Inc. founded in May 2018. He also sits as an Independent Director of STI Holdings since July 27, 2017. From September 2010 to October 2016, he served as the President and General Manager and Vice-Chairman of the Board of Trustees of the Government Service Insurance System (GSIS). As President and General Manager of GSIS, Mr. Vergara also served as Vice Chairman and Director of National Reinsurance Corporation of the Philippines, Manila Hotel Corporation, and Member of the Board of Directors of Philippine Stock Exchange, Philippine Health Insurance Corporation, Philippine National Construction Corporation, and Housing and Urban Development Coordinating Council. Before that, he was the Managing Director and Founding Partner of Cannizaro (Hong Kong) Limited from October 2006 to September 2010. From 2002 to 2006, he was a Director of Lionhart (Hong Kong) Ltd. He was a Principal in Morgan Stanley Asia Ltd. from 1997-2001 and served as the Managing Director of IFM Asia Ltd. from 1990 to 1997. He obtained his Master in Business Administration from Harvard Graduate School of Business Administration. He graduated *magna cum laude* from Ateneo De Manila University with Bachelor of Science degrees in

	Management Engineering and Mathematics.
BOARD ATTENDANCE	100%; 9 of 9 meetings
DATE OF FIRST APPOINTMENT	April 2019
NO. OF YEARS ON THE BOARD	2 years
DIRECTORSHIP/S IN OTHER REPORTING COMPANIES	Metro Pacific Hospital Holdings, Inc. Independent Director

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

- Preliminary Information Statement
 Definitive Information Statement

2. Name of Registrant as specified in its charter: **SM INVESTMENTS CORPORATION**

3. Province, country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **0000016342**

5. BIR Tax Identification Code: **000-169-020-000**

6. Address of principal office: **10th Floor, One E-com Center, Harbor Drive
Mall of Asia Complex, Pasay City
Postal Code 1300**

7. Registrant's telephone number, including area code: **(632) 8857-0100 / fax (632) 8857-0132**

8. Date, time, and place of the meeting of security holders: **April 28, 2021, 2:30 p.m.
The meeting will be conducted
virtually and participation will
be via remote communication.
The Chairman of the meeting
shall call and preside the meeting
at the principal office of the
Corporation.**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **April 6, 2021**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the:

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common shares	1,204,582,867

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

Yes No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange

Common shares

PART I

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. BUSINESS AND GENERAL INFORMATION

ITEM 1. Date, Time, and Place of Meeting of Security Holders

- (a) Date : April 28, 2021
- Time : 2:30 p.m.
- Place : The meeting will be conducted virtually and participation will be via remote communication. The Chairman of the meeting shall call and preside the meeting at the principal office of the Corporation.
- Mailing Address of Registrant : **SM Investments Corporation**
10th Floor, One E-Com Center
Harbor Drive, Mall of Asia Complex
Pasay City 1300

- (b) The approximate date on which the Information Statement will be sent or given to the stockholders is on April 6, 2021.

Statement that proxies are not solicited

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND A PROXY.

Voting Securities

The record date for purposes of determining the stockholders entitled to vote is March 29, 2021. The total number of shares outstanding and entitled to vote in the stockholders' meeting is 1,204,582,867 shares. Stockholders are entitled to cumulative voting in the election of the board of directors, as provided by the Corporation Code.

ITEM 2. Dissenters' Right of Appraisal

SM Investments Corporation (SMIC or the "Company") respects the inherent rights of stockholders under the law. SMIC recognizes that all stockholders should be treated fairly and equally whether they be controlling, majority or minority, local or foreign.

Pursuant to Section 80 of the Revised Corporation Code of the Philippines, a stockholder has the right to dissent and demand payment of the fair value of his shares in the following instances:

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

Procedure:

The procedure for the exercise by a dissenting stockholder of his appraisal right is as follows:

- (a) A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right.
- (b) The dissenting stockholder shall make a written demand on the corporation within 30 days after the date on which the vote was taken for payment for the fair value of his shares. The failure of the stockholder to make the demand within the 30 day period shall be deemed a waiver on his appraisal right;
- (c) If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of corresponding certificate(s) of stock within 10 days after demanding payment for his shares (Sec. 85), the fair value thereof; and
- (d) Upon payment of the agreed or awarded price, the stockholder shall transfer his share to the corporation.

No matter will be presented for stockholders' approval during the stockholders' meeting that may occasion the exercise of the right of appraisal.

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

- (a) No director or officer of the Company since the beginning of the last fiscal year, nominee for election as director, or associate of the foregoing persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.
- (b) No director of the Company has informed in writing that he intends to oppose any action to be taken by the Company at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

ITEM 4. Voting Securities and Principal Holders Thereof

(a) Voting Securities

As of February 28, 2021, the total number of common shares outstanding and entitled to vote in the stockholders' meeting is 1,204,582,867 shares. Out of the aforesaid outstanding common shares, 416,777,263 shares or 34.60% are held by foreigners. Each share is entitled to notice of and to one vote at the Annual Stockholders' Meeting.

(b) Record Date

The record date for purposes of determining the stockholders entitled to notice and to vote is March 29, 2021.

(c) Voting Rights

Stockholders shall be entitled to vote in person or by proxy and, unless otherwise provided by law, he shall have one vote for each share of stock entitled to vote and recorded in his name in the books of the Corporation. At all meetings of the stockholders, all elections and all questions shall be decided by the plurality of vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present, except in cases where other provision is made statute. Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, and entitled to vote thereat, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the

stockholder voting, or in his name by proxy if there be by proxy, and shall state the number of shares voted by him.

Stockholders may nominate directors in person and vote for nominees in person or by proxy.

Provided however, that in the election of Directors, each stockholder shall be entitled to cumulate his votes in the manner prescribed by Title III, Section 23 of the Revised Corporation Code of the Philippines.

In light of the community quarantines imposed over various areas of the country and to ensure the safety and welfare of stockholders and everyone involved, this year's Annual Stockholders' Meeting will be conducted virtually on a livestreaming accessible to registered stockholders, the details of which can be found in www.sminvestments.com/asm2021. The Company will record the video of the proceedings and maintain a copy with the office of the Corporate Secretary.

For this year's Annual Stockholders' Meeting, SMIC will be allowing stockholders to participate in the meeting via remote communication and to vote *in absentia*.

Stockholders as of Record Date must inform the Corporate Secretary of their intention to participate in the meeting via remote communication and to vote *in absentia* by registering at asmregistration.sminvestment.com on or before **April 19, 2021 (Monday)**, subject to the verification and validation by the Corporate Secretary. Stockholders who will participate through remote communication or *in absentia* shall be deemed present for purposes of quorum for the meeting. Voting will be made through a secure online voting facility accessible only to verified stockholders to protect the integrity and secrecy of votes cast.

The detailed guidelines for participation and voting for this meeting are set forth in the "Guidelines for Participation via Remote Communication and Voting in Absentia" appended to this Information Statement.

Voting procedures are further detailed in Item 19.

(d) Security Ownership of Certain Record and Beneficial Owners as of February 28, 2021

As of February 28, 2021, the following are the owners of the Company's common stock in excess of 5% of total outstanding shares:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (%)
Common	Teresita T. Sy (Director and Vice Chairperson) Forbes Park, Makati City	Same as the Record Owner	Filipino	85,781,495	7.12%
-do-	Henry T. Sy, Jr. (Director and Vice Chairman) Forbes Park, Makati City	Same as the Record Owner	Filipino	76,843,995	6.38%
-do-	Harley T. Sy (Executive Director) Forbes Park, Makati City	Same as the Record Owner	Filipino	87,945,758	7.30%
-do-	Hans T. Sy (Stockholder of Issuer) Forbes Park, Makati City	Same as the Record Owner	Filipino	99,110,123	8.23%

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (%)
-do-	Herbert T. Sy (Stockholder of Issuer) Forbes Park, Makati City	Same as the Record Owner	Filipino	99,093,995	8.23%
-do-	Elizabeth T. Sy (Stockholder of Issuer) Forbes Park, Makati City	Same as the Record Owner	Filipino	71,363,804	5.92%
-do-	PCD Nominee Corp. (Filipino)	Various clients ¹	Filipino	128,705,884	10.68%
-do-	PCD Nominee Corp. (Non-Filipino)	Various clients ¹	Foreign	416,563,114	34.58%

(1) The Company has no information as to the beneficial owners of the shares of stocks held by PCD Nominee Corp. The clients of PCD Nominee Corp. have the power to decide how their shares are to be voted.

Security Ownership of Management as of February 28, 2021

Title of Securities	Name of Beneficial Owner of Common Stock	Amount and Nature of Beneficial Ownership (D) direct / (I) indirect	Citizenship	Percent of Class
Common	Teresita T. Sy	P857,814,950 D	Filipino	7.12%
Common	Henry T. Sy, Jr.	768,439,950 D	Filipino	6.38%
Common	Harley T. Sy	879,457,580 D	Filipino	7.30%
Common	Jose T. Sio	210 D	Filipino	0.00%
Common	Frederic C. DyBuncio	100 D	Filipino	0.00%
Common	Tomasa H. Lipana	1,500 D	Filipino	0.00%
Common	Alfredo E. Pascual	100 D	Filipino	0.00%
Common	Robert G. Vergara	1,000 D	Filipino	0.00%
Common	Marcelo C. Fernando, Jr.	0	Filipino	0.00%
Common	Elizabeth Anne C. Uychaco	0	Filipino	0.00%
Common	Franklin C. Gomez	45,000 D	Filipino	0.00%
Common	Wellington L. Palmero	0	Filipino	0.00%
Common	Hector B. Sarmiento	0	Filipino	0.00%
Common	Anastacio C. Balubar II	0	Filipino	0.00%
Common	Arthur A. Sy	0	Filipino	0.00%
Common	Elmer B. Serrano	0	Filipino	0.00%
		P2,505,760,390		20.80%

There are no persons holding more than 5% of a class under a voting trust or any similar agreements as of balance sheet date.

(a) Change in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

There are no existing or planned stock warrant offerings. There are no arrangements which may result in a change in control of the Company.

ITEM 5. Directors and Executive Officers of the Registrant

(a) The incumbent Directors and Executive Officers of the Company are as follows:

<u>Officers</u>	<u>Name</u>	<u>Age</u>	<u>Citizenship</u>
Chairman	Jose T. Sio	81	Filipino
Vice Chairperson	Teresita T. Sy	70	Filipino
Vice Chairman	Henry T. Sy, Jr.	67	Filipino
President & Chief Executive Officer	Frederic C. DyBuncio	61	Filipino
Executive Director	Harley T. Sy	61	Filipino
Lead Independent Director	Alfredo E. Pascual	72	Filipino
Independent Director	Tomasa H. Lipana	72	Filipino
Independent Director	Robert G. Vergara	60	Filipino
Treasurer and Senior Vice President - Group Treasury	Marcelo C. Fernando, Jr.	60	Filipino
Senior Vice President - Corporate Services	Elizabeth Anne C. Uychaco	65	Filipino
Senior Vice President - Finance	Franklin C. Gomez	51	Filipino
Senior Vice President - Legal and Assistant Corporate Secretary	Arthur A. Sy	51	Filipino
Chief Risk & Compliance Officer and Senior Vice President	Wellington Palmero	60	Filipino
Senior Vice President - Property Acquisition	Epitacio B. Borcelis, Jr.	67	Filipino
Senior Vice President - Data Analytics	Hector B. Sarmiento	49	Filipino
Vice President - Internal Audit	Anastacio C. Balubar II	50	Filipino
Corporate Secretary	Elmer B. Serrano	53	Filipino

MANAGEMENT

Board of Directors

The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next annual meeting and until their respective successors are appointed or elected and qualified.

The following are the business experience/s of the Company's incumbent Directors during the last five years:

Jose T. Sio is the Chairman of the Board of SMIC. He is also a Director of China Banking Corporation, Belle Corporation, Atlas Consolidated Mining and Development Corporation, NLEX Corporation, and Ortigas Land Corporation, Independent Trustee of Far Eastern University, Incorporated, and Adviser to the Board of Directors of BDO Unibank, Inc. and Premium Leisure Corporation. Mr. Sio holds a master's degree in Business Administration (MBA) from New York University, is a certified public accountant, and is a former Senior Partner of SyCip Gorres Velayo & Co. (SGV). He was voted CFO of the Year in 2009 by the Financial Executives of the Philippines. He was also awarded as Best CFO (Philippines) in various years by several Hong Kong-based publications.

Teresita T. Sy is the Vice Chairperson of SMIC and Adviser to the Board of SM Prime Holdings, Inc. She also sits as Chairperson of SM Retail Inc. She also holds board positions in several companies within the SM Group. She is also the Chairperson of BDO Unibank, Inc. (“BDO”) and serves as the Chairperson and/or Director of various subsidiaries and affiliates of BDO such as BDO Private Bank, Inc. and BDO Foundation, Inc. She also serves as Adviser to the Board of One Network Bank, Inc. (A Rural Bank of BDO). A graduate of Assumption College with a Bachelor of Arts and Science degree in Commerce major in Management, she brings to the board her diverse expertise in retail merchandising, mall and real estate development, and banking and finance.

Henry T. Sy, Jr. is the Vice Chairman of SMIC and Chairman of SM Prime Holdings, Inc. He is also the Chairman and Chief Executive Officer of SM Development Corporation and Vice Chairman of National Grid Corporation of the Philippines. He is responsible for the real estate acquisitions and development activities of the SM Group which include the identification, evaluation, and negotiation for potential sites as well as the input of design ideas. He graduated with a Management degree from De La Salle University.

Frederic C. DyBuncio is the President and Chief Executive Officer of SMIC and 2GO Group, Inc. He is the Vice Chairman of the Board of Atlas Consolidated Mining and Development Corporation. Prior to holding the post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong, and Manila. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and finished a Master’s degree in Business Administration program at the Asian Institute of Management.

Harley T. Sy is the Executive Director of SMIC. He is a Director of China Banking Corporation and other companies within the SM Group, and Adviser to the Board of Directors of BDO Private Bank. He is the Co-Vice Chairman and Treasurer of SM Retail Inc. He holds a degree in Bachelor of Science in Commerce, Major in Finance from De La Salle University.

Alfredo E. Pascual* is the Lead Independent Director of SMIC. He was the President and CEO of the Institute of Corporate Directors (ICD) in 2018 & 2019. From 2011 to 2017, he led the University of the Philippines (UP) System as President, CEO, and Board Co-Chair. Before UP, Mr. Pascual worked at the Asian Development Bank (ADB) for 19 years in several positions, including Director for Private Sector Operations, Director for Infrastructure Finance, and Advisor for Public-Private Partnership. He was based mainly in ADB’s Manila headquarters but had postings in India and Indonesia. He also served on the board of ADB’s investee companies in China, India, and the Philippines. Earlier on, he took an educator role for a decade as a finance professor at the Asian Institute of Management. Currently, Mr. Pascual is an independent director at other publicly-listed companies (Megawide Construction Corporation, Asiabest Group International Inc., and Concepcion Industrial Corporation). He holds board seats at several non-profit organizations (Management Association of the Philippines, FINEX Academy, SharePHIL, ICD, Institute for Solidarity in Asia, UP Foundation, US-Philippines Society). He is the President of the global Association of Former Employees of ADB, a board adviser at the Philippine Institute for Development Studies, and a special adviser at UP. He finished his MBA and BS in Chemistry (cum laude) from UP.

Tomasa H. Lipana* is an independent director of SMIC. She is a former Chairperson and Senior Partner of Isla Lipana & Co., the Philippine member firm of PricewaterhouseCoopers. She is also an independent director and Audit Committee Chairperson of Flexo Manufacturing Corporation, and Trade and Investment Development Corporation of the Philippines (Philippine Guarantee Corporation, formerly Philippine Export Import Credit Agency), a

government-owned and controlled corporation. Previously, she was an independent director of Goldilocks Bakeshop Inc., Inter-Asia Development Bank, and QBE Seaboard Insurance Philippines. She is a fellow and trustee of the Institute of Corporate Directors. She is also a trustee of the Shareholders' Association of the Philippines, Inc., among other non-profit organizations. Ms. Lipana took up Executive Education/Management Development Programs at Harvard Business School, University of Western Ontario, and Asian Institute of Management. She received the Outstanding CPA in the Public Practice Award from the Philippine Institute of Certified Public Accountants and the Outstanding Alumna Award from the University of the East where she graduated Cum Laude. She is also a CPA Board placer.

Robert G. Vergara* is an Independent Director of SMIC. He was recently appointed as an Independent Director of Metro Pacific Hospital Holdings, Inc. . He is currently the President of Vergara Advisory Management, Inc. founded in May 2018. He also sits as an Independent Director of STI Holdings since July 27, 2017. From September 2010 to October 2016, he served as the President and General Manager and Vice-Chairman of the Board of Trustees of the Government Service Insurance System (GSIS). As President and General Manager of GSIS, Mr. Vergara also served as Vice Chairman and Director of National Reinsurance Corporation of the Philippines, Manila Hotel Corporation, and Member of the Board of Directors of Philippine Stock Exchange, Philippine Health Insurance Corporation, Philippine National Construction Corporation, and Housing and Urban Development Coordinating Council. Before that, he was the Managing Director and Founding Partner of Cannizaro (Hong Kong) Limited from October 2006 to September 2010. From 2002 to 2006, he was a Director of Lionhart (Hong Kong) Ltd. He was a Principal in Morgan Stanley Asia Ltd. from 1997-2001 and served as the Managing Director of IFM Asia Ltd. from 1990 to 1997. He obtained his Master in Business Administration from Harvard Graduate School of Business Administration. He graduated *magna cum laude* from Ateneo De Manila University with Bachelor of Science degrees in Management Engineering and Mathematics.

** Independent director – the Company has complied with the Guidelines set forth by SRC (Securities Regulation Code) Rule 38 regarding the Nomination and Election of Independent Director. The Company's By-Laws incorporate the procedures for the nomination and election of independent director/s in accordance with the requirements of the said Rule.*

Period of Directorship

<u>Name</u>	<u>Period Served</u>
Jose T. Sio	2005 to present
Teresita T. Sy	1979 to present
Henry T. Sy, Jr.	1979 to present
Frederic C. DyBuncio	2017 to present
Harley T. Sy	1993 to present
Alfredo E. Pascual	2017 to present
Tomas H. Lipana	2016 to present
Robert G. Vergara	2019 to present

Directorships in Other Reporting Companies

The following are directorships held by Directors in other reporting companies during the last five years:

<u>Name of Director</u>	<u>Name of Reporting Company</u>	<u>Position Held</u>
Jose T. Sio	Belle Corporation	Director
	China Banking Corporation	Director
	Atlas Consolidated Mining and Development Corporation	Director
	Far Eastern University, Incorporated	Independent Trustee

<u>Name of Director</u>	<u>Name of Reporting Company</u>	<u>Position Held</u>
Teresita T. Sy	BDO Unibank, Inc.	Chairperson
Henry T. Sy, Jr.	SM Prime Holdings, Inc.	Chairman
Frederic C. DyBuncio	2GO Group, Inc. Atlas Consolidated Mining and Development Corporation	President/CEO/Director Vice Chairman
Harley T. Sy	China Banking Corporation	Director
Alfredo E. Pascual	Megawide Construction Corporation Asiabest Group International Inc. Concepcion Industrial Corporation	Independent Director Independent Director Independent Director
Robert G. Vergara	Metro Pacific Hospital Holdings, Inc.	Independent Director

Attendance in Board Meetings

Below is the attendance of the Directors for the meetings held as of December 2020:

Director	Jan. 22	Feb. 28	Apr. 7	May 5	May 21	June 24	June 26	July 13	Aug. 5	Nov. 4	%
	Special	Regular	Special	Special	Regular	Regular / Organiza- tional	Special	Special	Regular	Regular	
Jose T. Sio	√	√	√	√	√	√	√	√	√	√	100
Teresita T. Sy	√	√	√	√	√	√	√	√	√	√	100
Henry T. Sy, Jr.	√	√	√	√	√	√	√	√	√	√	100
Harley T. Sy	√	√	√	√	√	√	√	√	√	√	100
Frederic C. DyBuncio	√	√	√	√	√	√	√	√	√	√	100
Tomasa H. Lipana	√	√	√	√	√	√	√	√	√	√	100
Alfredo E. Pascual	√	√	√	√	√	√	√	√	√	√	100
Robert G. Vergara	√	√	√	√	√	√	√	√	√	√	100

Nomination of Directors

The Corporate Governance Committee created by the Board under its Corporate Governance Manual has reviewed the credentials of, and qualified the following for election to the Board of Directors at the forthcoming Annual Stockholders' Meeting:

1. Jose T. Sio
2. Teresita T. Sy
3. Henry T. Sy, Jr.
4. Frederic C. DyBuncio
5. Harley T. Sy

6. Tomasa H. Lipana (Independent Director)
7. Alfredo E. Pascual (Independent Director)
8. Robert G. Vergara (Independent Director)

Tony Ong King nominated to the Board, for inclusion in the Final List of Candidates for Independent Director, the following stockholders:

1. Tomasa H. Lipana
2. Alfredo E. Pascual
3. Robert G. Vergara

Tony Ong King, Tomasa H. Lipana, Alfredo E. Pascual, and Robert G. Vergara *are* not related either by consanguinity or affinity, nor has any other professional / business dealings with each other.

The Company has complied with the Guidelines set forth by SRC Rule 38 regarding the Nomination and Election of Independent Director. The same provision has been incorporated in the Amended By-Laws of the Company last April 27, 2006.

The Directors of the Company are elected at the Annual Stockholders' Meeting to hold office until the next annual meeting and until their respective successors are appointed or elected and qualified. The abovementioned nominated persons will be presented to the Company's shareholders for election at the annual stockholders' meeting. The nominated individuals possess all the qualifications and none of the disqualifications provided in the SRC and its Implementing Rules and Regulations. Further, no director has resigned or declined to stand for re-election to the Board of Directors since the date of the last Annual Shareholders' Meeting because of a disagreement with the Company on any matter relating to its operations, policies or practices.

The procedure for nomination of directors shall be as follows:

- Nomination of all directors shall be reviewed and qualified by the Corporate Governance Committee prior to the stockholders' meeting.
- The Corporate Governance Committee shall prepare a Final List of Candidates from those who have passed the Guidelines, Screening Policies and Parameters for nomination of Independent Directors and which list shall contain all the information about these nominees.
- Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director. No other nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
- In case of resignation, disqualification or cessation of Independent Directorship and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Corporate Governance Committee otherwise, said vacancies shall be filled by stockholders in a regular or special meeting called for that purpose. An Independent Director so elected to fill a vacancy shall serve only for the unexpired term of his or her predecessor in office.

- The Corporate Governance Committee is composed of the following members, all of whom are Independent Directors:

1. Alfredo E. Pascual - Chairman (Independent Director)
2. Tomasa H. Lipana - Member (Independent Director)
3. Robert G. Vergara - Member (Independent Director)

Below is the attendance of the members for the Committee meetings held as of December 2020:

	February 28	March 16	August 5
Alfredo E. Pascual	√	√	√
Tomasa H. Lipana	√	√	√
Robert G. Vergara	√	√	√

All new directors undergo an orientation program soon after date of election. This is intended to familiarize the new directors on their statutory/fiduciary roles and responsibilities in the Board and its Committees, SMIC's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Business Conduct and Ethics, Personal Trading Policy, and Corporate Governance Manual.

All directors are also encouraged to participate in continuing education programs at SMIC's expense to promote relevance and effectivity and to keep them abreast of the latest developments in corporate directorship and good governance.

Officers

Marcelo C. Fernando, Jr. is the Treasurer and Senior Vice President for Group Treasury of SMIC from July 2015. Prior to joining the company, he spent a combined 31 years in the banking industry, 29 of them with Citibank, N.A. His banking experience was mainly in the Markets business which was involved in the sales, trading and structuring of currencies, fixed income, money markets and commodities products and their derivatives. He was also responsible for liquidity management and balance sheet funding and gapping activities as Country Treasurer in the Philippines and during his posting in Thailand. Mr. Fernando also had regional responsibilities as Citibank's Markets Head for the ASEAN cluster which covered Indonesia, Malaysia, Philippines, Thailand and Vietnam. He obtained his Bachelor of Arts Degree in Economics from the University of the Philippines, Diliman (Cum Laude), and graduated with Distinction from the Masters in Business Management program of the Asian Institute of Management. Mr. Fernando is a fellow of the Institute of Corporate Directors.

Elizabeth Anne C. Uychaco is the Senior Vice President, Corporate Services, of SMIC. She is currently Board Director and Vice Chairperson of Belle Corporation and Chairperson of The Neo Group. She is likewise a Board Director of Goldilocks Bakeshop, Inc., ACE Hardware Philippines, Inc., Philippines Urban Living Solutions Inc., and Republic Glass Holdings Corporation. She is also a Board Trustee of Asia Pacific College and Board Trustee and President of Senior Member Social Club. Ms. Uychaco graduated from St. Scholastica's College with a Bachelor of Arts Degree. She obtained a Master's Degree in Business Economics from the University of Asia and Pacific and a Master's Degree in Business Administration from Ateneo Graduate School of Business.

Franklin C. Gomez is the Senior Vice President for Finance of SMIC. Prior to joining SMIC in 2013, he spent over 20 years at Unilever where he held several senior positions, his last being Finance Director and Chief Financial Officer of Unilever Indonesia since May 2009. His previous senior posts in the same company include Chief Financial Officer at Unilever Philippines; Innovation and Learning Director at the Finance Excellence Centre in London;

and Finance Director of Selecta Wall's Ice Cream, Philippines. Mr. Gomez holds a Bachelor of Arts Degree in Economics and Bachelor of Science Degree in Commerce Major in Accountancy from De La Salle University Manila.

Cecilia Reyes-Patricio was the Senior Vice President, Corporate Tax Services of SMIC. Prior to joining SMIC in 1988, she was a financial and tax auditor at SyCip, Gorres, Velayo & Co. She holds a Master of Science Degree (with highest honors) in Commerce, Major in Taxation, from the Manuel Luis Quezon University. A Certified Public Accountant, she graduated Magna Cum Laude with a Bachelor of Science Degree in Business Administration from the University of the East. She has retired from SMIC with effect from January 1, 2021.

Wellington Palmero is the Senior Vice President and Chief Risk & Compliance Officer of SMIC. Prior to joining SMIC, he was the Head of Citibank Compliance Service Center. He has also worked in several financial institutions and spent most of his working career with Goldman Sachs Hong Kong and New York. Mr. Palmero holds a Master's Degree in Business Administration from the University of Western Ontario.

Epitacio B. Borcelis, Jr. is the Senior Vice President for Property Acquisition of SMIC. He has served as Corporate Counsel and is currently the Corporate Secretary of various companies under SM Group of Companies. He has worked with the SM Group for over forty-one (41) years and has varied experience in litigations, corporate housekeeping and property acquisitions. He is also a director of SM Development Corporation and other companies under the SM Group. He holds a Bachelor of Laws degree from the University of the East and a member of the Integrated Bar of the Philippines.

Hector B. Sarmiento is the Senior Vice President for Data Analytics in SMIC. Prior to joining SMIC he was Senior Vice President for Analytics and CRM for HSBC Philippines for 6.5 years, this included a regional assignment leading the HSBC Global Analytics Centre in Guangzhou, China for 2.5 years. Prior to HSBC, Mr. Sarmiento was Vice President for Decision Management in Citibank Philippines for 8.5 years. Before his banking experience he was in the Market Research industry for 5 years as the Director for Statistical Services for a local Philippine firm (Philippine Survey and Research Center or PSRC). Mr. Sarmiento obtained his Bachelor of Science Degree in Mathematics from the University of the Philippines, Diliman (Magna Cum Laude) and has a Master's Degree in Operations Research (minor in Statistics) from Oregon State University.

Anastacio C. Balubar II is the Vice President for Internal Audit of SMIC. He is a Certified Public Accountant with 29 years of international and multi-cultural audit experience, having worked in the Philippines and Dubai, UAE with various large conglomerates involved in key sectors such as airline, real estate/property development, hospitality and leisure, shopping malls, and retail amongst others. He managed overseas audit assignments in Asia, UK, USA, and Middle East. As a seasoned audit professional, he considers himself a catalyst for change and advocates transparent leadership, strong corporate governance, and business excellence. He graduated from Pamantasan ng Lungsod ng Maynila (University of the City of Manila) with a Bachelor's Degree in Business Administration, Major in Accounting and obtained key certifications in various audit subjects as well as leadership and management masterclass.

Elmer B. Serrano is the Corporate Secretary of SMIC since November 2014. He is a practicing lawyer specializing in Mergers & Acquisitions, Capital Markets and Banking and Finance. In 2020, he was named Asia Best Lawyer by the International Financial Law Review (IFLR). He is also consistently ranked as a leading lawyer by the Legal500 Asia Pacific and IFLR1000. Mr. Serrano is a director of 2GO Group, Inc. He is also the Corporate Secretary of Premium Leisure Corp., Crown Equities, Inc., as well as various subsidiaries of BDO Unibank, and also serves as the Corporate Information Officer of BDO Unibank and BDO Leasing and Finance, Inc. He is also Corporate Secretary of, and counsel to, prominent banking industry associations and companies such as the Bankers Association of the

Philippines and PDS Group. Mr. Serrano is a Certified Associate Treasury Professional (2017) and was among the top graduates of the Trust Institute of the Philippines in 2001. Mr. Serrano holds a Juris Doctor degree from the Ateneo Law School and a BS Legal Management degree from Ateneo de Manila University.

Arthur A. Sy is the Assistant Corporate Secretary and Senior Vice President for Legal Department of SMIC. He is likewise the Assistant Corporate Secretary of SM Prime Holdings, Inc., Belle Corporation, Premium Leisure Corp., and 2GO Group, Inc. Further, he is currently the Corporate Secretary of various major companies within the SM Group of Companies and is also the Corporate Secretary of National University. Admitted to practice in the Philippines and the State of New York, Atty. Sy holds a Bachelor of Arts degree in Philosophy from the University of Santo Tomas and a Juris Doctor degree from Ateneo de Manila University, School of Law.

Period of Officership

<u>Name</u>	<u>Office</u>	<u>Period Served</u>
Frederic C. DyBuncio	President and Chief Executive Officer	2017 to present
Marcelo C. Fernando, Jr.	Treasurer	2015 to present
	Senior Vice President - Group Treasury	2015 to December 31, 2020
Elizabeth Anne C. Uychaco	Senior Vice President - Corporate Services	2009 to present
Franklin C. Gomez	Senior Vice President - Finance	2013 to present
Cecilia Reyes-Patricio	Senior Vice President - Corporate Tax Services	2010 to December 31, 2020
Wellington Palmero	Chief Risk & Compliance Officer and Senior Vice President	2017 to present
Epitacio B. Borcelis, Jr.	Senior Vice President - Property Acquisition	2018 to present
Hector Sarmiento	Senior Vice President - Data Analytics	2018 to present
Anastacio C. Balubar II	Vice President – Internal Audit	2017 to present
Arthur A. Sy	Assistant Corporate Secretary and Senior Vice President - Legal	2017 to present
Elmer B. Serrano	Corporate Secretary	2014 to present

Directorships in Other Reporting Companies

The following are directorships held by an Officer in other reporting companies during the last five years:

<u>Name of Director</u>	<u>Name of Reporting Company</u>	<u>Position Held</u>
Elizabeth Anne C. Uychaco	Belle Corporation	Vice Chairperson/Director
	Republic Glass Holdings Corporation	Director

Nomination of Officers:

Incoming officers will be appointed at the organizational meeting to be held immediately after the Annual Stockholders' Meeting.

(b) Significant Employees

The Company has no employee who is not an executive officer but is expected to make a significant contribution to the business.

(c) Family Relationships

Teresita T. Sy, Elizabeth T. Sy, Henry T. Sy, Jr., Hans T. Sy, Herbert T. Sy, and Harley T. Sy are siblings. All other directors and officers are not related either by consanguinity or affinity. There are no other family relationships known to the registrant other than the ones disclosed herein.

(d) Certain Relationships and Related Transactions

There are no known related party transactions other than those described in Note 21 (Related Party Transactions) of the Notes to the Consolidated Financial Statements incorporated herein by reference.

The members of the Related Party Transactions Committee are:

1. Alfredo E. Pascual - Chairman (Independent Director)
2. Robert G. Vergara - Member (Independent Director)
3. Jose T. Sio - Member

Below is the attendance of the members for the Committee meeting held as of December 2020:

	November 4
Alfredo E. Pascual	√
Robert G. Vergara	√
Jose T. Sio	√

(e) Involvement in Legal Proceedings

The Company is not aware of any of the following events having occurred during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as Director, executive officer, underwriter or controlling person of the Company:

- (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (2) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- (4) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.
- (5) a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Further, the Company is not involved in or aware of any material legal proceedings that may significantly affect the Company, or any of its subsidiaries or affiliates.

ITEM 6. Compensation of Directors and Executive Officers

(a) Executive compensation

The aggregate compensation paid or incurred during the last two fiscal years and estimated to be paid in the ensuing fiscal year to the Chief Executive Officer and executive officers of the Company are as follows:

Name and Position

1. Harley T. Sy
Executive Director*
2. Frederic C. DyBuncio
President and Chief Executive Officer*
3. Elizabeth Anne C. Uychaco
Senior Vice President - Corporate Services*
4. Franklin C. Gomez
Senior Vice President - Finance*
5. Marcelo C. Fernando, Jr.
Treasurer and Senior Vice President - Group Treasury*

Summary Compensation Table (in million pesos)

	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Other Annual Compensation</u>
* President and four Most Highly Compensated Executive Officers	2021 (estimate)	132	22	-
	2020	132	22	-
	2019	124	21	5
All other Officers and Directors as a group	2021 (estimate)	353	61	-
	2020	413	72	-
Unnamed	2019	368	54	15

b) Compensation of Directors

Board Remuneration

Each members of the Board of Directors received the following remuneration as Directors for the year 2020:

<u>Name</u>	<u>Total (PHP)</u>
1. Jose T. Sio	5,000,000.00
2. Teresita T. Sy	5,000,000.00
3. Henry T. Sy Jr.	5,000,000.00
4. Harley T. Sy	5,000,000.00
5. Frederic C. DyBuncio	5,000,000.00
6. Tomasa H. Lipana	5,000,000.00
7. Alfredo E. Pascual	5,000,000.00
8. Roberto G. Vergara	5,000,000.00

Terms and Conditions of Appointment

The above-named executive officers have their respective letters of appointment indicating their job descriptions, functions, and obligations, among others.

Board Evaluation and Assessment

To ensure optimum Board performance, the Company conducts annual performance evaluations of the Board of Directors, its individual members and Board Committees. Through the evaluation process, directors identify areas for improvement, such as:

1. The quality and timeliness of information provided to them;
2. The frequency and conduct of regular, special or committee meetings;
3. Directors' access to Management, the Corporate Secretary and Board Advisors;
4. Other forms of assistance that they may need in the performance of their duties; and,
5. Identify areas of continuing education on corporate governance topics they require.

Criteria for Board and Management Ratings are as follows:

1. Collective Board Rating – relates to:
 - Board Overall Composition – whether the Board is balance and have diversity, knowledge and competencies, qualification, background and experience
 - Board Efficiency and Importance – their overall performance, decision making, discussion on short and long term goals, business strategy and plans, risk handling, follow ups of business plans, strategy, plans and budgets, promotion of good governance principles, policies and mechanisms
 - Board Meetings and Participation
2. Board Committees Rating – relates to how the Committee members and Management rate the performance of the following Committees for the past year:
 - Audit Committee
 - Compensation Committee
 - Corporate Governance Committee
 - Related Party Transaction Committee
 - Risk Management Committee
3. Individual Directors' Self-rating – relates to how the Directors assess their independence, participation and expertise
4. Officers Rating – relates to how well the following officer demonstrates leadership, integrity, diligence and adherence to corporate governance principles and practices:
 - Chairman of the Board,
 - President/CEO,
 - Chief Audit Executive,
 - Chief Compliance Officer,
 - Chief Risk Officer.
5. Overall Comments and Suggestions

Retirement Plan

In compliance with Republic Act 7641, amending Article 301 of the Labor Code, the Company has established a private retirement benefit plan for all its regular employees with benefits such as early retirement pay upon reaching the age of 50 years with at least 10 years of service, regular retirement pay upon reaching the age of 60 years or more with 5 years of service, and such other benefits as contained in the Retirement Plan of the Company.

Except as provided in the plan described above, there are no other agreements or arrangements pursuant to which officers and directors of the Company may be entitled to receive any cash or non-cash compensation, or any benefits or payments in case of termination of employment or a change in control of the Company.

Options, Warrants or Rights to Purchase Securities

There are no outstanding warrants or options held by directors and officers. There are no actions to be taken with regard to election, any bonus or profit-sharing, change in pension/retirement plan, granting of or extension of any options, warrants or rights to purchase any securities.

The members of the Compensation Committee are:

1. Teresita T. Sy - Chairperson
2. Alfredo E. Pascual - Member (Independent Director)
3. Jose T. Sio - Member

Below is the attendance of the members for the Committee meetings held as of December 2020:

	August 5	November 4
Teresita T. Sy-Coson	√	√
Alfredo E. Pascual	√	√
Jose T. Sio	√	√

ITEM 7. Independent Public Accountants, External Audit Fees and Services

Sycip, Gorres, Velayo & Company (**SGV & Co.**) is the external auditor for the current year. The same external auditor will be recommended for re-appointment at the scheduled stockholders' meeting. Representatives of the said firm are expected to be present at the stockholders' meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Pursuant to SRC Rule 68, Paragraph 3 (b) (iv) and (ix) (Rotation of External Auditors) which states that the signing partner shall be rotated after every five (5) years of engagement with a two-year cooling off period for the re-engagement of the same signing partner, the Company engaged Ms. Julie Christine O. Mateo of SGV & Co. for the examination of the Company's financial statements starting 2016. Previously, the Company engaged Ms. Belinda Beng Hui, Mr. Ramon D. Dizon, Ms. Melinda G. Manto, and Mr. Joel M. Sebastian of SGV & Co. for the examination of the Company's financial statements from 2013 to 2015, 2008 to 2012, 2006 to 2007, and 2001 to 2005, respectively. Ms. Belinda Beng Hui was also another key audit partner (**OKAP**) of the Company for 7 years until 2015 for her involvement as an engagement partner in significant subsidiaries of the Company. In compliance with the local Code of Ethics which is based on the International Ethics Standards Board for Accountants Code of Ethics, an OKAP has to be rotated off after serving in that role for 7 years.

The fees of SGV & Co. for the audit of SMIC Parent Company's annual financial statements in connection with the statutory and regulatory filings for the years ended December 31, 2020 and 2019 amounted to ₱2.4 million. Services rendered include the audit of yearend financial statements and supplementary schedules for submission to SEC and assistance in the preparation of annual income tax returns. The professional fees for non-audit services rendered by SGV & Co. on behalf of other Group companies amounted to ₱0.9 million in 2020 and ₱2.6 million in 2019.

The Audit Committee recommended to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. The Board of Directors and stockholders approved the Committee's recommendation.

The members of the Audit Committee are:

1. Tomasa H. Lipana - Chairman (Independent Director)
2. Alfredo E. Pascual - Member (Independent Director)
3. Jose T. Sio - Member

Below is the attendance of the members for the Committee meetings held as of December 2020:

	February 28	May 21	June 26	August 5	November 4	December 17
Tomasa H. Lipana	√	√	√	√	√	√
Alfredo E. Pascual	√	√	√	√	√	√
Jose T. Sio	√	√	√	√	√	√

The members of the Risk Management Committee are:

1. Robert G. Vergara - Chairman (Independent Director)
2. Alfredo E. Pascual - Member (Independent Director)
3. Jose T. Sio - Member

Below is the attendance of the members for the Committee meetings held as of December 2020:

	August 5	November 4
Robert G. Vergara	√	√
Alfredo E. Pascual	√	√
Jose T. Sio	√	√

ITEM 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

ITEM 9. Authorization or Issuance of Securities Other than for Exchange

No action will be presented for stockholders' approval at this year's annual meeting which involves authorization or issuance of any securities.

ITEM 10. Modification or Exchange of Securities

No action will be presented for stockholders' approval at this year's annual meeting which involves the modification of any class of SMIC's securities, or the issuance of one class of SMIC's securities in exchange for outstanding securities of another class.

ITEM 11. Financial and Other Information

The Management Report and Audited Financial Statements of SMIC are incorporated herein by reference.

Representatives of SMIC's external auditor, SGV & Co., will be present at the annual meeting, and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from the stockholders. SMIC has had no material disagreement with SGV & Co. on any matter of accounting principle or practices or disclosures in SMIC's financial statements.

ITEM 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action will be presented for stockholders' approval at this year's annual meeting in respect of (1) the merger or consolidation of SMIC into or with any other person, or of any other person into or with SMIC, (2) acquisition by SMIC or any of its stockholders of securities of another person, (3) acquisition by SMIC of any other going business or of the assets thereof, (4) the sale or transfer of all or any substantial part of the assets of SMIC, or (5) liquidation or dissolution of SMIC.

ITEM 13. Acquisition or Disposition of Property

The Company and its subsidiaries purchased and sold parcels of land in the normal course of their business.

No action will be presented for stockholders' approval at this year's annual meeting in respect of any acquisition or disposition of property of SMIC.

ITEM 14. Restatement of Accounts

No action will be presented for stockholders' approval at this year's annual meeting which involves the restatement of any of SMIC's assets, capital or surplus account.

D. OTHER MATTERS

ITEM 15. Action with Respect to Reports

There is no action to be taken with respect to any report of SMIC or of its directors, officers, or committees, except for the approval of the minutes of the previous annual meeting of SMIC.

The following matters with respect to minutes of the stockholders' meeting of the Company and resolutions adopted by its Board of Directors will be presented for approval during the stockholders' meeting:

- a) Minutes of the annual meeting of stockholders held on June 24, 2020, appended to this Information Statement as **Annex "A"**. These minutes fully reflect the proceedings during the meeting, including:
 - 1) a description of the voting and vote tabulation procedures used in the previous meeting, including the engagement and presence of external auditor SGV & Co., which was especially engaged as third-party validator for the meeting;
 - 2) a description of the opportunity given to stockholders to ask questions and a record of the questions asked and answers given; and
 - 3) the list of directors and officers and a description of stockholders who participated in the meeting, certified duly certified to by the Corporate

Secretary, verified by the Company's Stock Transfer Agent, BDO Stock Transfer, and validated by SGV & Co.

These minutes were posted in the Company's website within twenty-four (24) hours from adjournment of the meeting. The office of the Corporate Secretary has in its custody the full list and names of stockholders who participated in meeting.

- b) General approval and ratification of the acts of the Board of Directors, its Committees, and the Management during their term of office commencing from the date of the last annual stockholders' meeting up to the date of this year's meeting.

These are covered by Resolutions of the Board of Directors and were entered into or made in the ordinary course of business, the significant acts or transactions which are covered by appropriate disclosures with the Securities and Exchange Commission and Philippine Stock Exchange, Inc., including:

- 1) Approval of projects;
- 2) Treasury matters related to opening of accounts and transactions with banks;
- 3) Appointments of signatories and amendments thereof.

There are no other matters that would require approval of the stockholders.

For the period ended December 31, 2020, there were no self-dealings or related party transactions by any director which require disclosure.

There is likewise no material information on the current stockholders and their voting rights requiring disclosure.

All stockholders as of Record Date are entitled to vote *in absentia* for this meeting by registering and voting through the Company's secure online voting facility. For the detailed discussion of stockholders' voting rights and voting procedures, please refer to Item 19 (Voting Procedures) and the "*Guidelines for Participation via Remote Communication and Voting in Absentia*" appended to this Information Statement.

ITEM 16. Matters Not Required To Be Submitted

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

ITEM 17. Amendment of Charter, By-Laws or Other Documents

There is no action to be taken with respect to any amendment of charter, by-laws or other documents required to be submitted to a vote of the stockholders.

ITEM 18. Other Proposed Action

Other than the matters indicated in the Notice and Agenda included in this Information Statement, there are no other actions proposed to be taken at the annual meeting.

ITEM 19. Voting Procedures

At each stockholders' meeting, holders of a majority of SMIC's issued and outstanding voting shares that are present or represented by proxy, shall constitute a quorum for the transaction of business, except where otherwise provided by law. A majority of votes shall decide any matter submitted to the stockholders at the meeting, except in those cases where the law requires a greater number.

In the election of directors, the stockholders are entitled to cumulate their votes as discussed in Part I. B, Item 4(c) of this Information Statement.

All matters subject to vote, except in cases where the law provides otherwise, shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present.

SMIC's By-Laws does not prescribe a manner of voting. However, election of directors may be conducted by ballot as requested by voting stockholders.

In the election of directors, the stockholders are entitled to cumulate their votes as discussed in Part B, Item 4(c) of this Information Statement.

For this year's Annual Stockholders' Meeting, SMIC will be allowing stockholders to participate in the meeting via remote communication and to vote *in absentia*.

Stockholders as of Record Date who have successfully registered their intention to participate in the annual meeting via remote communication and to vote *in absentia*, duly verified and validated by the Company, shall be provided with unique log-in credentials to securely access the voting portal.

Stockholders and proxy holders can then cast their votes on specific matters for approval, including the election of directors.

Votes will then be automatically tabulated and counted at the close of voting for each agenda item during the meeting.

SMIC's Corporate Secretary is tasked and authorized to count votes on any matter properly brought to the vote of the stockholders. The external auditor of the Company, SGV & Co. has been appointed to validate the ballots when necessary.

The detailed guidelines for participation and voting for this meeting are set forth in the "Guidelines for Participation via Remote Communication and Voting in Absentia" appended to this Information Statement.

Stockholders holding SMIC common shares as of March 29, 2021 are entitled to vote on the following matters which are also indicated in the Notice and Agenda included in this Information Statement:

1. Approval of the minutes of the previous annual meeting held on June 24, 2020

The stockholders' approval of the minutes of the meeting held on June 24, 2020 will be sought at this year's annual meeting. The following was the agenda of the said meeting.

- Call to order
- Certification of Notice and Quorum
- Approval of Minutes of the Annual Meeting of Stockholders held on April 24, 2019
- Annual Report for the Year 2019 (Open Forum)
- Ratification of the acts of the Board of Directors and the Management from the date of the last annual stockholders' meeting up to the date of this meeting
- Election of Members of the Board of Directors for 2020-2021
- Appointment of External Auditor
- Other Matters
- Adjournment

Required vote: A majority vote of stockholders present or represented at the meeting.

2. Audited Financial Statements as of December 31, 2020

SMIC's Audited Financial Statements as of December 31, 2020 is attached as **Annex "B"** to this Information Statement for review of the stockholders. This will enable the stockholders to assess the financial performance of SMIC for the period covered by said financial statements. Stockholders' approval of the financial statement will be sought at this year's annual meeting.

Required vote: A majority vote of stockholders present or represented at the meeting.

3. Approval and ratification of acts of the Board of Directors and Management during their term of office

During their term, the Board approved resolutions and authorized actions in connection with their mandate to direct, manage and supervise the affairs and operations of SMIC. The acts of the Board of Directors, its Committees and management listed in Part D, Item 15, during their term of office, will be presented to the stockholders for approval and ratification. In compliance with the PSE Disclosure Rules, the Securities Regulation Code and its implementing rules, and in keeping with the policy on transparency as embodied in SMIC's Manual on Good Corporate Governance, SMIC regularly and promptly discloses actions taken by its Board and management. While stockholders' approval of such acts is not required under the Corporation Code and regulatory issuances, SMIC believes it to be sound corporate governance to present these to the stockholders for approval and ratification.

Required vote: A majority vote of stockholders present or represented at the meeting.

4. Election of Directors

At the annual meeting, stockholders will be asked to elect the directors for the ensuing year. As stated in Section 3 of Article IV of the Company's By-Laws, "At each meeting of the stockholders for the election of directors, at which a quorum is present, the persons receiving the highest number of votes of the stockholders present in person or by proxy and entitled to vote shall be the directors."

Section 23 of the Revised Corporation Code of the Philippines states that "At all elections of directors or trustees, there must be present, either in person or by representative authorized to act by written proxy, the owners of a majority of the outstanding capital stock... entitled to vote".

Required vote: Candidates receiving the highest number of votes shall be declared elected.

5. Appointment of External Auditor

Pursuant to SMIC's By-laws, Manual on Corporate Governance, and Audit Committee Charter, the Board, upon the recommendation of the Board Audit Committee, shall recommend to the stockholders, appointment of an external auditor to undertake independent audit and provide objective assurance that the Company's financial reports are in compliance with pertinent accounting standards and regulatory requirements.

At the annual meeting, the stockholders will be requested to approve the re-appointment of SGV & Co. as external auditor of SMIC for the ensuing fiscal year.


Required vote: A majority vote of stockholders present or represented at the meeting.

PART III

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasig City on March 12, 2021

By: **SM INVESTMENTS CORPORATION**



ELMER B. SERRANO
Corporate Secretary

MANAGEMENT REPORT

A.i Audited Consolidated Financial Statements

The Company's audited consolidated financial statements for the year ended December 31, 2020 are incorporated herein by reference.

A.ii Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in and disagreements with accountants on accounting and financial disclosures.

A.iii Management's Discussion and Analysis or Plan of Operation

Calendar Years Ended December 31, 2020 and 2019

Results of Operation
(amounts in billion pesos)

Accounts	12 / 31 / 2020	12 / 31 / 2019	% Change
Revenues	P 394.2	P 502.0	-21.5%
Cost and Expenses	336.3	396.5	-15.2%
Income from Operations	57.9	105.5	-45.1%
Other Charges	16.5	18.8	-12.7%
Provision for Income Tax	7.1	17.2	-58.7%
Net Income After Tax	34.3	69.5	-50.6%
Non-controlling Interests	10.9	24.9	-56.0%
Net Income Attributable to Owners of the Parent	P 23.4	P 44.6	-47.5%

SM Investments Corporation and Subsidiaries (the Group) reported a *Net Income Attributable to Owners of the Parent* of P23.4 billion, 47.5% lower than 2019, and *Revenues* of P394.2 billion, 21.5% lower than 2019. These results reflect the adverse impact of COVID-19.

There is continuing recovery in economic activity and business volumes with the steady easing of community quarantine measures in the major business areas in the country and the consumers adjusting to the new normal living conditions. In the second half of the year, profitability improved across Retail, Property and Banking as retail stores and the malls have fully opened in time for the holiday season.

Retail

SM Retail reported a net income of P4.1 billion, 66.8% lower than 2019 and revenues of P296.8 billion, 19.1% lower than 2019.

Notable is the revenue growth of Food Retail at 7.2% to P200.0 billion despite the challenging business environment in 2020. Double-digit sales growth was reported by Savemore at 10.8%, Waltermart at 18.4% and Alfamart at 23.9%.

Property

SM Prime reported a net income of P18.0 billion, 52.7% lower than 2019 and revenues of P81.9 billion, 30.8% lower than 2019.

In 2020, SM Prime's Philippine mall business reported revenues of P23.6 billion, down from P57.8 billion in 2019. Rent income of local malls of P21.8 billion is 55% of the P48.4 billion in 2019.

Two new malls were launched in 2020, *SM City Butuan* and *SM City Mindpro* in Mindanao.

SM Prime's residential business, led by SM Development Corporation (SMDC), reported a 6.1% growth in revenues to P46.5 billion from P43.7 billion in 2019 and 10% growth in reservation sales to P99.0 billion from P90.0 billion in 2019.

Banking

BDO reported a net income of P28.2 billion, 36% lower than 2019. This is primarily due to the P23.8 billion provision for impairment losses taken up in anticipation of a possible increase in non-performing loans as a result of the COVID-19 pandemic

China Bank reported a net income of P12.1 billion, 20% higher than 2019. This is despite huge provisions for probable credit losses of P6.3 billion, 3.4x of 2019.

Banking accounted for 55% of net income from core businesses, followed by Property at 33% and Retail at 12%.

Profit & Loss Statement - Account Analysis

Merchandise Sales, which decreased by 18.2% to P289.7 billion from P354.1 billion in 2019, accounts for 73.5% of total revenues in 2020. The decrease is attributable mainly to the temporary closure of certain retail stores during the enhanced community quarantine (ECQ) and modified ECQ (MECQ) periods particularly in the 2nd quarter.

As of December 31, 2020, *SM Retail* had 3,019 stores in operation. Its stores portfolio include 66 *SM Stores*, 59 *SM Supermarkets*, 209 *Savemore* stores, 52 *SM Hypermarkets*, 71 *WalterMart* stores, 1,012 Alfamart stores, and 1,550 Specialty stores.

Real Estate Sales increased by 5.7% to P47.0 billion from P44.5 billion in 2019. The increase is attributable to sales take-up and construction accomplishments of ongoing projects including *Shore 3*, *Bloom*, *Vine*, *Fame* and *Lane* as well as various Ready-For-Occupancy (RFO) projects, particularly those located in Mandaluyong and Pasay. Actual construction of projects usually starts within twelve to eighteen months from launch date and revenues are recognized based on percentage of completion. *SM Residences* continued its sales momentum by using various digital sales platforms and offering flexible payment terms to its buyers.

Rent Revenue, derived mainly from the mall operations of SM Prime, decreased by 47.8% to P26.9 billion from P51.6 billion in 2019. The decrease is due to the temporary closure of malls as well as other businesses during the ECQ and MECQ periods. In 2020, waived rentals and other charges amounted to P23.3 billion.

As of December 31, 2020, *SM Prime* had 76 malls in the Philippines with total GFA of 8.6 million square meters and 7 malls in China with total GFA of 1.3 million square meters.

Equity in Net Earnings of Associate Companies and Joint Ventures decreased by 34.6% to P17.0 billion from P26.0 billion in 2019 mainly representing the decrease in net income of BDO.

Cinema Ticket Sales, Amusement and Others decreased by 85.8% to P1.1 billion from P7.7 billion in 2019. This is attributable to the suspension of operations of the cinemas starting March 15, 2020 relative to the closure of malls during the ECQ and MECQ periods. With strict safety measures in place, the cinemas have slowly resumed operations starting October 2020.

Royalty, Management and Service Fees decreased by 46.4% to P3.9 billion from P7.3 billion in 2019 relative to the drop in business volume.

Other Revenues which include income from promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues, food and beverage income of the Hotel Group, decreased by 21.3% to P8.0 billion from P10.2 billion in 2019 due to the closure of certain retail stores and malls during the ECQ and MECQ periods.

Selling, General and Administrative Expenses decreased by 15.7% to P95.5 billion from P113.3 billion in 2019 due mainly to the scaled-down operation of certain retail stores and malls during the ECQ period and efforts to control costs through rationalization of operations.

Income from Operations decreased by 45.1% to P57.9 billion from P105.5 billion in 2019. *Operating Margin* and *Net Margin* is at 14.7% and 8.7%, respectively.

Other Charges (net) decreased by 12.7% to P16.5 billion from P18.8 billion in 2019. *Interest Expense* decreased by 7.6% to P18.0 billion from P19.5 billion in 2019 due mainly to new debt availments for working capital and capital expenditure requirements. An *Impairment Loss on Investments* amounting to P1.0 billion was recognized in 2020 relative to the impairment test done on the Group's investments. *Interest Income* decreased by 37.2% to P2.4 billion from P3.9 billion in 2019 due mainly to lower average daily balance of cash and time deposits. *Foreign Exchange Gain - net* and others decreased by 83.0% to P129.3 million from P762.0 million in 2019. The PHP to USD foreign exchange rate amounted to PHP48.023 : USD1.00 in 2020 and PHP50.64 : USD1.00 in 2019.

Provision for Income Tax decreased by 58.7% to P7.1 billion from P17.2 billion in 2019 due mainly to lower taxable income. The effective income tax rate is 17.1% in 2020 and 19.8% in 2019.

Non-controlling interests decreased by 56.0% to P10.9 billion from P24.9 billion in 2019 due mainly to the decrease in net income of partly-owned subsidiaries.

Financial Position
(amounts in billion pesos)

Accounts	12 / 31 / 2020	12 / 31 / 2019	% Change
Current Assets	P 254.5	P 248.4	2.5%
Noncurrent Assets	970.0	895.8	8.3%
Total Assets	P 1,224.5	P 1,144.2	7.0%
Current Liabilities	P 240.0	P 196.7	22.0%
Noncurrent Liabilities	419.8	411.3	2.1%
Total Liabilities	659.8	608.0	8.5%
Total Equity	564.7	536.2	5.3%
Total Liabilities and Equity	P 1,224.5	P 1,144.2	7.0%

Total *Assets* increased by 7.0% to P1,224.5 billion from P1,144.2 billion in 2019. Likewise, total *Liabilities* increased by 8.5% to P659.8 billion from P608.0 billion in 2019.

Current Assets

Current Assets increased by 2.5% to P254.5 billion from P248.4 billion in 2019.

Cash and Cash Equivalents increased by 2.6% to P78.2 billion from P76.2 billion in 2019 due mainly to payments for trade, investments, capital expenditures and debt servicing. The net cash flow from operations decreased by P37.2 billion or 56.1% as a result of the drop in net income depicting the extensive impact of COVID-19 to the Group's operations.

Receivables and Contract Assets increased by 12.9% to P60.5 billion from P53.6 billion in 2019 due mainly to the increase in real estate sales and some delay in the collection of certain receivables relative to the Group's adoption and implementation of the government-mandated Bayanihan Act extending the grace period for the payment of loan amortizations due on or before December 31, 2020.

Inventories decreased by 6.6% to P72.1 billion from P77.1 billion resulting from the P4.8 billion decrease in merchandise inventory and P3.0 billion decrease in land and development - current partly offset by the P2.7 billion increase in condominium and residential units for sale.

Other Current Assets increased by 6.0% to P43.2 billion from P40.7 billion in 2019 due mainly to higher prepaid taxes and other prepayments.

Noncurrent Assets

Noncurrent Assets increased by 8.3% to P970.0 billion from P895.8 billion in 2019.

Financial assets at FVOCI increased by 12.6% to P27.3 billion from P24.2 billion due mainly to new investments and increase in market values in 2020.

Right-of-use (ROU) Assets - Net increased by 11.5% to P42.0 billion from P37.7 due mainly to P7.9 billion new and renewed leases, offset by P3.6 billion amortization and lease terminations.

Investments in Associate Companies and Joint Ventures increased by 5.4% to P296.3 billion from P281.0 billion in 2019. The increase mainly represents the equity in net earnings of the Group's associate companies of P17.0 billion, partly offset by P4.4 billion dividends and share in the comprehensive income of its associate companies.

Investment Properties increased by 6.4% to P359.8 billion from P338.1 billion in 2019 due mainly to land banking and ongoing new mall projects and commercial building construction as well as the redevelopment of *SM Mall of Asia* and other existing malls.

Other Noncurrent Assets increased by 33.1% to P112.3 billion from P84.4 billion in 2019 due mainly to the increase in receivable from real estate buyers and additional bonds and deposits for real estate acquisitions and construction.

Current Liabilities

Current Liabilities increased by 22.0% to P240.0 billion from P196.7 billion in 2019.

Bank Loans increased by 28.9% to P24.1 billion from P18.7 billion in 2019 due to new loan availments, partly offset by payments.

Accounts Payable and Other Current Liabilities increased by 5.5% to P149.2 billion from P141.5 billion in 2019 due mainly to the increase in payable to contractors and suppliers related to ongoing projects, liability for purchased land and customers' deposits and non-trade payables.

Income Tax Payable decreased by 19.1% to P2.6 billion from P3.3 billion in 2019 due mainly to lower income in 2020.

Current Portion of Long-term Debt increased by 106.8% to P60.1 billion from P29.1 billion in 2019 due mainly to the reclassification of maturing loans from noncurrent.

Dividends Payable decreased by 8.9% to P3.8 billion from P4.2 billion in 2019. This represents dividends due to minority stockholders of certain subsidiaries.

Noncurrent Liabilities

Noncurrent Liabilities increased by 2.1% to P419.8 billion from P411.3 billion in 2019.

Long-term Debt - Net of Current Portion increased by 1.0% to P330.7 billion from P327.4 billion in 2019 due mainly to new debt availments partly offset by reclassification of maturing debts to current.

Deferred tax liabilities increased by 31.4% to P12.6 billion from P9.6 billion in 2019 due mainly to unrealized gross profit on sale of real estate for income tax purposes.

Tenants' Deposits and Others increased by 1.9% to P47.6 billion from P46.7 billion in 2019. This account includes deferred output VAT related to sale of residential projects and deposits from residential buyers and tenants in new malls and office buildings.

Equity

Total *Equity* increased by 5.3% to P564.7 billion from P536.2 billion in 2019.

Equity Attributable to Owners of the Parent increased by 5.5% to P403.8 billion from P382.6 billion in 2019. This increase resulted mainly from the (a) P18.3 billion net increase in Retained Earnings representing the 2020 net income of P23.4 billion offset by P5.1 billion

dividend declaration, (b) *Net Unrealized Gain on Financial Assets at FVOCI* which increased by 14.6% to P16.5 billion from P14.4 billion in 2019 due mainly to the appreciation in market value of certain investments of the Group, and (c) *Remeasurement loss on defined benefit asset/obligation* which decreased by 29.7% to P6.1 billion from P8.6 billion in 2019 as a result of the 2020 valuation of the Group's retirement plans. These were partly offset by the (a) *Net Fair value Changes on Cash Flow Hedges* which decreased to P2.7 billion from P1.4 billion in 2019, and (b) *Cumulative Translation Adjustment (CTA)* which decreased to P0.9 billion from P1.3 billion in 2019. The latter is related mainly to the translation of the financial accounts of *SM China* malls from China Yuan Renminbi to Philippine Peso and includes the group's share in the CTA of its associates.

Non-controlling Interests increased by 4.8% to P160.9 billion from P153.5 billion in 2019 due mainly to the increase in net assets of subsidiaries that are not wholly owned.

Impact of COVID-19 to the Group's operations

The impact of COVID-19 to the Group's businesses is manifested in the operating results for the year 2020. Consolidated revenues dropped 21.5% and consolidated net income dropped 47.5%.

During the quarantine period, certain stores and malls of the Group had to temporarily stop operations. This resulted in the 18.2% decline in Merchandise sales and 47.8% decline in Rent revenues in 2020. To assist its mall tenants, SM Prime granted waivers on rent and/or extended rental discounts that totaled to P23.3 billion as at yearend 2020.

COVID-19 did not have any significant impact on SM Prime's offices business since its primary tenants are business process outsourcing (BPO) offices which were allowed by the Philippine's Inter-Agency Task Force (IATF) to continue to operate throughout the quarantine period.

Select hotels of the Group, Conrad Manila, Park Inn Clark, Park Inn North EDSA and Park Inn Iloilo remained operational during the quarantine period as these hotels catered to BPO employees and returning overseas Filipino workers/seafarers. The Group's biggest events center, the Mall of Asia Arena, was converted into a Mega Swabbing Facility in partnership with various government agencies. With the easing of quarantine measures throughout the country, SM Prime's hotels have started to commence operations.

In anticipation of potential delinquencies on loans due to the economic impact of COVID-19 on certain sectors, the Group's banks took significantly higher provisions in 2020: BDO with P30.2 billion, 4.9x higher than 2019 and China Bank with P8.8 billion, 3.4x higher than 2019.

The Group's receivables from real estate sales increased by P30.5 billion or 45.7% from yearend 2019. This is the result of the adoption and implementation of the government-mandated Bayanihan Act extending the grace period for the payment of loan amortizations due on or before December 31, 2020 and the DHSUD circular extending the grace period for the payment of loan amortizations that matured during the ECQ period. Efforts to collect these receivables are continuing. The Group believes that the credit quality of its Receivables as of end December 2020 is within reasonable levels.

The net cash flow from operations decreased by P37.2 billion or 56.1% to P29.1 billion as a result of the significant drop in net income depicting the extensive impact of COVID-19 to the Group's operations.

To support the Group's operational and capital expenditure requirements, (1) the Group availed an additional P44.5 billion of debt, net availment, and, (2), SMIC Parent and SM Prime lowered their dividend payout in 2020 to P5.1 billion from P11.0 billion and P5.3 billion from P10.5 billion in 2019, respectively.

As at December 31, 2020, the Group has more than adequate unused credit lines and access to the domestic corporate bond market that can be tapped to meet its current maturing obligations, as necessary.

As at December 31, 2020, the Group expended around P55.6 billion for capital investments in investment properties, land and development and property and equipment.

The Group expects its businesses to be back to pre-pandemic level of operations in the next 2 to 3 years.

Key Performance Indicators

The key financial ratios of the Group follow:

Accounts	12 / 31/ 2020	12 / 31/ 2019
Current Ratio	1.1	1.3
Acid Test Ratio	0.6	0.7
Solvency Ratio	8.0%	14.6%
Asset to Equity	2.2	2.1
Debt - Equity Ratios:		
On Gross Basis	42 : 58	41 : 59
On Net Basis	37 : 63	36 : 64
Revenue Growth	-21.5%	11.5%
Net Margin	8.7%	13.8%
Net Income Growth	-47.5%	20.2%
Return on Equity	6.0%	11.9%
Return on Assets	2.9%	6.2%
EBITDA (<i>In Billions of Pesos</i>)	76.6B	124.8B
Interest Cover	4.3x	6.4x

Current Ratio decreased to 1.1 from 1.3 in 2019 due mainly to the 2.5% increase in *Current Assets* vs. 22.0% increase in *Current Liabilities*.

Acid Test Ratio decreased to 0.6 from 0.7 in 2019 due mainly to the 6.7% increase in quick assets vs. 22.0% increase in *Current Liabilities*.

Solvency Ratio decreased to 8.0% from 14.6% in 2019 due mainly to the 40.2% decrease in *Net income after tax* and depreciation vs. 8.5% increase in *Total Liabilities*.

Asset to Equity Ratio increased to 2.2 from 2.1 in 2019 due mainly to the higher increase in *Total Assets* of 7.0% compared to only 5.3% of *Total Equity*.

Gross Debt - Equity Ratio increased to 42:58 in 2020 due mainly to the increase in gross debt of P39.8 billion.

Net Debt - Equity Ratio increased to 37:63 due mainly to the 10.6% increase in gross debt and only 1.9% increase in cash and cash equivalents.

Revenue Growth decreased to -21.5% from 11.5% in 2019 due mainly to the significant drop in merchandise sales, rental revenues and equity in net earnings of associates and joint ventures.

The drop in *Net Income* of 47.5%, *Return on equity* of 6.0% and *Return on assets* of 2.9% reflect the effect of COVID-19 on the Group results.

The -38.6% drop in EBITDA reflects the significant drop in revenues.

Interest Cover decreased to 4.3x from 6.4x in 2019 due to the 38.6% decrease in EBITDA vs. only 7.6% decrease in interest expense.

The manner by which the Group calculates the foregoing indicators is as follows:

1. Current Ratio $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Acid Test Ratio $\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$
3. Solvency Ratio $\frac{\text{Net Income After Tax + Depreciation and Amortization}}{\text{Total Liabilities}}$
4. Asset to Equity Ratio $\frac{\text{Total Assets}}{\text{Total Equity}}$
5. Debt – Equity Ratio
 - a. Gross Basis $\frac{\text{Total Interest Bearing Debt}}{\text{Total Equity + Total Interest Bearing Debt}}$
 - b. Net Basis $\frac{\text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investment in Bonds}}{\text{Total Equity + Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investments in Bonds}}$
6. Revenue Growth $\frac{\text{Total Revenues (Current Period)} - 1}{\text{Total Revenues (Prior Period)}}$
7. Net Margin $\frac{\text{Net Income After Tax}}{\text{Total Revenues}}$
8. Net Income Growth $\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - 1}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
9. Return on Equity $\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to Owners of the Parent}}$
10. Return on Assets $\frac{\text{Net Income after Tax}}{\text{Total Assets}}$
11. EBITDA $\text{Income from Operations + Depreciation \& Amortization}$
12. Interest Cover $\frac{\text{EBITDA}}{\text{Interest Expense}}$

Expansion Plans / Prospects in 2021

In 2021, expansion and construction of malls, residential, commercial as well as hotels will continue. We will pursue land banking as opportunities arise.

We plan to open new retail stores across our various formats mainly in the Food Group, and selectively in the Non-Food Group.

Calendar Years Ended December 31, 2019 and 2018

Results of Operation

(amounts in billion pesos)

Accounts	12 / 31 / 2019	12 / 31 / 2018	% Change
Revenues	P 501.7	P 449.8	11.5%
Cost and Expenses	396.5	363.2	9.2%
Income from Operations	105.2	86.6	21.4%
Other Charges	18.5	12.4	48.5%
Provision for Income Tax	17.2	15.6	10.2%
Net Income After Tax	69.5	58.6	18.6%
Non-controlling Interests	24.9	21.5	15.8%
Net Income Attributable to Owners of the Parent	P 44.6	P 37.1	20.2%

SM Investments Corporation and Subsidiaries (the Group) reported P44.6 billion *Net Income Attributable to Owners of the Parent*, 20.2% higher than 2018, and P501.7 billion *Revenues*, 11.5% higher than 2018.

Income from Operations increased by 21.4% to P105.2 billion from P86.6 billion in 2018. *Operating Margin* and *Net Margin* is at 21.0% and 13.8%, respectively.

Merchandise Sales, which grew by 9.4% to P354.1 billion from P323.7 billion in 2018, accounts for 70.6% of total revenues in 2019. The increase is attributable to the opening of 2 *SM Stores*, 2 *SM Supermarkets*, 9 *Savemore* stores, 1 *SM Hypermarkets*, 8 *WalterMart* stores, 228 *Alfamart* stores, and 162 *Specialty* stores.

The sales contribution of Non-food and Food group is 48:52 in 2019 and 2018.

As of December 31, 2019, *SM Retail* had 2,799 stores nationwide, namely: 65 *SM Stores*, 58 *SM Supermarkets*, 201 *Savemore* stores, 52 *SM Hypermarkets*, 60 *WalterMart* stores, 754 *Alfamart* stores, and 1,609 *Specialty* stores.

Real Estate Sales increased by 23.7% to P44.5 billion from P36.0 billion in 2018 due primarily to higher construction accomplishments of launched projects which include *Cheerful*, *Green 2*, *Trees Ph3*, *Hope*, *Charm*, and *Bloom Residences* and continued increase in sales take-up of various projects, particularly those located in Mall of Asia and Makati Central Business District. Actual construction of projects usually starts within twelve to eighteen months from launch date and revenues are recognized based on percentage of completion.

Rent Revenue, derived mainly from the mall operations of *SM Prime Holdings, Inc.* (*SM Prime*), increased by 8.4% to P51.6 billion from P47.6 billion in 2018. The increase is primarily due to rental rate escalations and expansion of leasable areas. Excluding the new

malls, same-mall rental growth is at 7%. Rentals from commercial operations also increased due to the full year revenue of ThreeE-Com Center and SM Southmall South Tower which opened in 2018.

As of December 31, 2019, *SM Prime* had 74 malls in the Philippines with total GFA of 8.5 million square meters and 7 malls in China with total GFA of 1.3 million square meters.

Equity in Net Earnings of Associate Companies and Joint Ventures increased by 35.9% to P26.0 billion from P19.2 billion in 2018 due mainly to the increase in net income of bank, retail, and property associates.

Management and Service Fees increased by 15.2% to P7.3 billion from P6.4 billion in 2018.

Dividend Income increased by 13.9% to P480.5 million from P421.9 in 2018 million due to higher dividends received from investees in 2019.

Other Revenues, which comprise mainly of income from promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues, food and beverage income of the Hotel Group, increased by 6.3% to P9.9 billion from P9.3 billion in 2018.

Operating Expenses increased by 6.4% to P113.3 billion from P106.4 billion in 2018 due mainly to additional operating expenses associated with new or renovated retail stores and malls and new real estate projects.

Other Charges (net) increased by 48.5% to P18.5 billion from P12.4 billion in 2018. *Interest Expense* increased by 15.8% to P19.2 billion from P16.6 billion in 2018 due mainly to new debt availments for working capital and capital expenditure requirements. An *Impairment Loss on Investments* amounting to P4.0 billion was recognized in 2019 relative to the impairment test done on the Group's investments. *Interest Income* increased by 3.4% to P3.9 billion from P3.8 billion in 2018 while *Foreign Exchange Gain (Loss) - net* increased by 407.8% to a gain of P561.7 million from a loss of P182.5 million in 2018. The PHP to USD foreign exchange rate amounted to PHP50.64 : USD1.00 in 2019 and PHP52.58 : USD1.00 in 2018.

Provision for Income Tax increased by 10.2% to P17.2 billion from P15.6 billion in 2018 due mainly to increase in taxable income. The effective income tax rate is 19.8% in 2019 and 21.0% in 2018.

Non-controlling interests increased by 15.8% to P24.9 billion from P21.5 billion in 2018 due mainly to the increase in net income of partly-owned subsidiaries.

Financial Position
(amounts in billion pesos)

Accounts	12 / 31 / 2019	12 / 31 / 2018	% Change
Current Assets	P 248.4	P 241.7	2.7%
Noncurrent Assets	895.8	818.9	9.4%
Total Assets	P 1,144.2	P 1,060.6	7.9%
Current Liabilities	P 196.7	P 212.7	-7.5%
Noncurrent Liabilities	411.3	355.6	15.6%
Total Liabilities	608.0	568.3	7.0%
Total Equity	536.2	492.3	8.9%
Total Liabilities and Equity	P 1,144.2	P 1,060.6	7.9%

Total *Assets* increased by 7.9% to P1,144.2 billion from P1,060.6 billion in 2018. Likewise, total *Liabilities* increased by 7.0% to P608.0 billion from P568.3 billion in 2018.

Current Assets

Current Assets increased by 2.7% to P248.4 billion from P241.7 billion in 2018.

Cash and Cash Equivalents decreased by 3.9% to P76.2 billion from P79.3 billion in 2018 due mainly to payments for investments and capital expenditures, net of proceeds from loans.

Merchandise Inventories increased by 4.2% to P33.2 billion from P31.8 billion in 2018 due mainly to store openings in 2019.

Receivables and Contract Assets increased by 58.8% to P53.6 billion from P33.8 billion in 2018 due mainly to the 69.6% increase in receivables from real estate buyers resulting from the high take-up of residential projects of SM Prime.

Other Current Assets increased by 20.4% to P84.7 billion from P70.3 billion in 2018 due mainly to the increase in current portion of Land and development arising from development costs on ongoing projects and higher prepaid taxes and other prepayments.

Noncurrent Assets

Noncurrent Assets increased by 9.4% to P895.8 billion from P818.9 billion in 2018.

Financial assets decreased by 9.3% to P24.2 billion from P26.7 billion due mainly to the disposal of certain financial assets.

Investments in Associate Companies and Joint Ventures increased by 8.2% to P281.0 billion from P259.8 billion in 2018. The increase mainly represents equity in net earnings of associates and investments in new associates, partly offset by dividends received in 2019.

Property and Equipment increased by 6.5% to P24.7 billion from P23.2 billion due mainly to new stores in 2019.

Investment Properties increased by 9.3% to P338.1 billion from P309.3 billion in 2018 due mainly to ongoing new mall projects and commercial building construction as well as the

redevelopment of *SM Mall of Asia* and other existing malls. The increase is also attributable to landbanking initiatives.

Land and Development increased by 39.0% to P74.9 billion from P53.9 billion in 2018 due mainly to landbanking and construction accomplishments during the period.

Other Noncurrent Assets decreased by 26.9% to P84.4 billion from P115.4 billion in 2018. The decrease is attributable to the reclassification of land use rights to *Right-of-Use (ROU) Assets* related to the adoption of *PFRS 16, Leases* and the application of deposits to various land purchases during the year.

Current Liabilities

Current Liabilities decreased by 7.5% to P196.7 billion from P212.7 billion in 2018.

Bank Loans decreased by 0.9% to P18.7 billion from P18.9 billion in 2018 due to net payments during the period, partly offset by new loan availments.

Accounts Payable and Other Current Liabilities increased by 13.4% to P141.5 billion from P124.8 billion in 2018 mainly from higher business volume.

Income Tax Payable decreased by 10.1% to P3.3 billion from P3.6 billion in 2018 due mainly to higher tax payments and lower income tax for the period.

Current Portion of Long-term Debt decreased by 52.7% to P29.1 billion from P61.5 billion in 2018 due mainly to payments during the period

Dividends Payable increased by 7.6% to P4.2 billion from P3.9 billion in 2018. This represents dividends due to minority stockholders of certain subsidiaries.

Noncurrent Liabilities

Noncurrent Liabilities increased by 15.6% to P411.3 billion from P355.6 billion in 2018.

Long-term Debt - Net of Current Portion increased by 7.1% to P327.4 billion from P305.6 billion in 2018 due mainly to new debt availments, partly offset by payments.

Lease Liabilities - Net of Current Portion amounting to P27.6 billion is the initial measurement of future lease payments discounted at present value, net of amortization for the year. A corresponding *Right-of-use (ROU) Assets - Net* of P37.7 billion was recognized, net of depreciation and accrued rent that was previously set up under PAS 17. These two accounts were recognized and presented separately in the consolidated balance sheet relative to the Group's adoption of *PFRS 16, Leases*, effective January 1, 2019.

Tenants' Deposits and Others increased by 13.2% to P46.7 billion from P41.3 billion in 2018 due mainly to new malls and office buildings and increase in deposits from residential buyers.

Equity

Total *Equity* increased by 8.9% to P536.2 billion from P492.3 billion in 2018.

Equity Attributable to Owners of the Parent increased by 8.3% to P382.6 billion from P353.4 billion in 2018. This increase resulted mainly from the (a) P35.3 billion net increase in Retained Earnings due mainly to the P44.6 billion *Net Income Attributable to Owners of the Parent*, net of P11.0 billion dividend declaration in 2019, and (b) *Net Unrealized Gain on Financial Assets at Fair Value* which increased by 22.6% to P14.4 billion from P11.7 billion in

2018 due mainly to the appreciation in market value of certain investments of the Group. These were partially offset by the (a) *Re-measurement loss on defined benefit asset/obligation* which increased by 318.4% to P8.6 billion from P2.1 billion in 2018 as a result of the valuation of the Group's retirement plan, (b) Net Fair value Changes on Cash Flow Hedges which decreased to a loss of P1,406.0 million in 2019 from a gain of P62.4 million in 2018, and (c) *Cumulative Translation Adjustment (CTA)* which decreased to P1.3 billion from P2.0 billion in 2018. The latter is related mainly to the translation of the financial accounts of *SM China* malls from China Yuan Renminbi to Philippine Peso and includes the group's share in the CTA of associates.

Non-controlling Interests increased by 10.5% to P153.5 billion from P138.9 billion in 2018 due mainly to the increase in net assets of subsidiaries that are not wholly owned.

The Group has no known direct or contingent financial obligation that is material to the Group operations, including any default or acceleration of an obligation. The Group has no off-balance sheet transactions, arrangements, obligations during the reporting year and as of the balance sheet date.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the Group's continuing operations.

Key Performance Indicators

The key financial ratios of the Group follow:

Accounts	12 / 31/ 2019	12 / 31/ 2018
Current Ratio	1.3	1.1
Asset to Equity	2.1	2.2
Debt - Equity Ratios:		
On Gross Basis	41 : 59	44 : 56
On Net Basis	36 : 64	36 : 64
Revenue Growth	11.5%	13.0%
Net Margin	13.8%	13.0%
Net Income Growth	20.2%	12.6%
Return on Equity	11.9%	10.9%
EBITDA (<i>In Billions of Pesos</i>)	124.5B	101.8B
Interest Cover	6.5x	6.1x

Current Ratio increased to 1.3 from 1.1 in 2018 due mainly to the 2.7% increase in *Current Assets* vs 7.5% decrease in *Current Liabilities*.

Asset to Equity Ratio decreased to 2.1 from 2.2 in 2018 due mainly to the higher increase in *Total Equity* of 8.9% compared to only 7.9% of *Total Assets*.

Gross Debt - Equity Ratio decreased to 41:59 in 2019 due mainly to the 2.8% decrease in gross loans. *Net Debt - Equity Ratio* remained at 36:64 in both periods resulting mainly from the 27.5% decrease in cash and cash equivalents.

Revenue Growth decreased to 11.5% from 13.0% in 2018 due mainly to higher growth of *Sales* and *Rent* in 2018.

Net Income Growth increased to 20.2% from 12.6% in 2018 and *Net Margin* increased to 13.8% from 13.0% in 2018 due mainly to lower growth of cost and expenses in 2019.

Return on equity increased to 11.9% from 10.9% in 2018 due mainly to the higher net income growth in 2019.

EBITDA increased by 22.4% to P124.5 billion from P101.8 billion in 2018 due mainly to the 21.4% increase in income from operations and 27.8% increase in depreciation.

Interest Cover increased to 6.5x from 6.1x in 2018 due to the 22.4% increase in EBITDA with only 15.8% increase in *Interest Expense*.

The manner by which the Group calculates the foregoing indicators is as follows:

1. Current Ratio $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Asset to Equity Ratio $\frac{\text{Total Assets}}{\text{Total Equity}}$
3. Debt – Equity Ratio
 - c. Gross Basis $\frac{\text{Total Interest Bearing Debt}}{\text{Total Equity} + \text{Total Interest Bearing Debt}}$
 - d. Net Basis $\frac{\text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investment in Bonds}}{\text{Total Equity} + \text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investments in Bonds}}$
4. Revenue Growth $\frac{\text{Total Revenues (Current Period)} - 1}{\text{Total Revenues (Prior Period)}}$
5. Net Margin $\frac{\text{Net Income After Tax}}{\text{Total Revenues}}$
6. Net Income Growth $\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - 1}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
7. Return on Equity $\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to Owners of the Parent}}$
8. EBITDA Income from Operations + Depreciation & Amortization
9. Interest Cover $\frac{\text{EBITDA}}{\text{Interest Expense}}$

Expansion Plans / Prospects in 2020

The Parent Company as well as its major business segments, Property and Retail, have appropriated certain portions of Retained Earnings to cover expansion plans which include corporate projects, expansions, new development projects, land acquisitions and/or investment in new business ventures.

These projects would be funded through internally generated sources and other capital raising initiatives such as bond issuances and loan availments.

Calendar Years Ended December 31, 2018 and 2017

Results of Operation

(amounts in billion pesos)

Accounts	12 / 31 / 2018	12 / 31 / 2017	% Change
Revenue	P 449.8	P 397.9	13.0%
Cost and Expenses	363.2	322.1	12.8%
Income from Operations	86.6	75.8	14.2%
Other Charges	12.4	10.5	18.2%
Provision for Income Tax	15.6	13.8	13.1%
Net Income After Tax	58.6	51.5	13.7%
Non-controlling Interests	21.5	18.6	15.5%
Net Income Attributable to Owners of the Parent	P 37.1	P 32.9	12.6%

SM Investments Corporation and Subsidiaries (the Group) reported P37.1 billion *Net Income Attributable to Owners of the Parent*, 12.6% higher than 2017, and P449.8 billion *Revenue*, 13.0% higher than 2017.

Income from Operations increased by 14.2% to P86.6 billion from P75.8 billion in 2017. *Operating Margin* and *Net Margin* is at 19.3% and 13.0%, respectively.

Merchandise Sales, which grew by 12.2% to P323.7 billion from P288.5 billion in 2017, accounts for 72.0% of total revenues in 2018. The increase is attributable to the opening of 4 *SM Stores*, 4 *SM Supermarkets*, 15 *Savemore* stores, 6 *SM Hypermarkets*, 7 *WalterMart* stores, 178 *Alfamart* stores, and 121 *Specialty* stores.

The sales contribution of Non-food and Food group is 48:52 in 2018 and 49:51 in 2017.

As of December 31, 2018, *SM Retail* had 2,328 stores nationwide, namely: 63 *SM Stores*, 56 *SM Supermarkets*, 195 *Savemore* stores, 53 *SM Hypermarkets*, 52 *WalterMart* stores, 526 *Alfamart* stores, and 1,383 *Specialty* stores.

Real Estate Sales increased by 21.6% to P36.0 billion from P29.6 billion in 2017 due primarily to higher construction accomplishments of projects launched from 2015 to 2017 namely, *Shore 2*, *Shore 3*, *Coast*, and *S Residences* in Pasay, *Fame Residences* in Mandaluyong, and *Spring Residences* in Parañaque and continued increase in sales take-up of various projects due to strong demand fueled by international buyers, Overseas Filipino Workers' remittances, and rising disposable income of the emerging middle class. Actual construction of projects usually starts within twelve to eighteen months from launch date and revenues are recognized based on percentage of completion.

Rent Revenue, derived mainly from the mall operations of SM Prime Holdings, Inc. (SM Prime), increased by 13.0% to P47.6 billion from P42.1 billion in 2017. The increase in *Rent Revenue* is primarily due to the new malls which opened in 2017 and 2018, namely, *SM CDO Downtown Premier*, *SM City Puerto Princesa*, *SM Center Tuguegarao Downtown*, *SM City Urdaneta Central*, *SM City Telabastagan*, *SM City Legazpi*, *SM Center Ormoc*, and *S Maison* at the Conrad Manila. Excluding the new malls and expansions, same-store rental growth is at 8%. Rentals from commercial operations also increased due to the opening of ThreeE-Com Center and SM Southmall South Tower in 2018.

As of December 31, 2018, *SM Prime* had 72 malls in the Philippines with total GFA of 8.3 million square meters and 7 malls in China with total GFA of 1.3 million square meters.

Equity in Net Earnings of Associate Companies and Joint Ventures increased by 15.2% to P19.2 billion from P16.6 billion in 2017 due mainly to the increase in net income of bank, retail, and property associates.

Management and Service Fees, which is computed based on percentage of sales, increased by 9.6% to P6.4 billion from P5.8 billion in 2017.

Gain on Sale of Financial Assets - net decreased by 98.8% to P1.3 million from P110.2 million in 2017 resulting primarily from the disposal of certain investments in 2017.

Dividend Income decreased by 14.9% to P421.9 million from P495.6 in 2017 million due to lower dividends received from investees in 2018.

Other Revenues, which comprise mainly of income from promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues, food and beverage income of the Hotel Group, increased by 14.0% to P9.3 billion from P8.1 billion in 2017.

Operating Expenses increased by 15.2% to P106.4 billion from P92.3 billion in 2017 due mainly to additional operating expenses associated with new or renovated retail stores and malls and new real estate projects.

Other Charges (net) increased by 18.2% to P12.4 billion from P10.5 billion in 2017. *Interest Expense* increased by 6.4% to P16.6 billion from P15.6 billion in 2017 due mainly to new debt availments for working capital and capital expenditure requirements. *Interest Income* decreased by 6.2% to P3.8 billion from P4.0 billion in 2017 due mainly to lower balance of time deposits in 2018. *Gain on Fair Value Changes on Derivatives - net* increased by 53.5% to P454.9 million from P296.3 million in 2017 resulting mainly from the mark-to-market valuation of outstanding forward swap transactions in 2018. *Foreign Exchange Gain (Loss) - net* decreased by 126.1% to a loss of P182.5 million from a gain of P698.7 million in 2017. This is due mainly to the unfavorable PHP to USD foreign exchange rate, that is, from PHP49.93 : USD1.00 in 2017 to PHP52.58 : USD1.00 in 2018.

Provision for Income Tax increased by 13.1% to P15.6 billion from P13.8 billion in 2017 due mainly to increase in taxable income. The effective income tax rate is 21.0% in 2018 and 21.1% in 2017.

Non-controlling interests increased by 15.5% to P21.5 billion from P18.6 billion in 2017 due to the increase in net income of partly-owned subsidiaries.

Financial Position
(amounts in billion pesos)

Accounts	12 / 31 / 2018	12 / 31 / 2017	% Change
Current Assets	P 241.7	P 212.5	13.7%
Noncurrent Assets	818.9	747.6	9.5%
Total Assets	P 1,060.6	P 960.1	10.5%
Current Liabilities	P 212.7	P 175.9	20.9%
Noncurrent Liabilities	355.6	330.4	7.6%
Total Liabilities	568.3	506.3	12.3%
Total Equity	492.3	453.8	8.5%
Total Liabilities and Equity	P 1,060.6	P 960.1	10.5%

Total *Assets* increased by 10.5% to P1,060.6 billion from P960.1 billion in 2017. Likewise, total *Liabilities* increased by 12.3% to P568.3 billion from P506.3 billion in 2017.

Current Assets

Current Assets increased by 13.7% to P241.7 billion from P212.5 billion in 2017.

Cash and Cash Equivalents increased by 6.7% to P79.3 billion from P74.3 billion in 2017 due mainly to net proceeds from loans partially offset by investments and capital expenditures.

Financial Assets decreased by 52.6% to P0.6 billion from P1.3 billion in 2017 due mainly to maturity of certain investments in bonds in 2018.

Merchandise Inventories increased by 14.6% to P31.8 billion from P27.8 billion in 2017. Bulk of the increase came from the Specialty group.

Other Current Assets increased by 10.8% to P70.3 billion from P63.5 billion in 2017 due mainly to the increase in current portion of Land and development arising from development costs on ongoing projects and higher prepaid taxes and other prepayments and receivable from banks.

Noncurrent Assets

Noncurrent Assets increased by 9.5% to P818.9 billion from P747.6 billion in 2017.

Investments in Associate Companies and Joint Ventures increased by 7.3% to P259.8 billion from P242.1 billion in 2017. The increase mainly represents equity in net earnings of associates in 2018 and investments in new associates, partly offset by dividends received in 2018.

Time Deposits decreased by 91.0% to P2.4 billion from P26.7 billion in 2017 due mainly to reclassification of maturing time deposits to current. On the other hand, the current portion of *Time Deposits* increased by 95.2% to P25.8 billion from P13.2 billion in 2017 due mainly to reclassification from non-current and new investments in time deposits coming from proceeds from matured investments in bonds, partly offset by matured time deposits that were used to pay off loans.

Property and Equipment increased by 8.7% to P23.2 billion from P21.3 billion due mainly to new stores in 2018.

Investment Properties increased by 7.0% to P309.3 billion from P289.0 billion in 2017 due mainly to ongoing new mall projects and commercial building construction, including the FourE-Com Center as well as the redevelopment of *SM Mall of Asia* and other existing malls. The increase is also attributable to landbanking initiatives.

Land and Development increased by 34.2% to P53.9 billion from P40.2 billion in 2017 due mainly to landbanking and construction accomplishments during the period.

Other Noncurrent Assets increased by 54.8% to P115.4 billion from P74.6 billion in 2017. The increase mainly represents higher receivable from real estate buyers and bonds and deposits.

Current Liabilities

Current Liabilities increased by 20.9% to P212.7 billion from P175.9 billion in 2017.

Bank Loans decreased by 21.9% to P18.9 billion from P24.2 billion in 2017 due to net payments during the period, partly offset by new loan availments.

Accounts Payable and Other Current Liabilities increased by 17.1% to P124.8 billion from P106.6 billion in 2017 mainly from higher business volume.

Income Tax Payable increased by 93.3% to P3.6 billion from P1.9 billion in 2017 due mainly to higher income tax due.

Current Portion of Long-term Debt increased by 52.6% to P61.5 billion from P40.3 billion in 2017 due mainly to reclassification of maturing loans.

Dividends Payable increased by 32.9% to P3.9 billion from P2.9 billion in 2017. This represents dividends due to minority stockholders of certain subsidiaries.

Noncurrent Liabilities

Noncurrent Liabilities increased by 7.6% to P355.6 billion from P330.4 billion in 2017.

Long-term Debt - Net of Current Portion increased by 4.4% to P305.6 billion from P292.6 billion in 2017 due mainly to new debt availments, partly offset by payments.

Tenants' Deposits and Others increased by 38.4% to P41.3 billion from P29.8 billion in 2017 due mainly to new malls and office buildings and increase in customers' deposits from residential buyers.

Equity

Total *Equity* increased by 8.5 % to P492.3 billion from P453.8 billion in 2017.

Equity Attributable to Owners of the Parent increased by 7.7% to P353.4 billion from P328.1 billion in 2017. This increase resulted mainly from the (a) P30.1 billion net increase in Retained Earnings due to the P37.1 billion *Net Income Attributable to Owners of the Parent*, P2.9 billion effect from the adoption of PFRS 9, *Financial Instruments*, less P9.9 billion dividend declaration during the year, and (b) *Cumulative Translation Adjustment (CTA)* which increased by 48.1% to P2.1 billion from P1.4 billion in 2017. This is related mainly to the translation of the financial accounts of *SM China* malls from China Yuan Renminbi to

Philippine Peso and includes the group's share in the CTA of associates. These were partially offset by (a) *Net Unrealized Gain on Financial Assets at Fair Value* which decreased by 23.3% to P11.7 billion from P15.3 billion in 2017 due mainly to the depreciation in market value of certain investments of the Group, and (b) *Re-measurement loss on defined benefit asset/obligation* which increased by 194.2% to P2.1 billion from P0.7 billion as a result of the valuation of the Group's retirement plan.

Non-controlling Interests increased by 10.5% to P138.9 billion from P125.7 billion in 2017 due mainly to the increase in net assets of subsidiaries that are not wholly owned.

The Group has no known direct or contingent financial obligation that is material to the Group operations, including any default or acceleration of an obligation. The Group has no off-balance sheet transactions, arrangements, obligations during the reporting year and as of the balance sheet date.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the Group's continuing operations.

Key Performance Indicators

The key financial ratios of the Group follow:

Accounts	12 / 31/ 2018	12 / 31/ 2017
Current Ratio	1.1	1.2
Asset to Equity	2.2	2.1
Debt - equity Ratios:		
On Gross Basis	52 : 48	52 : 48
On Net Basis	44 : 56	43 : 57
Revenue Growth	13.0%	9.0%
Net Margin	13.0%	12.9%
Net Income Growth	12.6%	5.5%
Return on Equity	10.9%	10.4%
EBITDA (<i>In Billions of Pesos</i>)	101.8B	89.9B
Interest Cover	6.1x	5.8x

Current Ratio decreased to 1.1 from 1.2 in 2017 due mainly to the higher increase in *Current Liabilities* of 20.9% compared to only 13.7% of *Current Assets*.

Asset to equity ratio increased to 2.2 from 2.1 in 2017 due mainly to the higher increase in *Total Assets* of 10.5% compared to only 8.5% of *Total Equity*.

Gross debt-equity ratio remained at 52:48 in 2018 and 2017 but Net debt-equity ratio slid to 44:56 from 43:57 in 2017 due mainly to higher increase in net debt of 14.9% from P243.7 billion to P280.1 billion in 2018.

Revenue growth increased to 13.0% from 9.0% in 2017 and Net income growth increased to 12.6% from 5.5% in 2017 due mainly to higher growth in *Sales* and of *Equity in Net Earnings of Associate Companies and Joint Ventures*.

Return on equity increased to 10.9% from 10.4% in 2017 due mainly to the higher net income growth in 2018.

EBITDA increased by 13.2% to P101.8 billion from P89.9 billion in 2017 due mainly to the 14.2% increase in income from operations.

Interest Cover increased to 6.1x from 5.8x in 2017 due to the 13.2% increase in EBITDA with only 6.4% increase in *Interest Expense*.

The manner by which the Group calculates the foregoing indicators is as follows:

1. Current Ratio $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Asset to Equity Ratio $\frac{\text{Total Assets}}{\text{Total Equity}}$
3. Debt – Equity Ratio
 - a. Gross Basis $\frac{\text{Total Interest Bearing Debt}}{\text{Total Equity Attributable to Owners of the Parent} + \text{Total Interest Bearing Debt}}$
 - b. Net Basis $\frac{\text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time deposits, Investment in Bonds}}{\text{Total Equity Attributable to Owners of the Parent} + \text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investments in Bonds}}$
4. Revenue Growth $\frac{\text{Total Revenues (Current Period)} - 1}{\text{Total Revenues (Prior Period)}}$
5. Net Margin $\frac{\text{Net Income After Tax}}{\text{Total Revenues}}$
6. Net Income Growth $\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - 1}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
7. Return on Equity $\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to Owners of the Parent}}$
8. EBITDA Income from Operations + Depreciation & Amortization
9. Interest Cover $\frac{\text{EBITDA}}{\text{Interest Expense}}$

Expansion Plans / Prospects for the Future

Property Group

In 2019, SM Prime is slated to open four new malls in the Philippines. By the end of 2019, there will be 83 malls, 76 in the Philippines and 7 in China with an estimated combined gross floor area of almost 10.0 million square meters.

In the residential segment, 15,000 to 18,000 residential condominium units that include high-rise, mid-rise and single-detached housing and lot projects will be launched. These new projects will be located in Metro Manila and other key cities in the provinces.

In the commercial segment, SM Prime is set to launch the campus-office building named NU Tower and the FourE-Com Center which are both located in the Mall of Asia Complex in Pasay City in 2019 and 2020, respectively.

In the hotels and convention centers segment, Park Inn by Radisson – Iloilo and Park Inn by Radisson – North Edsa will be launched in 2019.

SM Prime's land banking initiatives will continue in 2019.

Retail Group

In 2019, the Retail Group plans to open 4 *SM Stores*, 3 *SM Supermarkets*, 14 *Savemore* stores, 1 *SM Hypermarket* and 98 Specialty stores.

The above expenditures will be funded through internally generated sources and other capital raising initiatives such as bond issuances and loan availments.

A.iv Brief Description of the General Nature and Scope of the Company's Business, Its Subsidiaries and Associates

Business Development

SM Investments Corporation ("SMIC") is the holding company of the SM Group with interests in Retail, Property and Banking. Its Retail arm, SM Retail Inc., operates department stores under the SM Store brand, and several food retail formats including Supermarkets, Hypermarkets, Savemore and Alfamart Stores. It also operates specialty stores focused on DIY, furniture, appliances and toys among others. Its Property arm, SM Prime Holdings Inc., is engaged in building and operating shopping malls both in the Philippines and China. It is also engaged in Residential property development under its SM Development Corporation subsidiary, commercial property development, as well as various hotels and convention centers. The Banking Group is comprised of BDO Unibank, Inc., the country's largest bank by resources, and China Banking Corporation. SMIC also has Equity Investments in other sectors such as premium commercial buildings, leisure, logistics and mining.

The Group takes an integrated approach to creating shared value for all its stakeholders and to applying global Environmental, Social and Governance (ESG) best practices across its businesses. The SM Group seeks alignment of its sustainability programs to the 17 United Nations Sustainable Development Goals, and is a signatory of the UN Global Compact's 10 Principles. It publishes its report following the International Integrated Reporting Framework, in reference to GRI Standards and the Task Force for Climate Related Disclosures.

Business of Issuer

SM Retail, Inc. ("SM Retail") is the holding company of the Group's retail and merchandising operations where SMIC has a 77.3% effective stake. SM Retail organizes its operations into three categories: Non-Food, Specialty and Food:

Non-Food Retail

"The SM Store", in operation since 1958, is SM Retail's department store format, a leading player in the Philippines and an anchor tenant in SM malls nationwide. The SM Store serves a wide customer base and is committed to providing an extensive range of up to date fashion.

SM Retail currently has 66 department stores located in Mero Manila and key provincial cities. Of these, 62 stores are based inside SM malls and 4 stores in Makati, Cubao, Quiapo and Delgado are stand-alone stores.

In 2020, two new stores were opened in Butuan and Zamboanga. These new stores contributed an additional 15,412 sqm, bringing the gross selling area (GSA) of The SM Store to 816,958 sqm.

Specialty Stores

In July 2016, several leading specialty retail stores were merged with SM Retail. These include ACE Hardware, SM Appliances, Homeworld, Our Home, Toy Kingdom, Watsons, Kultura, Baby Company, Sports Central, Pet Express and others.

Specialty stores provide SM Retail with a range of leading brands in various fast-growing categories of discretionary spending. All formats operate as tenants in SM malls with several, such as ACE Hardware and Watsons, also growing outside malls.

As of December 31, 2020, there are 1,550 specialty stores in operation.

Food Retail

SM Retail has five Food retail formats varying by size, namely SM Supermarket, SM Hypermarket, Savemore, Waltermart and Alfamart. These formats enable SM Retail to serve many different local markets nationwide.

SM Supermarket is a large format anchor tenant in SM malls. It has been in operation since 1985 and currently has 59 stores nationwide totaling to 364,624 sqm of GSA with each store carrying 30,000 to 35,000 SKUs. In 2020, it opened one store in Butuan.

SM Hypermarket is a large format food retailer store with both stand-alone and in-mall locations. It has been in operation since 2001 and provides a shopping experience that combines the features of a supermarket with those of a department store. There are currently 52 stores in operation totaling 337,020 sqm of GSA with each store carrying over 35,000 SKUs.

Savemore is a mid-sized format introduced in 1998. It is located in community malls or as a stand-alone store. Savemore is a neighborhood format, providing food and grocery items in residential locations with extended opening hours. Among SM Retail's Food formats, Savemore has the largest footprint with 558,608 sqm of GSA across 209 stores as of end-2020. These stores carry 20,000 to 25,000 SKUs. In 2020, they opened 8 stores nationwide.

Waltermart is a mid-sized format that provides food and non-food shopping as an anchor tenant in Waltermart community malls, located primarily in Luzon. SM Retail acquired a controlling stake in Waltermart in 2013. It has 71 Department Stores and Supermarkets as at end-2020, with an aggregate GSA of 184,433 sqm. In 2020, they opened 4 department stores and 4 supermarkets in Bulacan, Quezon, Tarlac and Metro Manila.

Alfamart is a small format minimart grocery store situated primarily in residential neighborhoods and offering a range of essential groceries with supermarket pricing. It is a joint venture with Indonesia-based minimart operator, PT Sumber Alfaria Trijaya Tbk, which started operations in the Philippines in 2014. Alfamart Philippines has a network of 1,012 stores as of end-2020, mostly located outside Metro Manila, each carrying 2,500 to 3,000 SKUs. In 2020, they opened 267 new stores within Metro Manila, Batangas, Rizal, Bulacan, Pampanga, Nueva Ecija and Laguna.

Property

SM Prime Holdings, Inc. ("SM Prime") is one of the largest integrated property developers in Southeast Asia that develops innovative and sustainable lifestyle cities, comprising malls, residences, offices, hotels and convention centers. It was incorporated in the Philippines in 1994 and SMIC has a 49.7% effective ownership in the company.

Malls

SM Prime's mall business unit operates and maintains modern commercial shopping malls. Its main sources of revenue include rental income from leased shopping spaces, cinema tickets sales and other amusement income. SM Prime has 76 malls in the Philippines with a total gross floor area (GFA) of 8.7 million sqm and 7 shopping malls in China with a total GFA of 1.3 million sqm.

In 2020, SM Prime's mall business unit opened 2 new malls in the Philippines namely, SM City Butuan and SM City Mindpro. These new malls added almost 85,000 sqm of GFA.

Residential

SM Prime's residential development arm, **SM Development Corporation** ("SMDC"), derives development revenues largely from the sales of condominium units. As of December 31, 2020, the primary residential business unit had 53 residential projects in the market worth PHP577 billion.

SMDC's primary residential business unit typically launches 15,000 to 20,000 units annually, including high-rise, mid-rise and single detached housing. Projects are located in Metro Manila and key provincial cities.

In secondary residential business, SM Prime also owns leisure and resort developments including properties in the vicinity of Tagaytay Highlands and Tagaytay Midlands golf clubs in Laguna, Tagaytay City and Batangas. It is also the developer of Pico de Loro Cove residential community within Hamilo Coast.

Commercial

SM Prime's commercial properties business unit is engaged in the development and leasing of office buildings in prime locations in Metro Manila. As of December 31, 2020, the Company has twelve office buildings with a combined GFA of approximately 0.7 million sqm. These are located in the cities of Quezon, Pasay, Makati, Taguig and Las Pinas. Their assets outside Metro Manila are located in Clark in Pampanga, Taytay in Rizal, and Sta. Rosa in Laguna.

Hotels and Convention Centers

SM Prime's hotel and convention centers business unit manages eight hotels located in Tagaytay City, Batangas, Pampanga, Cebu City, Davao City, Pasay City, Iloilo City and Quezon City with more than 1,900 rooms. It also operates five convention centers located in the Mall of Asia Complex in Pasay City, SM Lanang Premier in Davao City, SM Aura in Taguig City, SM City Bacolod in Bacolod City, and SM City Olongapo Central in Zambales, and three trade halls located in SM Megamall, SM City Cebu and SM Seaside City Cebu.

Financial Services

BDO Unibank, Inc. ("BDO") is a full-service universal bank in the Philippines. It provides a complete array of industry-leading products and services including lending, deposit-taking, foreign exchange, brokering, trust and investments, credit cards, corporate cash management and remittances. Through its local subsidiaries, it offers leasing and financing, investment banking, private banking, rural banking, life insurance, insurance brokerage and stock brokerage services. BDO has one of the largest distribution networks of over 1,400 operating branches and more than 4,400 ATMs nationwide.

BDO is the country's largest bank in terms of consolidated resources, customer loans, deposits, assets under management and capital, as well as branch and ATM network.

As at end-2020, BDO had a strong balance sheet with total resources of PHP3.4 trillion.

SMIC has an effective ownership of 45.3% in BDO.

The China Banking Corporation ("China Bank") was incorporated in 1920 as among the first privately owned banks in the Philippines. It has historical strength in catering to the Chinese-Filipino commercial sector, as well as local corporate and retail banking segments. China Bank offers a complete range of deposit, lending, international and investment products. Through its local subsidiaries, it offers investment banking, securities broking, insurance broking, and thrift bank services. China Bank services its customers through its 631 bank branches with over 1,000 ATMs nationwide.

The Bank boasts a strong balance sheet, with total resources at PHP1.0 trillion as at end-2020.

SMIC has an effective stake of 22.6% in China Bank.

Equity Investments

SMIC invests in ventures that capture high growth opportunities in the emerging Philippine economy, looking for market leaders that offer synergies, attractive returns and cash flows.

Belle Corporation (“Belle”) is a developer of tourism and leisure destinations in the Philippines.

Its principal asset is the City of Dreams Manila in PAGCOR Entertainment City by Manila Bay, which is leased on a long-term basis to Melco Resorts and Entertainment (Philippines) Corporation (“Melco”). In addition to lease income, Belle is accorded a share in revenues or earnings from City of Dreams Manila’s gaming operations through the operating agreement between its 78.7%-owned subsidiary, Premium Leisure Corp. (“PLC”), and Melco.

South of Metro Manila, Belle owns significant real estate assets and develops premium residential resort projects around Tagaytay City. Among its exclusive destinations are the club and golf facilities and residential communities of Tagaytay Highlands and Tagaytay Midlands, as well as a further 800 hectares intended for future development.

SMIC’s effective ownership in Belle is 26.4%.

Atlas Consolidated Mining & Development Corporation (“Atlas Mining”) is primarily engaged in metallic mineral exploration and mining.

It operates the Toledo copper mine in the province of Cebu through its wholly-owned subsidiary Carmen Copper Corporation (“Carmen Copper”). The Toledo copper mine is one of the Philippines’ largest exporters of copper concentrate and also markets by-products from copper concentrate processing such as magnetite and pyrite.

Atlas Mining also has a stake in the nickel laterite mining project of Berong Nickel Corporation (“Berong Nickel”) in Palawan. Berong Nickel has been engaged in the direct shipping of nickel laterite ore since 2007.

SMIC effectively owns 34.1% of Atlas Mining.

Neo Office consist of seven commercial buildings located within the largest and only PEZA certified IT park in Bonifacio Global City, Metro Manila. Its tenant base includes top tier local and multinational companies. Its gross lot area is 23,300 sqm and gross leasable area is 268,000 sqm. The occupancy rate as of December 31, 2020 was 99.35%.

SMIC effectively owns 95.0% of the first 5 buildings and 34.0% of the latest 2 buildings in the portfolio.

2GO Group, Inc. (“2GO”) is a shipping and logistics provider that synergizes its various businesses in shipping, freight forwarding, warehousing and express delivery services to provide total solutions to its customers.

As of 2020, SMIC holds 30.5% effective ownership of 2GO.

Philippine Urban Living Solutions (“PULS”) is a dormitory developer and operator specializing in the development of rental housing communities under the MyTown brand. It provides affordable living spaces to young urban professionals within walking distance of the central business districts of Metro Manila. It currently has 16 buildings in operation with 2 more buildings under development.

SMIC effectively owns 63.3% in PULS.

CityMall Commercial Centers Inc. (“CityMalls”) is a mall developer and operator that specializes in developing community malls in second and third cities across the Philippines. SMIC acquired a 34.0% stake in CityMalls in 2014 with the balance owned by Double Dragon Properties Corporation.

Goldilocks is the largest bakeshop chain in the Philippines with over 800 stores and selected operations overseas. Now on its 55th year, Goldilocks continues to provide its customers with a wide array of baked goods and home cooked food.

SMIC effectively owns 34.1% in Goldilocks.

Airspeed is an end-to-end logistics solutions and express courier company that has been in the industry for 35 years. They provide freight solutions management that offers a wide range of transport options via air, sea or land. Airspeed also has capabilities to do customized logistics, warehousing and distribution, and customs broking.

SMIC effectively owns 35.0% in Airspeed.

GrabPay JV is a strategic partnership combining the strength of Grab’s user base and tech platform with SM’s nationwide retail and banking portfolio. The partnership will collaborate on: universal acceptance of the GrabPay wallet as a payment option, offer greater convenience by expanding wallet top-up channels through SM subsidiaries and affiliates, and enhance GrabPay user experience in SM Retail subsidiaries and affiliates.

SM has a 34.5% participation in the JV.

A.v Company’s Directors and Executive Officers

Please refer to Item 5 of the Information Statement for the discussion on the identity of each of the Company’s directors and executive officers including their principal occupation or employment, name and principal business of any organization by which such persons are employed.

A.vi Market Price, Stockholder and Dividend Information

Market Information

The Company’s shares of stock are traded in the Philippine Stock Exchange.

Stock Prices	<u>2020</u>				<u>2019</u>			
		<u>High</u>		<u>Low</u>		<u>High</u>		<u>Low</u>
1 st Quarter	₱	1,079.0	₱	667.0	₱	1,015.0	₱	915.5
2 nd Quarter		997.0		780.0		975.0		884.5
3 rd Quarter		975.5		836.5		1,048.0		950.0
4 th Quarter		1,100.0		864.0		1,091.0		973.0

As of March 18, 2021, the closing price of the Company’s shares of stock is ₱987.00/share.

Stockholder and Dividend Information

The number of stockholders of record as of February 28, 2021 was 1,261. As of December 31, 2020, there are no restrictions that would limit the ability of the Company to pay dividends to the common stockholders, except with respect to P254.4 billion, representing accumulated equity in net earnings of subsidiaries. These earnings are not available for dividend distribution until such time that the Parent Company receives the dividends from the subsidiaries.

The policy of the Company is to provide a sustainable dividend stream to its shareholders. The Board determines the dividend payout taking into consideration the Company's operating results, cash flows, capital investment needs and debt servicing requirements. Since its listing in 2005 the Company has been able to declare annual cash dividends equivalent to 30% of prior year consolidated earnings and will endeavor to continue doing so while ensuring financial flexibility. Dividends shall be paid within 30 days from the date of declaration.

In 2020, the Company declared dividends of P5,119.5 million, equivalent to 50% of 2019 earnings of SMIC Parent Company to preserve capital, given the uncertainty brought about by the COVID-19 pandemic.

The cash dividends pertaining to the 2020 earnings will be discussed and determined at the next Board Meeting on April 28, 2021.

On June 24, 2020, the BOD approved the declaration of cash dividends of 42.5% of the par value or P4.25 per share for a total amount of P5,119.5 million in favor of stockholders on record as at July 9, 2020. This was paid on July 23, 2020.

On April 24, 2019, the BOD approved the declaration of cash dividends of 91.2% of the par value or P9.12 per share for a total amount of P10,985.8 million in favor of stockholders on record as at May 9, 2019. This was paid on May 23, 2019.

On April 25, 2018, the BOD approved the declaration of cash dividends of 82.0% of the par value or P8.20 per share for a total amount of P9,877.6 million in favor of stockholders on record as at May 10, 2018. This was paid on May 24, 2018.

The top 20 stockholders as of February 28, 2021 are as follows:

	<u>Name</u>	<u>No. of Shares Held</u>	<u>% to Total</u>
1	PCD Nominee Corp (Non-Filipino)	416,563,114	34.58%
2	PCD Nominee (Filipino)	128,705,884	10.68%
3	Hans T. Sy	99,110,123	8.23%
4	Herbert T. Sy	99,093,995	8.23%
5	Harley Sy	87,945,758	7.30%
6	Teresita T. Sy	85,781,495	7.12%
7	Henry T. Sy, Jr.	76,843,995	6.38%
8	Elizabeth T. Sy	71,363,804	5.92%
9	Syntrix Holdings, Inc.	46,875,000	3.89%
10	Sysmart Corporation	28,966,752	2.40%
11	Tansmart Holdings, Inc.	27,500,000	2.28%
12	Henry Sy Foundation, Inc.	22,500,000	1.87%
13	Felicidad T. Sy Foundation, Inc.	11,250,000	0.93%
14	Susana Fong	452,998	0.04%

	<u>Name</u>	<u>No. of Shares Held</u>	<u>% to Total</u>
15	Value Plus, Inc.	152,119	0.01%
16	SM Prime Holdings, Inc.	146,104	0.01%
17	Belle Corporation	48,877	0.00%
18	Bernadette S. Go	39,402	0.00%
19	Hector Yap Dimacali	39,102	0.00%
20	Hans Sy Fao Wonderfoods Corp.	39,102	0.00%

The following securities were issued as exempt from the registration requirements of the Securities Regulation Code (SRC) and therefore have not been registered with the Securities and Exchange Commission:

- (1) On June 10, 2014, SMIC issued US\$350 million senior bonds which bear a fixed interest rate of 4.875% per annum, payable semi-annually in arrears. The bonds will mature on June 10, 2024. The bonds, which was listed in the Singapore Stock Exchange, are considered exempt security pursuant to 10.1 (l) of RA No. 8799. The underwriter is Citigroup Global Markets Limited and Standard Chartered Bank and the total underwriting fees and expenses amounted to US\$1.749 million.
- (2) On October 17, 2012, SMIC issued US\$500 million senior bonds which bear a fixed interest rate of 4.250% per annum, payable semi-annually in arrears. The bonds, which was listed in the Singapore Stock Exchange, are considered exempt security pursuant to Section 10.1 (k) and 10.1 (l) of RA No. 8799. The underwriter is Citibank N.A. London and the total underwriting fees and expenses amounted to US\$2.5 million. SMIC retired/cancelled US\$3.6 million in 2018. The bonds which has an outstanding balance of US\$496.4 million as at December 31, 2018 matured in October 2019.

There is no recent acquisition, business combination or other reorganization that has an effect on the amount and percentage of present holdings of the Company's common equity.

A.vii Corporate Governance

Corporate Governance

SM Investments Corporation (SMIC) recognizes the essential role that good governance plays in managing a world class organization and ensuring its long-term growth. The Company is committed to driving the best practice of corporate governance throughout its businesses and ensuring a culture of appropriate engagement with all its stakeholders.

SMIC's Board of Directors (the "Board") sets "the tone at the top" and embodies the core values of the Company. The board is fully committed to the principles of corporate governance and ensures that the long-term financial success of the business is built on the highest standards of excellence, fairness, accountability, integrity and transparency. These principles permeate throughout the organization.

SMIC's Board is composed of eight directors, three of whom are non-executive independent directors. As required by the Company's Manual on Corporate Governance (the "Manual"), independent directors are independent of Management and do not have substantial shareholdings or material relations that could potentially impede the performance of their independent judgment.

To ensure optimum Board performance, the Company conducts annual performance evaluations of the Board of Directors, its individual members and Board Committees. Through the evaluation process, directors identify areas for improvement, such as the quality and timeliness of information provided to them; the frequency and conduct of regular, special or committee meetings; directors' access to management, the Corporate Secretary and Board Advisors; as well as other forms of

assistance that they may need in the performance of their duties. The Board reviews the results of these evaluations and agrees on clear action plans to address any issues raised. In addition, the Board is asked to identify areas of continuing education on corporate governance topics they require.

The Company ensures that the Board and key officers are kept abreast of governance related developments through regular education programs. SMIC also facilitates annual training programs for the directors and officers of its subsidiaries and affiliates within the SM Group of Companies. These Group-wide training programs are conducted by providers accredited by the Securities and Exchange Commission.

SMIC's Board Committees (namely the Audit Committee, Corporate Governance Committee, Compensation Committee, Risk Management Committee and Related Party Transactions Committee) are each guided by their respective Board Committee Charters which outline their purpose, composition, duties and responsibilities. All Board Committees' Charters are reviewed annually. SMIC maintains a Manual and Code of Ethics (the "Code"), which outlines the principles of good corporate governance expected throughout the organization.

SMIC ensures that its directors, officers and employees are familiar with and adhere to this Code. The Code defines SMIC's compliance system and identifies the roles and responsibilities of the Board and Management in relation to corporate governance. It contains the Company's policies on disclosures and transparency, the communication and training programs related to corporate governance and the rights and protection of stakeholders.

There have been no deviations from the Manual since it was adopted. SMIC certifies that the Company, its directors, officers and employees have adopted and fully complied with all leading practices and principles of good corporate governance as provided by the Manual. The Code highlights the importance of integrity in the Company's dealings with its investors, creditors, customers, contractors, suppliers, regulators, employees and other relevant groups. It also outlines the Company's duties with regard to its employees, shareholders and the communities it operates in. The Manual is reviewed regularly and updated periodically and may be accessed via the Company's website.

In accordance with the Code, SMIC has established various governance-related policies, including the Conflict of Interest Policy, which requires SMIC personnel to disclose any actual or potential conflict of interest to the Company, and the Insider Trading Policy which prohibits directors, officers and employees from trading the Company's shares five days before and two trading days after the disclosure of any material stock price-sensitive information. Other existing governance related policies include the Guidelines on Acceptance of Gifts, Guidelines on Placement of Advertisements and the Policy on Accountability, Integrity and Vigilance which is SMIC's whistleblowing policy. SMIC's corporate governance-related policies and programs are regularly disseminated throughout the organization and are made public via the Company's website. SMIC ensures that its stakeholders receive timely and accurate information on all facets of its business through its website and other disclosures.

SMIC's website has a separate corporate governance section that features subsections on its policies, programs and other relevant developments. SMIC also ensures that its shareholders are provided with periodic reports, including relevant information on its directors and officers and their shareholdings and dealings with the Company. Going forward, SMIC will continue to support the initiatives of regulators and advocacy groups to enhance and promote corporate governance standards, while also further strengthening its own corporate governance culture.

A.viii Undertaking to provide without charge a copy of the Company's Annual Report

The Company will provide without charge a copy of the Company's Annual Report or SEC Form 17-A to its stockholders upon receipt of a written request addressed to the Investor Relations Department at 10th Floor, One E-com Center, Harbor Drive, Mall of Asia Complex, Pasay City 1300.

ANNEX "A"



INVESTMENTS CORPORATION

MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS

SM INVESTMENTS CORPORATION

On June 24, 2020
(via Remote Communication)

PRESENT:

DIRECTORS

JOSE T. SIO

Chairman
Adviser, Executive Committee
Member, Audit Committee
Member, Risk Management Committee
Member, Compensation Committee
Member, Related Party Transaction

TERESITA T. SY

Vice-Chairperson
Chairperson, Executive Committee
Chairperson, Compensation Committee

HENRY T. SY, JR.

Vice-Chairman

HARLEY T. SY

Executive Director
Member, Executive Committee

FREDERIC C. DYBUNCIO

President and Chief Executive Officer
Member, Executive Committee

ALFREDO E. PASCUAL

Lead Independent Director
Member, Audit Committee
Member, Compensation Committee
Chairman, Corporate Governance Committee

Chairman, Related Party Transaction
Member, Risk Management Committee

TOMASA H. LIPANA

Independent Director
Chairperson, Audit Committee
Member, Corporate Governance Committee

ROBERT G. VERGARA

Independent Director
Member, Corporate Governance Committee
Member, Related Party Transaction
Chairman, Risk Management Committee

ALSO PRESENT:

ELIZABETH T. SY

Adviser to the Board

HANS T. SY

Adviser to the Board

HERBERT T. SY

Adviser to the Board

GREGORY L DOMINGO

Adviser to the Board

ROBERTO G. MANABAT

Independent Adviser

FRANKLIN C. GOMEZ

SVP-Finance

ELMER B. SERRANO

Corporate Secretary

ARTHUR A. SY.

Assistant Corporate Secretary

TIMOTHY DANIELS

Consultant, Investor Relations

Stockholders present via remote
attendance or represented by proxy

1,033,903,209 shares (85.83% of Outstanding Shares)
(Please see Record of Attendance attached as **Annex A**)

1. Call to Order

The meeting opened with the Philippine National Anthem. The host then acknowledged the presence of all directors and key officers of **SM Investments Corporation** (the **Company**), with certain directors and officers attending the meeting from various locations in the Mall of Asia Complex and some directors joining remotely.

Mr. Jose T. Sio, Chairman of the Board, welcomed stockholders and guests to the first ever virtual Annual Stockholders' Meeting of the Company, streaming live via Zoom Webinar. The Chairman thanked the stockholders for registering online, for joining the meeting and for voting. The Chairman remarked that the Company trusts that its stakeholders fully understand that everyone has to comply with the Government's directive on social distancing for the safety of all the people involved.

The Chairman also announced that the chat box of the livestream platform has been opened for stockholders to raise their questions and comments. He explained that the Company through its Investor Relations team will endeavor to answer questions not addressed during the meeting via email.

The Chairman then called the meeting to order. Atty. Elmer B. Serrano, Corporate Secretary, recorded the minutes of meeting.

2. Certification of Notice and Quorum

Before proceeding with the meeting, the Chairman requested the Corporate Secretary to certify to the posting and publication and existence of a quorum.

The Corporate Secretary certified that, in compliance with the rules issued by the Securities and Exchange Commission, notice of the meeting, the Definitive Information Statement, along with the Company's "Guidelines for Participation via Remote Communication and Voting *in Absentia*" were uploaded via PSE EDGE and posted on the Company's website on June 2, 2020. Further, the Corporate Secretary certified that the same notice of meeting was published both in print and online formats, in the Business Section of the Philippine Star and at the Banking & Finance Section of Business World.

The Corporate Secretary also certified that based on record of attendance, stockholders attending by proxy and stockholders who have registered to remotely join the virtual meeting represent 1,033,903,209 common shares, representing 85.83% of the issued and outstanding capital stock of the Company as of record date of May 24, 2020. He then certified that a quorum was present for the transaction of business by the stockholders.

The Corporate Secretary announced that SyCip Gorres Velayo & Co. has been engaged as third party tabulator of votes cast for the meeting. He also informed participants that the meeting will be recorded.

3. Approval of Minutes of the Annual Stockholders' Meeting held on April 24, 2019

The Chairman proceeded to the next item in the agenda which is the approval of the minutes of the annual meeting of stockholders held on April 24, 2019. A copy of the minutes was posted on the Company's website soon after last year's annual meeting adjourned. The minutes have also been appended to the Definitive Information Statement for this meeting.

The Corporate Secretary stated for the record that unqualified votes cast for each item for approval shall be counted in favor of the matter under consideration.

The Corporate Secretary then presented the tabulation of votes for the approval of the minutes:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
1,033,902,990	86	0	0	0	0

With the above votes in favor, the following resolution was passed and adopted:

"RESOLVED, that the minutes of the annual meeting of stockholders held on April 24, 2019 are approved."

4. Approval of 2019 Annual Report and 2019 Audited Financial Statements

The Chairman then requested Mr. Frederic C. DyBuncio, President, to render his report on the results of operations for 2019. The President reported as follows:

“Good afternoon dear shareholders. Allow me to report on our performance for 2019 and subsequently on our active response during this pandemic in aid and support of our stakeholders.

The Philippine Economy

In 2019, economic conditions were favorable, driven by strong consumption, low inflation and a healthy fiscal and monetary system. In particular, strong consumption aided by growth in OFW remittances and services boded well for SM Investments Corporation and its businesses.

Looking at our consolidated results, SM’s revenues increased 12% to PHP502 billion. Net earnings grew 20% to PHP45 billion. This solid performance was driven by all of our three core businesses in retail, property and banking. Banks comprised 43% of our total earnings while property and retail contributed 38% and 19% respectively.

Retail Financial Highlights

In retail, total revenues increased 9% to PHP367 billion. Net income grew 10% to PHP12 billion as we grew our portfolio by 412 new outlets last year.

THE SM STORE opened two new stores in Ortigas and Olongapo during the year. This brought the total to 65 department stores with gross selling area of over 807,000 square meters.

Our specialty retail chains opened an additional 162 stores and continued to exhibit strong sales and superior margins led by appliances, sports apparel and health and beauty.

Meanwhile in food retailing, we opened 248 stores across SM Markets, Alfamart and Waltermart. 68% of these store openings were in provinces with SM Markets being among the first movers to establish its retail presence in these areas.

Alfamart, which is expanding in residential communities, opened an additional 228 new stores in 2019. It surpassed its 700-store target across the country to cap the year with a total of 754 stores.

By year end, our total retail footprint stood at 3 million square meters of gross selling area nationwide.

Property Financial Highlights

In Property, SM Prime's consolidated revenues increased by 14% to PHP118 billion driven by strong residential take-up and improved mall revenues. Consolidated net income grew 18% to PHP38 billion.

Philippine mall revenues increased by 8% to PHP58 billion. Revenues from the residential group, led by SM Development Corporation surged 24% to PHP45 billion. The rest of SM Prime's businesses in office buildings, hotels and convention centers contributed combined revenue growth of 14% to nearly PHP10 billion.

Banking Financial Highlights

Our banks, BDO Unibank and China Bank both grew strongly during the year. BDO's net interest income grew by 22% to PHP120 billion on improved net interest margins. Net income rose 35% to PHP44 billion. Customer loans expanded by 9% to PHP2.2 trillion while total deposits increased to PHP2.5 trillion. BDO had a strong balance sheet with total resources of PHP3.2 trillion by the end of the year.

China Bank reported net interest income grew 14% to PHP26 billion supported by strong non-interest income. Net income grew 24% to PHP10 billion driven by the sustained growth of its core businesses and supported by fee-based income. Gross loans expanded 13% to PHP578 billion while total deposits increased 7% to PHP775 billion.

Embracing technology and innovation

Digital technology has allowed our businesses to enhance customer experience and improve our services. Our banks have strengthened their digital capabilities including mobile and online banking services, enhanced their cyber resiliency and invested in digital infrastructure to ensure consistent delivery of quality products and services.

In retail, we partnered with end-to-end customer solutions that allow digital payments and cashless transactions. To complement our physical retail stores we launched ShopSM, an online shopping platform and enhanced the Click & Collect concept, an in-store pick-up option for online shoppers. Moreover, SMIC's joint venture with mobile wallet GrabPay in the Philippines combined our expansive network of establishments and merchant partners with the strength of Grab's fintech platform.

Deepening our Commitment to Sustainability

SM recognizes the importance of operating sustainably. In 2019, these efforts were underpinned by several milestones. To help our small and medium enterprise mall tenants mitigate disaster risk, SM Prime launched the SM Resilience Center in SM City Clark. This serves as a data storage facility and a capacity building center for over 1,600 SMEs today.

On a national scale, we partnered with the National Resilience Council in its “Adopt-a-City” campaign focusing on building local government units' capacity to mitigate climate risks.

Through BDO, we have funded over PHP43 billion in renewable energy projects through the Sustainable Finance Framework aligned with the ASEAN Green Bond Principles. These projects have a total installed capacity of 2,168 megawatts and provide clean energy to 1.9 million households per year.

Inclusion and Key Awards

Our company's efforts in management, governance and sustainability have not gone unnoticed. As we worked on building a globally competitive workforce, we were placed among the Forbes Global 2000 - World's Best Employers 2019 for the third consecutive year and likewise ranked among the Forbes Global 2000 - World's Best Regarded Companies 2019 for the second consecutive year.

Our inclusion in the 2020 Bloomberg Gender-Equality Index reflects our commitment to gender equality and an inclusive work environment.

Good governance is likewise deeply rooted in our culture. Our inclusion in the FTSE4Good Index Series is a solid seal of approval for our strong environmental, social and governance practices.

Good governance is likewise deeply rooted in our culture. Our inclusion in the FTSE4Good Index Series is a solid seal of approval for our strong environmental, social and governance practices.

Furthermore, ten of our companies were recognized in the ASEAN Corporate Governance initiative.

To further strengthen our commitment to the UN Sustainable Development Goals, we affirmed this by becoming a member of the United Nations Global Compact and co-hosted the UNGC-GRI Sustainability Summit in Manila. We invite you to read more of our commitment to Sustainability and the progress we are making in our 2019 Sustainability Report.

Our COVID-19 Response

As we all know, the start of 2020 has brought with it a significant global challenge in the form of the COVID-19 pandemic. In the interest of protecting lives, majority of the Philippines has had to enter into an eight-week long lockdown period. As we experienced the lockdown, we responded swiftly to the threat of COVID-19.

We set our priorities to:

1. Assure our employees and partners with our support to maintain their economic well-being
2. Mobilize medical donations, relief missions and other forms of support swiftly using our vast network
3. Serve our communities with essential products and services in support of the national agenda while ensuring the safety of our customers and employees
4. Expand our customer access channels with various modes of delivery

SM has assured all of its employees their regular compensation as well as the extension of an Emergency Financial Assistance to front line workforce, security guards and janitorial staff during the Enhanced Community Quarantine period.

On a daily basis, SM has undertaken measures to protect the safety and welfare of its workforce. These included issuing protective gear, providing necessary health equipment and conducting testing among all of its employees for a safe work environment.

The extensiveness of the quarantine affected the sustainability of operations of tens of thousands of micro, small and medium enterprises.

In this light, SM, through SM Supermalls, has waived rentals worth PHP8.8 billion up until May 15 this year to all tenants nationwide.

Through joint efforts, SM has donated over PHP400 million of essential medical supplies and equipment and reached out to marginalized sectors most affected economically.

This comprises over PHP300 million of critical medical supplies and equipment as well as PPEs and PCR tests to 120 hospitals nationwide.

SM also donated PHP100 million through Project Ugnayan of the private sector and Caritas of the Catholic Church to urban poor families impacted by the lockdown.

Through relief operations of SM Foundation and Uniqlo, over 80 poor communities were provided Kalinga or care packs.

In terms of health facilities, SM built seven emergency quarantine facilities for COVID-19 patients.

SM MOA Arena was transformed into a mega swabbing facility which can accommodate 1,000 to 1,500 tests per day.

We recognize our responsibility to customers and the community while complying with quarantine measures as SM ensured the continued operation of supermarkets, banks and pharmacies in its various locations.

We've implemented various approaches to get our tenants' and supplier partners' products to consumers in addition to online purchases.

This pandemic has revealed that digital technology offers fundamental opportunities to connect and serve communities. In this light, SM implemented several e-commerce programs to continue to meet customer needs during the quarantine. SM malls, The SM STORE and the mall's tenant partners pivoted from offline to online on several digital platforms which included: Personal Shoppers, Concierge Services, and Curbside Pick Ups.

SM likewise launched a smartphone messaging community called "Take Out and Delivery at SM" with over 170,000 members nationwide. This largely supported SM food tenants through partnerships with food delivery apps and other fulfillment partners in the country.

In banking, digital transactions have grown by several multiples as our banks maximized online and mobile banking tools during the quarantine to consistently serve the communities' financial needs.

As we continue to build our capabilities to respond to the new realities, our Company's strong financial condition, along with our combined hard work, will allow us to lead a resurgence after this crisis.

To borrow our founder, Henry Sy, Sr.'s words, 'In good times, we do our usual work. But in bad times, we work harder.'

We would like to sincerely thank you our shareholders for your continued faith and trust. Together, let us heal as one."

The Chairman thanked the President for his report and asked the Corporate Secretary to announce the results of voting. The Corporate Secretary presented the tabulation of votes:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
1,033,356,602	86%	53,360	nil	493,028	0.04

With the above votes in favor, the following resolution was passed and adopted:

"RESOLVED, that the 2019 Annual Report and the 2019 Audited Financial Statements are approved."

5. Announcement of Cash Dividends

The Chairman then announced that at the regular meeting of the Board of Directors just adjourned, the Board approved a cash dividend declaration of 50% of the Company's 2019 Net Income (Parent). This amounts to Php4.25 or approximately Php5.1 Billion of cash dividends declared in favor of all stockholders of record as of July 9, 2020, and payable on July 23, 2020.

6. Approval and Ratification of the Acts of the Board of Directors and Management

The next item in the agenda is the ratification of all acts, transactions and contracts entered into, as well as resolutions made and adopted by the Board of Directors and carried out by Management during their term, or from the date of the last annual stockholders' meeting up to this meeting. These corporate acts are detailed in the Definitive Information Statement provided to all stockholders of record.

The Corporate Secretary presented the tabulation of votes:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
1,033,322,932	86	28,690	nil	551,368	0.05

With the above votes in favor of approval, the following resolution was passed and adopted:

“RESOLVED, that the acts of the Board of Directors and Management during their term or from the date of the last annual stockholders' meeting up to this meeting are ratified and approved.”

7. Election of Directors for 2020-2021

The next item in the agenda is the election of directors for the year 2020-2021. The Chairman requested the Mr. Alfredo E. Pascual, Chairman of the Corporate Governance Committee, to present the nominees to the Board.

Mr. Pascual stated that the Corporate Governance Committee has pre-screened and short-listed candidates qualified to be elected to the Board of Directors. He then announced the names of the following nominees to the Board for 2020-2021:

Mr. Jose T. Sio
Ms. Teresita T. Sy
Mr. Henry Sy, Jr.
Mr. Harley T. Sy
Mr. Frederic C. DyBuncio
Mr. Alfredo E. Pascual as Independent Director
Ms. Tomasa H. Lipana as Independent Director
Mr. Robert G. Vergara as Independent Director

The Corporate secretary thereafter presented the number of votes garnered by each of the nominees:

Nominee	No. of Votes
Mr. Jose T. Sio	923,476,855
Ms. Teresita T. Sy	1,015,260,447
Mr. Henry Sy, Jr.	1,025,850,400
Mr. Harley T. Sy	1,028,727,739
Mr. Frederic C. DyBuncio	1,024,730,900
Mr. Alfredo E. Pascual	938,435,564
Ms. Tomasa H. Lipana	927,988,967
Mr. Robert G. Vergara	1,032,488,117

The Corporate Secretary then announced that since there are only eight (8) nominees and with the votes received, all nominees have obtained sufficient votes for election. The following resolution was therefore passed and adopted:

“RESOLVED, that following are elected to the Board of Directors of SM Investments Corporation for 2020-2021, to serve as such directors until their successors have been duly qualified and elected:

Mr. Jose T. Sio
 Ms. Teresita T. Sy
 Mr. Henry Sy, Jr.
 Mr. Harley T. Sy
 Mr. Frederic C. DyBuncio
 Mr. Alfredo E. Pascual as Independent Director
 Ms. Tomasa H. Lipana as Independent Director
 Mr. Robert G. Vergara as Independent Director

8. Appointment of External Auditor

The next item in the agenda is the appointment of the Company’s external auditor for 2020. The Chairman informed the stockholders that the Audit Committee processed and screened the nominees for external auditor and recommended, as confirmed by the Board of Directors, the appointment of SyCip, Gorres, Velayo & Co. as external auditor for 2020.

The Corporate Secretary then announced the results of voting:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
921,766,031	77	112,056,442	9	80,725	0.01

With the above votes in favor of approval, the following resolution was passed and adopted:

“RESOLVED, that the appointment of SyCip, Gorres, Velayo & Co. as external auditor for 2020 is approved.”

9. Open Forum

The Chairman then proceeded with the Question and Answer portion of the meeting. He explained that all stockholders of record were allowed to submit questions in advance via email to <asm2020@sminvestments.com>, and through the chat box of the meeting livestream. The Chairman thanked the stockholders for sending their questions and comments.

The Chairman requested the Corporate Secretary to read some of the questions received from the stockholders.

The Corporate Secretary began by reading questions sent by email. The first question came from Mr. Jose Ramon Quintos which reads, “In light of the COVID pandemic, what are SM’s plans moving forward in this new environment?”

Vice Chairperson Teresita Sy answered that the pandemic has made the Company focus even more on two important things for its customers: convenience and safety. And two things for the Company: adaptability and transformation.

The Company has been improving both its online and physical experience and operations across the group – and building new ways to serve its customers: from banking, retail, malls and property. Coming from the lockdown, the Company has been able to operate hybrid ways of reaching its customers and the Company is excited to strengthen these offerings.

The Vice Chairperson ended her response by stating that the Company is actively finding new ways to improve its customer experience and operations, and is aiming to transform into a stronger and more adaptive SM after the crisis.

The Corporate Secretary then read the next question that was sent by Mr. Kim Jefferson Loverio which reads, “What are SMIC’s plans and initiatives towards e-commerce market?”

The President, Mr. Frederic C. DyBuncio answered the question. The President responded that the Company had plans and initiatives in place to embrace e-commerce for a number of years. He recognized that up until recently the demand to use e-commerce has been accelerating during the pandemic as more people try digital channels and sometimes this is their only option. Post COVID-19, e-commerce is likely to remain and grow, and the Company is prepared and preparing for that.

In recent years, SM launched online retail shopping sites, worked with partners to develop grocery delivery services and teamed up with e-commerce sites to make SM products widely available online. The Company has also invested in digital science capabilities and applied these to several initiatives including the use of social media for marketing. The Company likewise launched

an electronic wallet and payment technology. The banks under the Group have strengthened their digital capabilities including mobile and online banking services, enhanced their cyber resiliency and invested in digital infrastructure.

Mr. DyBuncio concluded by informing its shareholders that the Company will continue to combine the Company's online and offline capabilities to meet its customers evolving needs.

The Chairman thanked the company officers for answering the questions.

10. Other Matters

The Chairman inquired if there were other matters that could properly be taken up at the meeting. The Corporate Secretary confirmed that there were none.

11. Adjournment

There being no further business to transact, the Chairman thanked everyone who joined the meeting and wished everyone good health. Thereafter, the meeting was adjourned.

CERTIFIED CORRECT:

ELMER B. SERRANO
Corporate Secretary

ATTESTED BY:

JOSE T. SIO
Chairman

Annex A

SM Investments Corporation
Annual Stockholders' Meeting
June 24, 2020, 2:30 p.m.

Record of Attendance

Total number of voting shares outstanding	1,204,582,867
Total number of shares present by proxy	598,752,484
Total number of shares participating remotely	435,150,725
Total number of shares represented	----- 1,033,903,209
Attendance percentage	85.83%



10/F One E-com Center
Harbor Drive, Mall of Asia Complex
Pasay City 1300 Philippines

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, for the years ended December 31, 2020 and 2019, in accordance with Philippine Financial Reporting Standards and for such internal controls 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 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 the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has 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.


JOSE T. SIO
Chairman of the Board


FREDERIC C. DYBUNCIO
President


MARCELO C. FERNANDO, JR.
Treasurer

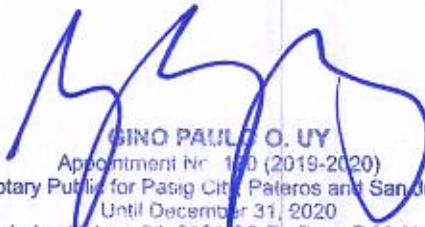
Signed this 26th day of February 2021

REPUBLIC OF THE PHILIPPINES)
PASIG CITY)

SUBSCRIBED AND SWORN to before this FEB 26 2021 at PASIG CITY, affiants exhibiting to me their Taxpayer Identification Number ID, as follows:

NAMES	TIN
JOSE T. SIO	103-433-285
FREDERIC C. DYBUNCIO	103-192-854
MARCELO C. FERNANDO, JR.	106-904-419

DOC No. 414
PAGE No. 85
BOOK No. 70
SERIES of 2021


GINO PAULO O. UY
Appointment No. 170 (2019-2020)
Notary Public for Pasig City, Pateros and San Juan
Until December 31, 2020
(Extended until June 30, 2021 SC En Banc B.M. No. 3795)
Attorney's Roll No. 61567
33rd Floor, The Orient Square
F. Ortigas, Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 7253525; 01.05.21; Pasig City
IBP Receipt No. 137810; 01.05.21; RSM
MCLE Compliance No. VI-0011985; 04.14.22

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

					1	6	3	4	2
--	--	--	--	--	---	---	---	---	---

COMPANY NAME

S	M		I	N	V	E	S	T	M	E	N	T	S		C	O	R	P	O	R	A	T	I	O	N		A	N	D
	S	U	B	S	I	D	I	A	R	I	E	S																	

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

1	0	t	h		F	l	o	o	r	,		O	n	e		E	-	C	o	m		C	e	n	t	e	r	,	
H	a	r	b	o	r		D	r	i	v	e	,		M	a	l	l	o	f		A	s	i	a		C	o	m	
p	l	e	x	,		C	B	P	-	1	A	,		P	a	s	a	y		C	i	t	y		1	3	0	0	

Form Type	Department requiring the report	Secondary License Type, If Applicable													
<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;">A</td><td style="width: 20px; height: 20px;">A</td><td style="width: 20px; height: 20px;">C</td><td style="width: 20px; height: 20px;">F</td><td style="width: 20px; height: 20px;">S</td> </tr> </table>	A	A	C	F	S	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td> </tr> </table>					<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td> </tr> </table>				
A	A	C	F	S											

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
-	8857-0100	-
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,256	04/29	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Franklin C. Gomez	-	8857-0100	-

CONTACT PERSON'S ADDRESS

10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
SM Investments Corporation
10th Floor, One E-Com Center
Harbor Drive, Mall of Asia Complex
CBP-1A, Pasay City 1300

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, 2020 and 2019, 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, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 Lease Concession

In 2020, the Group granted various lease concessions such as lease payment holidays or lease reduction to the lessees of its commercial spaces as a response to the laws and regulations issued by the government mandating the granting of certain lease concession during the coronavirus pandemic. The Group evaluated that the lease concessions do not qualify as a lease modification and accounted for these as a form of negative variable rent which the Group recorded when the concession is given regardless of the period to which the concession pertains. The Group's accounting of lease concession under PFRS 16, *Leases* is significant to our audit because the Group has high volume of lease concessions granted during the period; the recorded amounts are material to the consolidated financial statements; and accounting for lease concession involves application of significant judgment and estimation in determining whether the lease concession will be accounted for as lease modification.

The disclosures related to the lease concession granted by the Group are included in Note 3 to the consolidated financial statements.

Audit Response

We obtained an understanding of the type, extent and periods covered by the various lease concessions granted by the Group, including the determination of the population of the lease contracts covered by the lease concession granted by the Group during the period.

We tested the population of lease agreements by comparing the number of locations per operations report against the lease contract database.

On a test basis, we inspected the communications of the Group in connection with the lease concessions granted to the lessees, and traced these contractual terms and conditions to the calculation of the financial impact of lease concessions prepared by the management. We test computed the lease concession impact prepared by management on a sample basis.

We obtained management assessment and a legal opinion from the Group's internal counsel supporting the assessment that the lease concession granted does not qualify as a lease modification. We involved our internal specialist in evaluating the legal basis supporting the management assessment and legal position.

Recoverability of Goodwill

As at December 31, 2020, the Group reported ₱17,364.8 million goodwill attributable mainly to SM Prime Holdings, Inc., Supervalu, Inc., Super Shopping Market, Inc., Neo Subsidiaries, Waltermart Supermarket, Incorporated and others. The Group performed an annual testing per cash generating unit (CGU) to assess whether goodwill might be impaired. Management's process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic such as revenue growth rate. Given the significant management estimates and assumptions, and the uncertainty of internal and external factors, including future market circumstances, this is considered as a key audit matter.

The assumptions, sensitivities and results of the annual impairment testing are disclosed in Note 17 to the consolidated financial statements.



Audit Response

We involved our internal specialist in assessing the methodologies and assumptions used by the Group in calculating each CGU's recoverable amount. For the fair value less cost of disposal calculations, we evaluated the approach used by the Group and reviewed the calculations performed with reference to the observable market prices and allowable costs for disposing the asset. For the value-in-use calculations, we assessed the prospective financial information (PFI) for each CGU by understanding the Group's approach to develop the PFI and evaluating the key assumptions used such as revenue growth rate. We compared the key assumptions used, such as revenue growth rate against the historical performance of the CGU, industry outlook and other relevant external data, taking into consideration the impact associated with coronavirus pandemic. We also involved our internal specialist in recalculating the discount rates used for each CGU. Recalculations involve comparison to publicly available market information, cost of debt and equity and other relevant risk factors. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions.

Accounting for Investments in Associate Companies

As at December 31, 2020, the Group's investments in associate companies amounted to ₪287,655.9 million, representing 29.7% and 23.5% of the Group's total noncurrent assets and total assets, respectively. The 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. Given the magnitude of the carrying amount and share in equity on investments in associate companies, significant management judgments and estimates made by the associate companies on determining expected credit loss and valuation of financial instruments, as well as the significant management judgments and estimates applied in determining the recoverable amount of these investments, 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

We obtained relevant financial information of the associate companies and recomputed the Group's share in equity in net earnings. For investments with indicators of possible impairment, we obtained management's impairment analysis and gained an understanding of their impairment assessment process. We discussed the current and projected financial performance of the associate companies with management and assessed whether these were reflected in the impairment analysis. We also involved our internal specialist in assessing the Group's methodology and assumptions used in calculating the associate companies' recoverable amount. We have assessed the PFI for the CGU by understanding the Group's approach to develop the PFI and evaluating the key assumptions used such as growth rates, gross margins, projected earnings before interest and taxes, effective tax rates, non-cash charges, net working capital changes, capital expenditures and others. For growth rate, we compared it with the long-term average growth rate for the products or industries. We compared the other key assumptions such as gross margins, projected earnings before interest and taxes, effective tax rates, non-cash charges, net working capital changes, capital expenditures and others against the historical performance of the associate companies, industry outlook and other relevant external data, taking into consideration the impact associated with the coronavirus pandemic. We also involved our internal specialist in recalculating the discount rate used that involves comparison to publicly available market information, cost of debt and equity and other relevant risk factors. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions.



For the material associate company audited by other auditor, 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 detailed the other auditor's scope of work, risk assessment, audit strategy and reporting requirements. We discussed with the other auditor their key audit areas, including areas of significant judgments and estimates, planning and execution of audit procedures, and results of their work for the year ended December 31, 2020.

We reviewed the working papers of other auditors and obtained relevant conclusion statements related to their audit procedures. We focused on the other auditor's procedures on the review of the classification and measurement of financial assets, considering disposals of investment securities classified under the hold-to-collect business model, and testing of the expected credit loss model updated for the impact of the coronavirus pandemic.

Real Estate Revenue Recognition

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) determination of the transaction price; (3) application of the output method as the measure of progress in determining revenue from sale of real estate; (4) determination of the actual costs incurred as cost of real estate sold; and (5) recognition of costs 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 past history with the buyer, age of the outstanding receivables and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of coronavirus pandemic, if it would still support its current threshold of buyers' equity before commencing revenue recognition.

In determining the transaction price, the Group considers the selling price of the real estate property and other fees collected from the buyers that are not held on behalf of other parties.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done 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 actual costs incurred to be recognized as cost of real estate sold, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

The Group identifies sales commissions after contract inception as costs of obtaining a contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commissions due to sales agent as costs to obtain a contract and recognizes the related commissions payable. The Group uses percentage of completion (POC) method in amortizing sales commissions consistent with the Group's revenue recognition policy.

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



Audit Response

We obtained an understanding of the Group's real estate revenue recognition process.

For the buyer's equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We also considered the impact of the coronavirus pandemic to the level of cancellations during the year.

For the determination of the transaction price, we obtained an understanding of the nature of other fees charged to the buyers. For selected contracts, we agreed the amounts excluded from the transaction price against the expected amounts required to be remitted to the government based on existing tax rules and regulations (e.g., documentary stamp taxes, transfer taxes and real property taxes).

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

For the cost of real estate sold, we obtained an understanding of the Group's cost accumulation process and performed tests of the relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to supporting documents such as contractors billing invoices, certificates of progress acceptance, official receipts, among others.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commissions process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and portion recognized in profit or loss, 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, 2020, the merchandise inventories of the Group amounted to ₱28,352.6 million, representing 11.1% 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 performed test of controls for selected stores and warehouses. We visited selected warehouses and stores and observed the physical inventory counts. 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 inventory count. We traced the last documents used for shipping, receiving, transfers which were obtained during the inventory count observation to the accounting records of sales and purchases. We reviewed the reconciliations performed by management 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.

We also reviewed the working papers of other auditor on merchandise inventories, specifically on the observation and testing of physical inventory counts, testing of compilation procedures and the reconciliation of the physical inventory count to the general ledger and financial reports.

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, 2020, 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, 2020 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 PFRSs, 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.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

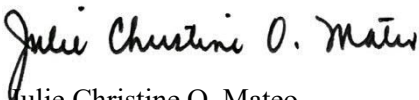
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Julie Christine O. Mateo.

SYCIP GORRES VELAYO & CO.



Julie Christine O. Mateo

Partner

CPA Certificate No. 93542

SEC Accreditation No. 0780-AR-3 (Group A),

August 16, 2018, valid until August 15, 2021

Tax Identification No. 198-819-116

BIR Accreditation No. 08-001998-068-2020,

December 3, 2020, valid until December 2, 2023

PTR No. 8534342, January 4, 2021, Makati City

February 26, 2021



SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 28)	₱78,159,197	₱76,213,774
Time deposits (Notes 8 and 28)	31,012	30,488
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 9 and 28)	568,146	659,077
Receivables and contract assets (Notes 10 and 28)	60,526,230	53,617,200
Inventories (Note 11)	72,056,045	77,120,016
Other current assets (Notes 11, 12 and 28)	43,170,378	40,716,425
Total Current Assets	254,511,008	248,356,980
Noncurrent Assets		
Financial assets at FVOCI - net of current portion (Notes 9 and 28)	27,278,240	24,229,560
Investments in associate companies and joint ventures (Note 13)	296,265,722	280,971,638
Time deposits - net of current portion (Notes 8, 28 and 29)	1,356,442	2,412,972
Property and equipment (Note 14)	26,087,448	24,720,873
Investment properties (Note 15)	359,844,525	338,075,303
Right-of-use assets (Note 27)	41,979,029	37,664,176
Land and development - net of current portion (Note 16)	75,622,199	74,946,694
Intangibles (Note 17)	24,588,503	25,289,609
Deferred tax assets (Note 26)	4,671,969	3,121,117
Other noncurrent assets (Notes 17 and 28)	112,318,650	84,375,645
Total Noncurrent Assets	970,012,727	895,807,587
	₱1,224,523,735	₱1,144,164,567
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 18, 22, 28 and 31)	₱24,126,000	₱18,710,465
Accounts payable and other current liabilities (Notes 19 and 28)	149,231,108	141,451,764
Income tax payable	2,649,041	3,273,872
Current portion of long-term debt (Notes 20, 22, 28 and 31)	60,121,438	29,077,719
Dividends payable (Note 28)	3,829,207	4,204,962
Total Current Liabilities	239,956,794	196,718,782
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 20, 22, 28, 29 and 31)	330,731,798	327,358,208
Lease liabilities - net of current portion (Notes 27 and 31)	28,868,164	27,600,392
Deferred tax liabilities (Note 26)	12,614,979	9,604,043
Tenants' deposits and others (Notes 25, 27, 28 and 29)	47,624,102	46,731,664
Total Noncurrent Liabilities	419,839,043	411,294,307
Total Liabilities	659,795,837	608,013,089

(Forward)



	December 31	
	2020	2019
Equity Attributable to Owners of the Parent		
Capital stock (Note 21)	₱12,045,829	₱12,045,829
Additional paid-in capital	75,823,506	75,815,923
Equity adjustments from common control transactions (Note 21)	(5,424,455)	(5,424,455)
Cost of Parent common shares held by subsidiaries	(25,386)	(25,386)
Cumulative translation adjustment	895,922	1,308,228
Net fair value changes on cash flow hedges	(2,741,387)	(1,406,026)
Net unrealized gain on financial assets at FVOCI (Note 9)	16,506,435	14,399,640
Remeasurement loss on defined benefit asset/obligation (Note 25)	(6,066,075)	(8,633,269)
Retained earnings (Note 21):		
Appropriated	37,000,000	37,000,000
Unappropriated	275,818,556	257,546,591
Total Equity Attributable to Owners of the Parent	403,832,945	382,627,075
Non-controlling Interests	160,894,953	153,524,403
Total Equity	564,727,898	536,151,478
	₱1,224,523,735	₱1,144,164,567

See accompanying Notes to Consolidated Financial Statements.



SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands Except Per Share Data)

	Years Ended December 31		
	2020	2019	2018
REVENUES			
Sales:			
Merchandise	P289,726,442	P354,088,848	P323,740,170
Real estate	47,023,795	44,499,529	35,967,663
Rent (Notes 15, 22 and 27)	26,904,979	51,573,157	47,555,061
Equity in net earnings of associate companies and joint ventures (Note 13)	17,036,367	26,038,426	19,164,345
Royalty, management and service fees (Note 22)	3,936,537	7,348,479	6,379,831
Cinema ticket sales, amusement and others	1,095,445	7,739,761	7,286,654
Dividend income (Note 22)	430,696	480,513	421,914
Others (Note 9)	8,031,444	10,200,616	9,272,529
	394,185,705	501,969,329	449,788,167
COST AND EXPENSES			
Cost of sales:			
Merchandise (Note 11)	220,245,198	262,434,661	238,902,107
Real estate (Notes 11 and 16)	20,583,982	20,806,612	17,852,270
Selling, general and administrative expenses (Note 23)	95,482,554	113,257,931	106,419,699
	336,311,734	396,499,204	363,174,076
OTHER INCOME (CHARGES)			
Interest expense (Notes 22 and 24)	(18,023,610)	(19,511,745)	(16,574,388)
Interest income (Notes 22 and 24)	2,436,015	3,881,156	3,754,141
Impairment loss on investment (Note 13)	(1,000,000)	(3,987,000)	-
Foreign exchange gain - net and others (Note 28)	129,286	761,962	336,492
	(16,458,309)	(18,855,627)	(12,483,755)
INCOME BEFORE INCOME TAX	41,415,662	86,614,498	74,130,336
PROVISION FOR INCOME TAX (Note 26)			
Current	6,407,055	16,218,229	15,115,326
Deferred	683,565	951,955	460,442
	7,090,620	17,170,184	15,575,768
NET INCOME	P34,325,042	P69,444,314	P58,554,568
Attributable to			
Owners of the Parent (Note 30)	P23,389,950	P44,568,244	P37,078,325
Non-controlling interests	10,935,092	24,876,070	21,476,243
	P34,325,042	P69,444,314	P58,554,568
Basic/Diluted Earnings Per Common Share			
Attributable to Owners of the Parent (Note 30)	P19.42	P37.00	P30.78

See accompanying Notes to Consolidated Financial Statements.



SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2020	2019	2018
NET INCOME	₱34,325,042	₱69,444,314	₱58,554,568
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified to profit or loss in subsequent periods			
Share in unrealized gain (loss) on financial assets at fair value through other comprehensive income (FVOCI) of associates (Note 13)	2,280,460	4,505,589	(3,502,992)
Cumulative translation adjustment	(322,636)	(1,011,736)	326,536
Net fair value changes on cash flow hedges	(1,556,934)	(1,712,763)	2,589
	400,890	1,781,090	(3,173,867)
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on defined benefit obligation (Note 25)	4,108,271	(8,209,190)	(2,080,805)
Net unrealized loss on financial assets at FVOCI	(302,553)	(176,975)	(520,230)
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	(776,519)	553,736	(84,499)
	3,029,199	(7,832,429)	(2,685,534)
TOTAL COMPREHENSIVE INCOME	₱37,755,131	₱63,392,975	₱52,695,167
Attributable to			
Owners of the Parent	₱26,317,136	₱40,223,919	₱31,112,015
Non-controlling interests	11,437,995	23,169,056	21,583,152
	₱37,755,131	₱63,392,975	₱52,695,167

See accompanying Notes to Consolidated Financial Statements.



SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 and 2018
(Amounts in Thousands Except Per Share Data)

	Equity Attributable to Owners of the Parent												Non-controlling Interests	Total Equity
	Capital Stock	Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment	Net Fair Value Changes on Cash Flow Hedges	Net Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)	Remeasurement Loss on Defined Benefit Asset/Obligation	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total			
As at January 1, 2020	₱12,045,829	₱75,815,923	(₱5,424,455)	(₱25,386)	₱1,308,228	(₱1,406,026)	₱14,399,640	(₱8,633,269)	₱37,000,000	₱257,546,591	₱382,627,075	₱ 153,524,403	₱536,151,478	
Net income	-	-	-	-	-	-	-	-	-	23,389,950	23,389,950	10,935,092	34,325,042	
Other comprehensive income	-	-	-	-	(412,306)	(1,335,361)	2,107,659	2,567,194	-	-	2,927,186	502,903	3,430,089	
Total comprehensive income	-	-	-	-	(412,306)	(1,335,361)	2,107,659	2,567,194	-	23,389,950	26,317,136	11,437,995	37,755,131	
Realized gain on sale of financial assets at FVOCI (Note 9)	-	-	-	-	-	-	(864)	-	-	864	-	-	-	
Acquisition of non-controlling interests	-	7,583	-	-	-	-	-	-	-	-	7,583	(7,583)	-	
Cash dividends - ₱4.25 per share (Note 21)	-	-	-	-	-	-	-	-	-	(5,118,849)	(5,118,849)	-	(5,118,849)	
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,664,320)	(4,664,320)	
Increase in previous year's non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	604,458	604,458	
As at December 31, 2020	₱12,045,829	₱75,823,506	(₱5,424,455)	(₱25,386)	₱895,922	(₱2,741,387)	₱16,506,435	(₱6,066,075)	₱37,000,000	₱275,818,556	₱403,832,945	₱160,894,953	₱564,727,898	
As at January 1, 2019	₱12,045,829	₱75,815,520	(₱5,424,455)	(₱25,386)	₱2,014,573	₱62,444	₱11,748,980	(₱2,063,358)	₱37,000,000	₱222,213,054	₱353,387,201	₱138,902,811	₱492,290,012	
Net income	-	-	-	-	-	-	-	-	-	44,568,244	44,568,244	24,876,070	69,444,314	
Other comprehensive income	-	-	-	-	(706,345)	(1,468,470)	4,400,401	(6,569,911)	-	-	(4,344,325)	(1,707,014)	(6,051,339)	
Total comprehensive income	-	-	-	-	(706,345)	(1,468,470)	4,400,401	(6,569,911)	-	44,568,244	40,223,919	23,169,056	63,392,975	
Realized gain on sale of financial assets at FVOCI (Note 9)	-	-	-	-	-	-	(1,749,741)	-	-	1,749,741	-	-	-	
Sale of non-controlling interests	-	403	-	-	-	-	-	-	-	-	403	(81,462)	(81,059)	
Cash dividends - ₱9.12 per share (Note 21)	-	-	-	-	-	-	-	-	-	(10,984,448)	(10,984,448)	-	(10,984,448)	
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(9,824,854)	(9,824,854)	
Effect of business combination (Note 5)	-	-	-	-	-	-	-	-	-	-	-	1,358,352	1,358,352	
Increase in previous year's non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	500	500	
As at December 31, 2019	₱12,045,829	₱75,815,923	(₱5,424,455)	(₱25,386)	₱1,308,228	(₱1,406,026)	₱14,399,640	(₱8,633,269)	₱37,000,000	₱257,546,591	₱382,627,075	₱153,524,403	₱536,151,478	



Equity Attributable to Owners of the Parent

	Capital Stock	Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment	Net Fair Value Changes on Cash Flow Hedges	Net Unrealized Gain (Loss) on at Fair Value through Other Comprehensive Income (FVOCI)	Remeasurement Loss on Defined Benefit Asset/ Obligation	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2018	P12,045,829	P76,439,288	(P5,424,455)	(P25,386)	P1,609,600	(P206,977)	P17,027,581	(P701,255)	P37,000,000	P195,012,295	P332,776,520	P125,679,489	P458,456,009
Net income	-	-	-	-	-	-	-	-	-	37,078,325	37,078,325	21,476,243	58,554,568
Other comprehensive income	-	-	-	-	404,973	269,421	(5,278,601)	(1,362,103)	-	-	(5,966,310)	106,909	(5,859,401)
Total comprehensive income	-	-	-	-	404,973	269,421	(5,278,601)	(1,362,103)	-	37,078,325	31,112,015	21,583,152	52,695,167
Sale of treasury shares held by a subsidiary	-	291,088	-	-	-	-	-	-	-	-	291,088	294,120	585,208
Acquisition of non-controlling interests	-	(914,856)	-	-	-	-	-	-	-	-	(914,856)	(857,160)	(1,772,016)
Cash dividends - P8.20 per share (Note 21)	-	-	-	-	-	-	-	-	-	(9,877,566)	(9,877,566)	-	(9,877,566)
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(7,844,484)	(7,844,484)
Increase in previous year's non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	47,694	47,694
As at December 31, 2018	P12,045,829	P75,815,520	(P5,424,455)	(P25,386)	P2,014,573	P62,444	P11,748,980	(P2,063,358)	P37,000,000	P222,213,054	P353,387,201	P138,902,811	P492,290,012

See accompanying Notes to Consolidated Financial Statements.



SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱41,415,662	₱86,614,498	₱74,130,336
Adjustments for:			
Depreciation and amortization (Notes 14, 15, 17, 23 and 27)	18,763,579	19,370,843	15,161,207
Interest expense (Note 24)	18,023,610	19,511,745	16,574,388
Equity in net earnings of associate companies and joint ventures (Note 13)	(17,036,367)	(26,038,426)	(19,164,345)
Interest income (Note 24)	(2,436,015)	(3,881,156)	(3,754,141)
Provisions - net (Notes 10 and 23)	1,620,414	2,609,386	2,207,458
Impairment loss on investment (Note 13)	1,000,000	3,987,000	-
Dividend income (Note 22)	(430,696)	(480,513)	(421,914)
Gain on sale of financial assets at fair value through profit or loss (FVPL) - net	-	(27,812)	(1,337)
Unrealized foreign exchange (gain) loss - net and others	(99,106)	20,175	483,031
Income before working capital changes	60,821,081	101,685,740	85,214,683
Decrease (increase) in:			
Receivables and contract assets	(6,930,842)	(2,848,713)	(1,437,678)
Merchandise inventories and condominium and residential units for sale	6,710,642	4,852,187	414,383
Other current assets	(2,313,171)	(8,187,276)	1,063,229
Land and development	(24,758,582)	(27,669,751)	(37,802,279)
Increase (decrease) in:			
Accounts payable and other current liabilities	6,514,310	17,521,787	15,835,135
Tenants' deposits and others	(397,461)	(2,498,565)	10,571,079
Net cash generated from operations	39,645,977	82,855,409	73,858,552
Income tax paid	(7,035,228)	(16,576,112)	(13,356,939)
Net cash provided by operating activities	32,610,749	66,279,297	60,501,613
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Property and equipment	58,896	343,228	203,564
Investment properties	3,197	117,429	105,524
Financial assets at fair value through other comprehensive income (FVOCI) and FVPL	-	3,814,634	771,361
Additions to:			
Investment properties (Note 15)	(31,796,149)	(36,902,404)	(27,554,245)
Property and equipment (Note 14)	(6,096,154)	(7,446,414)	(6,452,489)
Financial assets at FVOCI and FVPL	(3,124,660)	(3,261,682)	(2,463,985)
Investments in associate companies and joint ventures (Note 13)	(390,350)	(5,330,780)	(3,849,756)
Decrease (increase) in:			
Other noncurrent assets	(11,145,362)	(1,543,199)	(28,224,945)
Time deposits	1,056,006	25,111,241	12,913,443
Dividends received	4,751,956	5,558,665	4,945,350
Interest received	2,439,829	4,048,370	3,827,116
Cash from acquisition of subsidiaries, net of purchase consideration	-	327,140	-
Net cash used in investing activities	(44,242,791)	(15,163,772)	(45,779,062)

(Forward)



	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Bank loans (Note 31)	₱82,880,520	₱25,266,865	₱32,199,317
Long-term debt (Note 31)	75,253,912	52,895,468	70,787,135
Payments of:			
Bank loans (Note 31)	(77,464,985)	(21,376,865)	(37,256,817)
Long-term debt (Note 31)	(36,158,696)	(64,799,259)	(40,292,241)
Interest (Note 31)	(17,142,063)	(22,606,473)	(18,043,821)
Dividends (Note 31)	(10,158,925)	(20,510,816)	(17,674,115)
Lease liabilities (Notes 27 and 31)	(3,838,044)	(2,854,295)	-
Proceeds from maturity of derivatives	-	395,722	-
Reissuance by a subsidiary of treasury shares	-	-	585,207
Net cash provided by (used in) financing activities	13,371,719	(53,589,653)	(9,695,335)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,739,677	(2,474,128)	5,027,216
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	205,746	(625,313)	(32,191)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 7)	76,213,774	79,313,215	74,318,190
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	₱78,159,197	₱76,213,774	₱79,313,215

See accompanying Notes to Consolidated Financial Statements.



SM INVESTMENTS CORPORATION AND SUBSIDIARIES

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 changing its corporate life to perpetual. Its registered office address is 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300.

SMIC is one of the largest publicly listed companies in the Philippines with interests in market leading businesses in retail, banking and property. It also invests in ventures that capture high growth opportunities in the emerging Philippine economy.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD), as approved and recommended for approval by the Audit Committee, on February 26, 2021.

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 a historical cost basis, except for derivative financial instruments and financial assets at fair value through other comprehensive income (FVOCI) and liabilities which are measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRSs). All values are rounded to the nearest thousand Peso except when otherwise indicated.

The accompanying consolidated financial statements have been prepared under the going concern assumption. The Group believes that its businesses would remain relevant despite challenges posed by the COVID-19 pandemic. Despite the adverse impact of the COVID-19 pandemic on short-term business results, long-term prospects remain attractive.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with PFRS, which include the availment of reliefs granted by the SEC under Memorandum Circular No. 14, Series of 2018 and Memorandum Circular No. 3, Series of 2019, to defer the implementation of the following accounting pronouncements until December 31, 2020. These accounting pronouncements address the issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry.

- *Deferral of the following provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry*
 - a. Assessing if the transaction price includes a significant financing component (as amended by PIC Q&A 2020-04);
 - b. Treatment of land in the determination of percentage-of-completion (POC);



- c. Treatment of uninstalled materials in the determination of POC (as amended by PIC Q&A 2020-02); and,
 - d. Accounting for Common Usage Service Area (CUSA) charges.
- *Deferral of the adoption of PIC Q&A 2018-14: Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)*

The Group also availed of the relief provided by SEC Memorandum Circular No. 4, Series of 2020, deferring the adoption of *IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, Borrowing Cost*, (the IFRIC Agenda Decision on Borrowing Cost) until December 31, 2020.

In December 2020, the SEC issued Memorandum Circular No. 34, Series of 2020, allowing the further deferral of the adoption of provisions (a) and (b) above of *PIC Q&A 2018-12* and the IFRIC Agenda Decision on Borrowing Cost, for another other three (3) years or until December 31, 2023.

Basis of Consolidation

The Group is considered to have control over an investee when the Group 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 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 an investee, including:

- the contractual arrangement with the 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 or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control until the date the Group ceases to have control over the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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 over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interests;
- derecognizes the cumulative translation adjustments recorded in equity;
- recognizes the fair value of the consideration received;



- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; 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			
		2020		2019	
		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.	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 Corp	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 Corp.	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
Affluent Capital Enterprises Limited and Subsidiaries (Affluent) *[British Virgin Islands (BVI)]	Real estate development	–	–	–	100
Mega Make Enterprises Limited and Subsidiaries *[BVI]	Real estate development	–	–	–	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 (Mindpro)	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	–	–
Mountain Bliss Resort & Development Corp. and Subsidiary	Real estate development	100	–	100	–
Intercontinental Development Corporation	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	–
Nagtahan Property Holdings, Inc.	Real estate development	100	–	100	–
Philippines Urban Living Solutions, Inc. (PULSI) (see Note 5)	Real estate development	63	–	63	–

(Forward)



Company	Principal Activities	Percentage of Ownership			
		2020		2019	
		Direct	Indirect	Direct	Indirect
Retail					
SM Retail Inc. (SM Retail) and Subsidiaries	Retail	77	–	77	–
Others					
Primebridge Holdings, Inc.	Investment	100	–	100	–
Multi-Realty Development Corporation	Investment	91	–	91	–
Henfels Investments Corporation	Investment	99	–	99	–
Belleshare Holdings, Inc. and Subsidiaries	Investment	99	–	99	–
Digital Advantage Corp.	Investment	94	–	–	–
Neo Property Management Incorporated	Investment	–	–	100	–

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 of SM Prime is material to the Group. Non-controlling shareholders hold 50% of SM Prime as at December 31, 2020 and 2019.

The summarized financial information of SM Prime follows:

Financial Position

	December 31	
	2020	2019
	<i>(In Thousands)</i>	
Current assets	₱157,074,976	₱152,327,608
Noncurrent assets	565,283,949	514,952,066
Total assets	722,358,925	667,279,674
Current liabilities	135,987,903	95,256,780
Noncurrent liabilities	275,653,394	269,506,620
Total liabilities	411,641,297	364,763,400
Total equity	₱310,717,628	₱302,516,274
Attributable to:		
Owners of the Parent	₱309,284,067	₱300,916,171
Non-controlling interests	1,433,561	1,600,103
	₱310,717,628	₱302,516,274



Statements of Income

	Years Ended December 31		
	2020	2019	2018
	<i>(In Thousands)</i>		
Revenues	₱81,899,298	₱118,311,490	₱104,080,565
Costs and expenses	52,825,112	61,619,162	55,753,334
Other charges	6,610,445	7,530,334	6,361,056
Income before income tax	22,463,741	49,161,994	41,966,175
Provision for income tax	4,324,004	10,373,321	9,055,046
Net income	18,139,737	38,788,673	32,911,129
Other comprehensive loss	(4,311,847)	(30,088)	(6,125,029)
Total comprehensive income	₱13,827,890	₱38,758,585	₱26,786,100
Attributable to:			
Owners of the Parent	₱18,006,512	₱38,085,601	₱32,172,886
Non-controlling interests	133,225	703,072	738,243
Net income	₱18,139,737	₱38,788,673	₱32,911,129
Attributable to:			
Owners of the Parent	₱13,688,396	₱38,058,471	₱26,050,908
Non-controlling interests	139,494	700,114	735,192
Total comprehensive income	₱13,827,890	₱38,758,585	₱26,786,100
Dividends paid to non-controlling interests	(₱288,100)	(₱633,700)	(₱576,200)

Cash Flows

	Years Ended December 31		
	2020	2019	2018
	<i>(In Thousands)</i>		
Net cash provided by operating activities	₱17,190,284	₱51,727,582	₱45,964,414
Net cash used in investing activities	(43,943,981)	(48,615,244)	(64,078,056)
Net cash provided by (used in) financing activities	22,817,505	(7,310,020)	12,633,352
Effect of exchange rate changes on cash and cash equivalents	(2,153)	31,174	(124,777)
Net decrease in cash and cash equivalents	(₱3,938,345)	(₱4,166,508)	(₱5,605,067)

3. Summary of Significant Accounting Policies, Changes and Improvements

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

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value.



Time Deposits

Time deposits (shown under current assets) are cash placements with original maturities of more than three months but less than one year. Time deposits with maturities of more than twelve months after the reporting period are presented under noncurrent assets.

Determination of Fair Value

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 takes into account 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 is 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 input that is significant to the fair value measurement as a whole 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.

The Group recognizes transfers into and transfers out of fair value hierarchy levels by re-assessing categorization based on the lowest level input that is significant to the fair value measurement as a whole, as at the date of the event or change in circumstances that caused the transfer.



“Day 1” Difference. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data that is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the amount of “Day 1” difference.

Financial Instruments

Financial Assets

Initial Recognition and Measurement

At initial recognition, financial assets are classified as, and measured at amortized cost, FVOCI, and fair value through profit or loss (FVPL). 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 FVPL, 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*.

In order 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 in order 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 market place 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
- FVPL
- 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" account) and long-term notes (included under "Other noncurrent assets" account).

Financial Assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL 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 FVPL, irrespective of the business model.

Financial assets at FVPL 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 FVPL.

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 FVPL 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 FVPL.

Financial Assets at FVOCI (Debt Instruments)

The Group measures debt instruments at FVOCI when:

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

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change is recycled to profit or loss.



As at December 31, 2020 and 2019, the Group does not have any debt instrument measured at FVOCI.

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 statement 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 (included under "Financial assets" account).

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 its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, 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 “solely payment for principal and interest”.

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 profit or loss.

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 ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired.

Impairment

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the 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 sale 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 is 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 given real estate receivable pool. The probability of default is derived from the historical data of a homogenous portfolio that share the same origination period. Information on the number of loan defaults for fixed time intervals is utilized to create the probability model. It allows the evaluation of the loan activity from origination period to the end of the contract period. Macroeconomic indicators such as forward-looking data on inflation rate are also considered. The probability of default is applied to the loss estimate which is the difference between the contractual cash flows due and the amount expected to be received, including the cost of repossession of the subject real estate property and other related costs. In calculating the recovery rates, collections and/or cash from the resale of foreclosed real estate properties, net of direct costs to obtain and sell the real estate properties, are considered such as commission, cost of refurbishment, payment required under Maceda law, and cost to complete for incomplete units. As these are future cash flows, these are discounted to the time of default using the appropriate effective interest rate.



The Group considers a financial asset in default when contractual payments are 120 days past due or when sales are cancelled, supported by a notarized cancellation letter. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. The Group considers there to be a significant increase in credit risk when contractual payments become past due.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge.

Financial liabilities are recognized initially at fair value and in the case of loans and borrowings and payables, net of directly attributable costs.

The Group's financial liabilities include bank loans, accounts payable and other current liabilities (excluding payable to government agencies), dividends payable, long-term debt, lease liabilities and tenants' deposits and others.

Subsequent Measurement

Loans and Borrowings

Interest-bearing loans and borrowings and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest expense in the consolidated statement of income.

Financial Liabilities at FVPL

Financial liabilities at FVPL include those held for trading as well as derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless these are designated as effective hedging instruments. Gains and losses on liabilities held for trading are recognized in the consolidated statement of income.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement 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 profit or loss.

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 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 actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of the hedged item.

Hedges are accounted for as fair value hedges or cash flow hedges.

Fair Value Hedge

The change in the fair value of a hedge instrument is recognized in the consolidated statement of income. The change in the fair value attributable to the risk hedged is recorded as part of the carrying value of the hedge instrument and is also recognized in the consolidated statement of income as other expense.

For fair value hedges carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization is initiated when an adjustment exists and no later than when the hedged instrument ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

In case of derecognition, the unamortized fair value of the hedged instrument is recognized immediately in profit or loss.

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 statement 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 "Cumulative translation adjustment" account.

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



Merchandise Inventories

Merchandise inventories are valued at the lower of cost or net realizable value. Cost, which includes all costs directly attributable to acquisition, such as purchase price and transport costs, is primarily determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Current Portion of Land and Development and Condominium and Residential Units for Sale

Current portion of land and development and condominium and residential units for sale are stated at the lower of cost or 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. Current portion of land and development and condominium and residential units for sale 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,
- costs of borrowing, planning and design, and site preparation, as well as professional fees, property transfer taxes, construction overhead and others.

Investments in Associate Companies and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in associate companies and joint ventures are accounted for under the equity method of accounting. Under the equity method, investments in associate companies and joint ventures are carried at cost plus post-acquisition changes in the Group's share in net assets of the associate or joint venture.

On acquisition of the investment, any difference between the cost of the investment and the investor's share in the net fair value of the associate's or joint venture's identifiable assets, liabilities and contingent liabilities is accounted for as follows:

- Goodwill relating to an associate or joint venture is included in the carrying amount of the investment. However, amortization of that goodwill is not permitted and is therefore not included in the determination of the Group's share in the associate's or joint venture's profits or losses; and,
- Any excess of the Group's share in the net fair value of the associate's and joint venture's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the investor's share of the associate's or joint venture's profit or loss in the period in which the investment is acquired.



The consolidated statement of income reflects the share in the results of operations of the associate or joint venture. Where there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share in any changes and discloses this in the consolidated statement of comprehensive income. Profits and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture.

Appropriate adjustments to the investor's share of the associate's or joint venture's profit or loss after acquisition are made to account for the depreciation of the depreciable assets based on their fair values at the acquisition date and for impairment losses recognized by the associate or joint venture, such as for goodwill or property, plant and equipment.

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss with respect to the Group's net investment in the associate companies and joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate companies and joint ventures is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the investment's recoverable amount and carrying value and recognizes the impairment loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate companies and joint ventures upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

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.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs necessary in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and interest incurred during the construction period.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

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	5–8 years
Furniture, fixtures and office equipment	3–10 years
Machinery and equipment	5–10 years
Leasehold improvements	5–10 years or term of the lease, whichever is shorter
Transportation equipment	5–15 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. The carrying value of the assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further depreciation and amortization is credited or charged to current operations.

When any property and equipment is retired or otherwise disposed of, the cost and related accumulated depreciation and amortization and accumulated provision for impairment loss is removed from the accounts and any resulting gain or loss is charged to profit or loss.

Investment Properties

This account consists of investment properties and the noncurrent portion of land and development. Investment properties include property held to earn rentals and for capital appreciation. 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.

Expenditures incurred after the investment property has been put in operation such as repairs and maintenance costs are charged to profit or loss.

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

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.

Investment property is derecognized when disposed or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are charged to profit or loss.

Transfers are made to (from) investment property when there is a change in use evidenced by ending (commencement) of owner-occupation, or, commencement of lease to another party (commencement of development with a view to sell).

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date 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.



Tenants' Deposits

Tenants' deposits are measured at amortized cost. Tenants' deposits refer to security deposits received from various tenants upon inception of the respective lease contracts on the Group's investment properties. At the termination of the lease contracts, the deposits received by the Group are returned to tenants, reduced by unpaid rental fees, penalties and/or deductions from repairs of damaged leased properties, if any. The related lease contracts usually have a term of more than twelve months.

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 of 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 "Selling, general and administrative expenses" account in the consolidated statement 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" account in the equity section of the consolidated balance sheet.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.



Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with the changes in fair value recognized in the statement of income in accordance with PFRS 9. Other contingent considerations that are not within the scope of PFRS 9 are measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Acquisitions 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 shall be recognized directly in equity.

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.

Allocation of Impairment Loss. An impairment loss is recognized for a CGU if the recoverable amount of the unit or group of units is less than the carrying amount of the unit or group of units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit or group of units first to reduce the carrying amount of goodwill allocated to the CGU or group of units and then to the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset in the unit or group of units.

Measurement Period. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. The measurement period ends as soon as the Group receives the information it was seeking as of the acquisition date or learns that more information is not obtainable. The measurement period shall not exceed one year from the acquisition date.



Intangible Assets

The cost of trademarks and brand names acquired in a business combination is the fair value as at the date of acquisition. The useful life of trademarks and brand names is assessed based on an analysis of all relevant factors. If there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group, the trademark / brand name is considered to be indefinite.

Trademarks and brand names with indefinite useful lives are not amortized but are tested for impairment annually either individually or at the CGU level. The useful life of an intangible asset is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset at the date of disposal and are recognized in profit or loss.

Land Use Rights

Land use rights which is included under “Other noncurrent assets” is amortized over its useful life of 40–60 years.

Impairment of Nonfinancial Assets

The carrying value 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 value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or CGUs are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost to sell or 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 statement 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 statement 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.

Capital Stock and Additional Paid-in Capital

Capital stock is stated at par value of the share. Proceeds and/or fair value of considerations received in excess of par value, if any, is recognized as additional paid-in capital. Incremental costs directly attributable to the issuance of new shares is deducted from the proceeds, net of tax.



Revenue and Cost Recognition

Revenue from contracts with customers is recognized when control of the goods or services are 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 majority of its revenue arrangements. The following specific recognition criteria, other than those disclosed in Note 2 to the consolidated financial statements, shall be met before revenue is recognized:

Sale of Merchandise Inventories. Revenue from sale of goods is recognized when the transfer of control has been passed to the buyer at the time when the performance obligation has been satisfied. The performance obligation is generally satisfied when the customer purchases the goods. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Revenue and Cost from Sale of Real Estate. The Group derives its real estate revenue from the sale of lots, house and lot and condominium units. Revenue from the sale of these real estate under pre-completion stage is recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, 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 revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date, milestones reached and time elapsed. This is based on the monthly project accomplishment report prepared by third party project managers as approved by the construction manager which integrates the surveys of performance to date of the construction activities.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as receivables from sale of real estate, under trade receivables, is accounted for as unbilled revenue from sale of real estate.

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 in cash or under a financing scheme commences upon signing of the "contract to sell" with the customer. The financing scheme includes 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 amount due for collection based on the amortization schedule does not necessarily coincide with the progress of construction.

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



Cost of Real Estate Sold. The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation and permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of real estate sold while the portion allocable to the unsold area being recognized as part of real estate inventories. In addition, the Company recognizes as an asset only costs that give rise to resources that will be used in satisfying performance obligations in the future 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 sale of real estate. This is the right to consideration that is conditional in exchange for goods or services transferred to the customer. The capitalized amount is reclassified to trade receivable from real estate buyers when the periodic amortization of the customer becomes due for collection.

Contract Liabilities. Contract liabilities pertain to unearned revenue from sale of real estate. This is the obligation to transfer goods or services to a customer for which the Group has received consideration) from the customer. These also include customers' deposits related to sale of real estate. These are recognized as revenue when the Group performs the pertinent obligations under the contract.

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 as earned. Commission expense is included in the "Costs and expenses" account in the consolidated statement of income. Costs incurred prior to obtaining a contract with a customer are expensed as these are 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 any other 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 this criteria requires the application of judgement 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 under condominium and residential units for sale and current portion of land and development).

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 POC following the pattern of real



estate revenue recognition. The amortization is included in cost of real estate sold account in the consolidated statement 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 is removed when testing for impairment.

In case the relevant costs demonstrate indicators of impairment, judgment is required in ascertaining the future economic benefits from these contracts as sufficient to recover the relevant assets.

Rent. Revenue is 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 Amusement Tickets. Revenue is recognized upon receipt of cash from the customers which coincides with the rendering of services.

Gain on Sale of Investments in Associate Companies and Joint Ventures and Financial Assets. Revenue is recognized upon delivery of the securities to and confirmation of the sale by the broker.

Dividends. Revenue is recognized when the Group's right as a shareholder to receive payment is established.

Royalty, Management and Service Fees. Revenue and/or expense is recognized when earned and/or incurred, in accordance with the terms of the agreements.

Interest. Revenue is recognized when interest accrues, taking into account the effective yield.

Selling, General, Administrative and Other Expenses. Costs and expenses are recognized as incurred.

Pension Benefits

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting the net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- service cost;
- net interest on the net defined benefit liability or asset; and,
- remeasurements of net defined benefit liability or asset.



Service cost which includes current service costs, past service costs and gains or losses on non-routine settlements, is recognized as expense. Past service cost is recognized on the earlier of the date of the plan amendment or curtailment, or the date when restructuring-related cost is recognized.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which these arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can these be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if these have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Foreign Currency-denominated Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange as at reporting date. Nonmonetary items denominated in foreign currency are translated using the exchange rate as at the date of initial recognition. All differences are recognized in profit or loss.

Foreign Currency Translation

The assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange as at reporting date and their respective statements of income are translated at the weighted average rate for the year. The exchange differences arising from the translation are included in the consolidated statement of comprehensive income and are presented within the “Cumulative translation adjustment” account in the consolidated statement of changes in equity. On disposal of a foreign subsidiary, the deferred cumulative amount of exchange differences recognized in equity relating to that particular foreign operation is recognized in profit or loss.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rent is recognized as revenue in the period it is earned.



Lease Modification. Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease e.g., addition or termination of the right to use one or more underlying assets, or the extension or shortening of the contractual lease term.

In case of a lease modification, the lessor shall account for any such modification by recognizing a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. In case of change in lease payments for an operating lease that does not meet the definition of a lease modification, the lessor shall account for any such change as a negative variable lease payment and recognize lower lease income.

Effective beginning on or after January 1, 2019

Group as Lessee. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying asset.

- *ROU Assets.* The Group recognizes ROU assets at the commencement date of the lease. ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimates of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, except when those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment.
- *Lease Liabilities.* At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating a lease, if the lease term reflects the exercise of an option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *Short-term Leases and Leases of Low-value Assets.* The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have lease terms of 12 months or less from the commencement date and those that do not contain a purchase option). It



also applies the lease of low-value assets recognition exemption. These leases are recognized as expense on a straight-line basis over the lease term.

Effective before January 1, 2019

Group as Lessee. Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of income.

Capitalized lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. 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.

Borrowing Cost

Borrowing cost is capitalized as part of the cost of the asset if it is directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing cost commences when the activities to prepare the asset are in progress and expenditures and borrowing cost are incurred. Borrowing cost is capitalized until the assets are substantially ready for their intended use. Borrowing cost is capitalized when it is probable that it will result in future economic benefits to the Group. All other borrowing costs are expensed as incurred. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowings is used.

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 foreseeable 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 statement 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” accounts in the consolidated balance sheet.

Basic/Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income attributable to owners of the Parent 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 and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all potential dilutive ordinary shares.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

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 year except for the adoption of the following new standards, amendments to standards and improvements, starting January 1, 2020. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

The amendments to PFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output; that a business can exist without including all of the inputs and processes needed to create outputs.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs which apply to all hedging relationships that are directly affected by the interest rate benchmark reform in case the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of "material" that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.



- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-Related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

Group as Lessee. The Group adopted the amendments beginning January 1, 2020. Adoption of these amendments for rent concessions on certain land, retail stores, office spaces and warehouses has no significant impact for the year ended December 31, 2020.

Group as Lessor. Throughout the government-imposed community quarantine, the Group waived rentals and other charges amounting to ₱18,779.9 million which significantly reduced rental income, and offered deferral of payments to certain tenants. Such rental waivers and deferrals are not accounted as a lease modification under PFRS 16 since COVID-19 is a force majeure under the general law.

- *Adoption of PIC Q&A 2020-03, Q&A No. 2018-12-D: STEP 3 - On the Accounting of the Difference When the Percentage of Completion is Ahead of the Buyer's Payment.* PIC Q&A 2020-03 issued by the PIC on September 30, 2020, aims to provide an additional option to present the difference between the POC and the buyer's payment, with the POC being ahead, as receivables. This PIC Q&A is consistent with the PIC guidance issued to the real estate industry in September 2019.



Future Changes in Accounting Policies

The following are the new standards, amendments to standards and improvements that were issued but are not yet effective as at December 31, 2020. Unless otherwise indicated, the Group does not expect the future adoption of these new standards, amendments to standards and improvements to have a significant impact on the consolidated financial statements. The Group intends to adopt the applicable standards, amendments to standards and improvements when these become effective.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform.
- Relief from discontinuing hedging relationships.
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The following information shall also be disclosed:

- Nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021, with retroactive application and without restatement of prior period financial statements.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21, *Leases*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with retroactive application.



- Amendments to PAS 16 , *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit the deduction from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Such proceeds shall be recognized in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with retroactive modification for items of property, plant and equipment made available for use on or after the beginning of the earliest period presented at the time of adoption.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period at the time of first adoption.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.



- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and,
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and shall be applied retrospectively. The Group is assessing the impact of these amendments.

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is 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. 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 associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board 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.

- Deferral of Certain Provisions of PIC Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)*. On February 14, 2018, the PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 25, 2018 and February 8, 2019, the Philippine SEC issued SEC Memorandum Circular No. 14, Series of 2018, and SEC Memorandum Circular No. 3, Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of 3 years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC Memorandum Circular No. 34, Series of 2020, which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral follows:

	Deferral Period
a. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023
c. Treatment of uninstalled materials in the determination of the POC discussed in PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02)	Until December 31, 2020
d. Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H	Until December 31, 2020

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04 on determining whether the transaction price includes a significant financing component.
- PIC Q&A 2020-02 on determining which uninstalled materials should not be included in calculating the POC.

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC shall later prescribe.



The Group availed of the option to defer adoption of the above specific provisions except for land exclusion in the determination of POC. Had these provisions been adopted, it would have impacted retained earnings, revenue from real estate sales, cost of real estate sold, other income and real estate inventories.

- *IFRIC Agenda Decision on Over Time Transfer of Constructed Good (PAS 23, Borrowing Costs).* In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is recognized over time under paragraph 35(c) of IFRS 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23, *Borrowing Costs*, considering that these inventories are ready for their intended sale in their current condition.

On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the real estate industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34, Series of 2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the real estate industry until December 31, 2023. Effective January 1, 2024, the real estate industry will adopt the IFRIC Agenda Decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC Agenda Decision.

The Group opted to avail of the relief as provided by the SEC. The adoption of the IFRIC Agenda Decision is not expected to have significant impact on the consolidated financial statements.

- Deferral of PIC Q&A 2018-14, *Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)*. On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC Memorandum Circular No. 3, Series of 2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC shall later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 shall have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

The Group availed of the SEC relief to defer the adoption of this PIC Q&A until December 31, 2020. The adoption of this PIC Q&A is not expected to have significant impact on the consolidated financial statements.

As prescribed by SEC Memorandum Circular No. 34, Series of 2020, for financial reporting periods beginning on or after January 1, 2021, the availment of the above deferral will impact the Group's financial reporting during the period of deferral.

Upon full adoption of the above deferred guidance, the accounting policies shall have to be applied using full retrospective approach following the guidance under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.



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 estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Existence of a Contract. The Group's primary document for a contract with a customer is the signed contract to sell. In cases wherein the contract to sell is not signed by both parties at report date, other signed documents including the reservation agreement, official receipts, quotation sheets and other documents are considered to contain the basic elements to qualify as a contract with the customer under PFRS 15.

The Group's revenue recognition process includes the assessment of the probability of the Group collecting the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating the probability of collection, the Group considers the significance of the buyer's initial payments in relation to the contract price.

Measure of Progress. The Group has determined that the output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Property Acquisitions and Business Combinations. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets and liabilities. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the real estate property. The consideration is made to the extent that the significant business processes are acquired and the additional services are to be provided by the subsidiary.

When the acquisition of subsidiary does not constitute a business, it is accounted for as an acquisition of a group of assets and liabilities. The purchase price of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values at the date of acquisition. No goodwill or deferred tax is recognized.

Consignment Arrangements on Retail Segment. The retail segment of the Group has various consignment arrangements with suppliers. Under these arrangements, the Group bears significant risks and rewards associated with the sale of goods. Management has determined that it is acting as principal in these sales transactions. Accordingly, revenue is recognized at gross amount upon actual sale to customers. The related inventory stocks supplied under these arrangements only become due and payable to suppliers when sold.

Operating Lease Commitments - Group as Lessor. Management has determined that the Group retains all the significant risks and rewards of ownership of the properties and thus, accounts for the contracts as operating leases. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and, the lease term is not for the major part of the asset's economic life.



Lease Modification - as Lessor. Throughout the government-imposed community quarantine, the Group waived rentals and offered deferral of payments to certain tenants. Such rental waivers and deferrals are not accounted as a lease modification under PFRS 16 since COVID-19 is a force majeure under the general law.

Determination of Lease Term of Contracts with Renewal and Termination Options - Group as Lessee (On or after January 1, 2019). The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating the certainty or possibility of exercising the option to renew or terminate lease contracts. The Group considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Group reassesses the lease term for any significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew or to terminate the lease contract (e.g., construction of significant leasehold improvements or significant customization to the leased asset). In most cases, the Group exercises its option to renew.

Operating Lease Commitments - Group as Lessee (Before January 1, 2019). Management has determined that all the significant risks and benefits of ownership of these properties remain with the lessor and thus, accounts for these leases as operating leases.

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.

Assessing of Control or Significant Influence of 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 has 45% ownership interest in BDO. Management assessed that the Group does not have control of BDO as the Group's aggregate voting rights is not sufficient to give it power to direct the relevant activities of BDO (see Note 13).

Premium Leisure Corp. (PLC). The Group has 5% ownership interest in PLC. PLC is a subsidiary of Belle Corporation (Belle). Management assessed that the Group has significant influence over PLC through its associate, Belle (see Note 13).

Estimates and Assumptions

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that pose a significant risk of causing material adjustments to the carrying amounts of assets and liabilities in the succeeding years are discussed below.

Revenue Recognition Method and Measure of Progress. The Group recognizes revenue for real estate sales over time in consideration of the following (a) the Group's performance does not create an asset with an alternative use, and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. The



property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred. In addition, under the current legal framework, the customer is contractually obliged to make payments to the Group for performance completed to date.

The Group has determined that the output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Provision for Expected Credit Losses (ECL) of Receivables and Contract Assets (referred also in the consolidated financial statements as "Unbilled revenue from sale of real estate"). The Group maintains an allowance for impairment loss at a level considered adequate to provide for potential uncollectible receivables. The Group uses a provision matrix for rent and other receivables and vintage approach for receivables from sale of real estate (billed and unbilled) to calculate ECLs. The Group performs a regular review of the age and status of these accounts, designed to identify accounts for impairment. The assessment of the correlation between historical observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. See Note 10 for related balances.

Net Realizable Value of Merchandise Inventories, Condominium and Residential Units for Sale, and Land and Development. The Group recognizes an allowance for impairment of value of merchandise inventories, condominium and residential units for sale, and land and development to value these assets at net realizable value. Impairment may be due to damage, physical deterioration, obsolescence, changes in price levels or other causes. See Note 11 for related balances.

The estimate of net realizable value is based on the most reliable evidence of the realizable value of the assets, available at the time the estimate is made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The allowance account is reviewed on a regular basis. In 2020 and 2019, the Group assessed that the net realizable value of merchandise inventories, condominium and residential units for sale and land and land development is higher than cost, hence, the Group did not recognize any impairment loss.

Estimated Useful Life of Property and Equipment and Investment Properties (except for ROU Assets). The useful life of each of the Group's property and equipment and investment properties is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the asset. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. See Notes 14 and 15 for related balances.

Impairment of Investments in Associate Companies and Joint Ventures. Impairment review of investments in associate companies and joint ventures is performed when events or changes in circumstances indicate that the carrying value may not be recoverable. This requires management to make an estimate of the expected future cash flows from the investments and to choose a suitable discount rate in order to calculate the present value of those cash flows. See Note 13 for related balances.



Impairment of Goodwill and Trademarks and Brand Names with Indefinite Useful Lives. Impairment exists when the carrying value 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 17 for related balances.

Impairment of Other Nonfinancial Assets. The Group assesses at each reporting date whether there is an indication that an item of property and equipment, investment properties and ROU assets may be impaired. This assessment requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Future events could cause the Group to conclude that these assets are impaired. Any resulting impairment loss could have a material impact on the financial position and performance of the Group.

The preparation of the estimated future cash flows involves judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Group's assessment of recoverable values and may lead to future additional impairment charges. There is no impairment on other nonfinancial assets for each of the three years in the period ended December 31, 2020. See Notes 14, 15 and 27 for related balances.

Purchase Price Allocation in Business Combinations. The acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to recognize goodwill. The Group's acquisitions have resulted in goodwill and separate recognition of trademarks and brand names. See Note 17 for related balances.

Realizability of Deferred Tax Assets. 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 tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of excess MCIT and NOLCO is based on the projected taxable income in future periods. Based on the projection, not all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO will be realized. Accordingly, only a portion of the Group's deferred tax assets is recognized. See Note 26 for related balances.

Present Value of Defined Benefit Obligation. The present value of the pension obligations depends on a number of factors including assumptions of discount rate and rate of salary increase, among others.

The Group determines the appropriate discount rate at the reporting date. In determining the discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based on current market conditions. Management believes that the assumptions used are reasonable and appropriate. However, significant differences in actual experience or significant changes in assumptions would materially affect the Group's pension and other pension obligations. See Note 25 for related balances.



Fair Value of Financial Assets and Liabilities. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates and volatility rates). The amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in the fair value of these financial assets and liabilities would directly affect profit or loss and OCI. See Note 29 for related balances.

Valuation of Unquoted Equity Investments. Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of other instruments that is substantially the same;
- the expected cash flows discounted at current rates applicable for investments with similar terms and risk characteristics; or,
- other valuation models.

The determination of cash flows and discount factors for unquoted equity investments requires significant estimation. In valuing the Group's financial assets at FVOCI at fair value in compliance with PFRS 9, management applied judgement in selecting the valuation technique and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Group.

Leases – Estimating the Incremental Borrowing Rate. The Group cannot readily determine the interest rate implicit in the lease, therefore, it used its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). See Note 27 for related balances.

Contingencies. The Group is involved in certain legal and administrative proceedings. The Group, in collaboration with outside legal counsel handling defense, as the case may be, does not believe that these proceedings will have a material adverse effect on its financial position and performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings.

5. Business Combination

Acquisition

Philippines Urban Living Solutions, Inc. (PULSI). In April 2017, the Parent Company acquired 674.9 million common shares equivalent to 61.2% equity interest in PULSI, the developer and operator of *MyTown* dormitories.



Despite the Parent Company's 61.2% equity interest, PULSI has been accounted for as an associate under PAS 28, *Investments in Associates and Joint Ventures*, since the Parent Company did not meet the requirements to obtain control over PULSI as prescribed by PFRS 10, *Consolidated Financial Statements*.

On November 11, 2019, the Parent Company exercised its call option and purchased 22.9 million common shares of PULSI amounting to ₱136.8 million, thereby increasing its equity interest to 63.3%. Beginning November 11, 2019, PULSI was considered as a subsidiary in accordance with PFRS 3, *Business Combinations*.

The transaction was accounted for as a step acquisition under PFRS 3. The fair value of the identifiable assets and liabilities as at the date of acquisition follows:

	Fair Value
	<i>(in Thousands)</i>
Cash and cash equivalents	₱463,967
Receivables	11,983
Other current assets	122,975
Investment properties	4,606,817
Property and equipment (Note 14)	66,051
Other noncurrent assets	139,335
Total identifiable assets	5,411,128
Accrued expenses and other current liabilities	867,545
Deferred tax liabilities	842,532
Other noncurrent liabilities	827
Total identifiable liabilities	1,710,904
Net identifiable assets	3,700,224
Non-controlling interests	(1,358,352)
Fair value of previously held interest	(2,264,985)
Goodwill arising from the acquisition	59,940
Purchase consideration transferred	₱136,827

The cash flows from this acquisition follow:

Cash acquired	₱463,967
Purchase consideration transferred	(136,827)
Net	₱327,140

PULSI's receivables comprise mainly of rent receivables from tenants carried at cost. It is expected that the full contractual amounts as presented in the balance sheet will be collected in full.

The goodwill of ₱59.9 million represents the value of synergies expected to arise from the business combination.



6. Segment Information

The Group has identified three reportable operating segments as follows: property, retail, and banking and others.

The property segment is involved in mall, residential and commercial development and hotel and convention center operations. The mall segment develops, conducts, operates and maintains the business of modern commercial shopping centers and all businesses related thereto such as the conduct, operation and maintenance of shopping center spaces for rent, amusement centers and cinemas within the compound of the shopping centers. The residential and commercial segments are involved in the development and transformation of major residential, commercial, entertainment and tourism districts through sustained capital investments in buildings and infrastructure. The hotels and convention centers segment engages in and carries on the business of hotels and convention centers and operates and maintains any and all services and facilities incident thereto.

The retail segment is engaged in the retail/wholesale trading of merchandise such as dry goods, wearing apparels, food and other merchandise.

The banking and others segment primarily includes the operations of the Parent Company which is engaged in asset management and capital investments as well as its associate companies which include the banks.

The BOD monitors the operating results of each of its business units for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the consolidated financial statements.

Operating Segment Financial Data

	2020				
	Property	Retail	Banking and Others	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Revenues:					
External customers	₱76,881,025	₱296,637,375	₱20,667,305	₱-	₱394,185,705
Inter-segment	9,695,786	151,810	2,562,464	(12,410,060)	-
	₱86,576,811	₱296,789,185	₱23,229,769	(₱12,410,060)	₱394,185,705
Segment results:					
Income before income tax	₱22,923,445	₱7,200,165	₱11,292,052	₱-	₱41,415,662
Provision for income tax	(4,349,645)	(2,509,821)	(231,154)	-	(7,090,620)
Net income	₱18,573,800	₱4,690,344	₱11,060,898	₱-	₱34,325,042
Net income attributable to:					
Owners of the Parent	₱9,151,718	₱3,375,743	₱10,862,489	₱-	₱23,389,950
Non-controlling interests	9,422,082	1,314,601	198,409	-	10,935,092
	2019				
	Property	Retail	Banking and Others	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Revenues:					
External customers	₱106,442,091	₱366,036,864	₱29,172,940	₱-	₱501,651,895
Inter-segment	15,127,079	189,391	3,315,815	(18,632,285)	-
	₱121,569,170	₱366,226,255	₱32,488,755	(₱18,632,285)	₱501,651,895



	2019				
	Property	Retail	Banking and Others	Eliminations	Consolidated
Segment results:					
Income before income tax	₱51,466,198	₱20,463,932	₱14,684,368	₱-	₱86,614,498
Provision for income tax	(10,508,038)	(6,235,716)	(426,430)	-	(17,170,184)
Net income	₱40,958,160	₱14,228,216	₱14,257,938	₱-	₱69,444,314
Net income attributable to:					
Owners of the Parent	₱20,724,734	₱9,840,717	₱14,002,793	₱-	₱44,568,244
Non-controlling interests	20,233,426	4,387,499	255,145	-	24,876,070
	2018				
	Property	Retail	Banking and Others	Eliminations	Consolidated
<i>(In Thousands)</i>					
Revenues:					
External customers	₱94,240,430	₱334,958,024	₱20,589,713	₱-	₱449,788,167
Inter-segment	14,179,779	207,805	3,003,367	(17,390,951)	-
	₱108,420,209	₱335,165,829	₱23,593,080	(₱17,390,951)	₱449,788,167
Segment results:					
Income before income tax	₱44,316,103	₱18,948,538	₱10,865,695	₱-	₱74,130,336
Provision for income tax	(9,093,080)	(6,227,332)	(255,356)	-	(15,575,768)
Net income	₱35,223,023	₱12,721,206	₱10,610,339	₱-	₱58,554,568
Net income attributable to:					
Owners of the Parent	₱17,969,459	₱8,710,519	₱10,398,347	₱-	₱37,078,325
Non-controlling interests	17,253,564	4,010,687	211,992	-	21,476,243

In 2020, 2019 and 2018, no single customer accounted for 10% or more of consolidated revenues. The Group's revenues are substantially earned within the Philippines.

The disaggregation of revenues is as indicated in the consolidated statements of income and in the operating segment financial data.

7. Cash and Cash Equivalents

This account consists of:

	2020	2019
<i>(In Thousands)</i>		
Cash on hand and in banks (Note 22)	₱26,603,364	₱19,218,912
Temporary investments (Note 22)	51,555,833	56,994,862
	₱78,159,197	₱76,213,774

Cash in banks earn interest at the respective bank deposit rates. Temporary investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group. These investments earn interest at prevailing rates (see Note 24).



8. Time Deposits

This account consists of time deposits as follows:

	2020	2019
	<i>(In Thousands)</i>	
Current	₱31,012	₱30,488
Noncurrent	1,356,442	2,412,972
	₱1,387,454	₱2,443,460

The time deposits bear interest ranging from 0.5% to 1.6% in 2020 and 2.0% to 3.2% in 2019.

Time deposits with various maturities within one year were used as collateral for some credit lines.

Interest earned from time deposits is disclosed in Note 24.

9. Financial Assets at FVOCI

This account consists of:

	2020	2019
	<i>(In Thousands)</i>	
Financial assets at FVOCI:		
Shares of stock		
Listed	₱26,133,219	₱22,240,653
Unlisted	1,701,227	2,635,484
Club shares	11,940	12,500
	27,846,386	24,888,637
Less current portion	568,146	659,077
Noncurrent portion	₱27,278,240	₱24,229,560

- Financial assets at FVOCI pertain to equity investments in shares of stock and club shares which are not held for trading and which the Group has irrevocably designated at FVOCI, as the Group considers these investments to be strategic in nature.
- Gain on disposal of financial assets at FVPL amounted to nil and ₱27.8 million 2020 and 2019, respectively.



The movements in net unrealized gain on financial assets at FVOCI and share in unrealized loss on financial assets at FVOCI of associates attributable to the owners of the Parent follow:

	2020	2019
	<i>(In Thousands)</i>	
Balance at beginning of year	₱14,399,640	₱11,748,980
Share in net unrealized gain on financial assets at FVOCI of associates	2,200,527	4,376,205
Gain (loss) due to changes in fair value of financial assets at FVOCI	(92,868)	24,196
Transferred to retained earnings - realized gain on sale of financial assets at FVOCI	(864)	(1,749,741)
Balance at end of year	₱16,506,435	₱14,399,640

Interest earned from financial assets is disclosed in Note 24.

10. Receivables and Contract Assets

This account consists of:

	2020	2019
	<i>(In Thousands)</i>	
Trade:		
Real estate buyers*	₱97,178,460	₱66,679,220
Third-party tenants	5,868,337	8,469,829
Related-party tenants (Note 22)	972,723	432,513
Others	38,512	66,747
Due from related parties (Note 22)	1,180,589	1,079,944
Royalty, management and service fees (Note 22)	2,437,479	2,212,623
Dividends (Note 22)	732,953	610,649
	108,409,053	79,551,525
Less allowance for ECL	1,066,130	1,053,549
	107,342,923	78,497,976
Less noncurrent portion of receivables from real estate buyers (Note 17)	46,816,693	24,880,776
Current portion	₱60,526,230	₱53,617,200

* Includes unbilled revenue from sale of real estate amounting to ₱86,631.4 million and ₱59,903.0 million as at December 31, 2020 and 2019, respectively.

The terms and conditions of these receivables follow:

- Receivables from real estate buyers pertain mainly to sale of condominium and residential units at various terms of payment that are noninterest-bearing. Portions of these receivables have been assigned to local banks: on without recourse basis ₱7,170.2 million and ₱7,689.0 million as at December 31, 2020 and 2019, respectively, and, on with recourse basis, ₱1,808.7 million and ₱1,986.0 million as at December 31, 2020 and 2019, respectively (see Note 22). The corresponding liability from the assignment of receivables on with recourse basis bears interest ranging from 4.3% to 4.5% in 2020 and 2019. The fair value of these assigned receivables and liability approximates cost.



The increase in receivables from real estate buyers is due mainly to the 5.7% increase in real estate sales and some delay in the collection of certain receivables relative to the Group's adoption and implementation of the government-mandated Bayanihan Act extending the grace period for the payment of loan amortizations due on or before December 31, 2020 and the circular issued by the Department of Human Settlement and Urban Development (DHSUD), extending the grace period for the payment of loan amortizations that matured during the enhanced community quarantine (ECQ) period.

The transaction price allocated to the remaining performance obligations totaling ₱28,108.3 million and ₱11,424.0 million as at December 31, 2020 and 2019, respectively, are expected to be recognized over the construction period ranging from one to five years.

- Trade receivables from tenants and royalty, management and service fee receivables are noninterest-bearing and are normally collectible on 30- to 90-day terms.
- Dividends receivables are noninterest-bearing and are normally collectible within the next financial year.
- The terms and conditions relating to Due from related parties are discussed in Note 22.

Allowance for ECL is provided for receivable from sales of real estate, receivable from tenants and other receivables which were identified to be impaired based on specific assessment. The movements in this account follow:

	2020	2019
	<i>(In Thousands)</i>	
Balance at beginning of year	₱1,053,549	₱1,034,040
Provisions – net of writeoff (Note 23)	12,581	19,509
Balance at end of year	₱1,066,130	₱1,053,549

The aging of receivables follow:

	2020	2019
	<i>(In Thousands)</i>	
Neither past due nor impaired	₱101,065,299	₱75,132,839
Past due but not impaired:		
31-90 days	1,076,482	1,571,703
91-120 days	1,845,086	376,635
Over 120 days	3,356,056	1,416,799
Impaired	1,066,130	1,053,549
	₱108,409,053	₱79,551,525

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



11. Inventories

This account consists of:

	2020	2019
	<i>(In Thousands)</i>	
Merchandise inventories - at cost	₱28,352,564	₱33,157,622
Land and development - current	34,933,442	37,935,968
Condominium and residential units for sale	8,770,039	6,026,426
	₱72,056,045	₱77,120,016

Merchandise Inventories

The movements in this account follow:

	2020	2019
	<i>(In Thousands)</i>	
Balance at beginning of year	₱33,157,622	₱31,836,333
Purchases	215,440,140	263,755,950
Total goods available for sale	248,597,762	295,592,283
Less cost of merchandise sales	220,245,198	262,434,661
Balance at end of year	₱28,352,564	₱33,157,622

The merchandise inventories are stated at cost as at December 31, 2020 and 2019.

Land and Development

The movements in "Land and development - current" accounted as real estate inventories follow:

	2020	2019
	<i>(In Thousands)</i>	
Balance at beginning of year	₱37,935,968	₱29,486,964
Reclassification to land and development - noncurrent, accounted as investment property (Note 16)	-	(7,227)
Development cost incurred	18,139,432	22,277,052
Transfer from land and development - noncurrent (Note 16)	1,830,013	1,810,966
Cost of real estate sold	(18,447,226)	(14,638,083)
Transfer to condominium and residential units for sale	(4,850,262)	(4,089,397)
Reclassification and others	325,517	3,095,693
Balance at end of year	₱34,933,442	₱37,935,968

Land and development includes the cost of land as well as construction cost of ongoing residential projects.

Included in land and development accounted as real estate inventories are contract fulfillment assets amounting to ₱1,745.0 million and ₱719.8 million as at December 31, 2020 and 2019, respectively, representing the unamortized portion of land cost.

The estimated cost to complete the projects amounted to ₱106,678.6 million and ₱74,238.1 million as at December 31, 2020 and 2019, respectively.



Land and development is stated at cost. There is no allowance for inventory writedown as at December 31, 2020 and 2019.

Condominium and Residential Units for Sale

The movements in this account follow:

	2020	2019
	<i>(In Thousands)</i>	
Balance at beginning of year	₱6,026,426	₱8,110,504
Transfer from land and development	4,850,262	4,089,397
Cost of real estate sold	(2,136,756)	(6,168,529)
Repossessed inventories and others	30,107	(4,946)
Balance at end of year	₱8,770,039	₱6,026,426

The condominium and residential units for sale are stated at cost as at December 31, 2020 and 2019.

To be comparative with the 2020 presentation and classification, “Land and development - current” and “Condominium and residential units for sale” accounts were transferred from “Other current assets” account to “Inventories” account.

12. Other Current Assets

This account consists of:

	2020	2019
	<i>(In Thousands)</i>	
Prepaid taxes and other prepayments	₱14,249,890	₱13,316,598
Bonds and deposits	9,983,733	9,737,182
Receivables from banks	5,537,179	5,497,587
Non-trade receivables	4,854,679	4,366,672
Input tax	5,113,251	4,434,706
Accrued interest receivable (Note 22)	188,685	192,499
Escrow fund (Notes 17 and 22)	144,209	117,985
Uniform and supplies inventory	1,165,786	1,121,586
Derivative assets	2,747	-
Others	1,930,219	1,931,610
	₱43,170,378	₱40,716,425

- Prepaid taxes and other prepayments consist of creditable tax certificates received by the Group and prepayments for insurance, real property taxes, rent, and other expenses which are normally utilized within the next financial year.
- Bonds and deposits pertain to down payments made to suppliers and contractors to cover preliminary expenses of the Group’s construction projects. These are noninterest-bearing and are applied to progress billings depending on the percentage of project accomplishment.
- Receivables from banks are noninterest-bearing and are normally collectible on 30- to 90-day terms.



- Non-trade receivables include interest-bearing advances to third parties which are normally collectible within the next financial year (see Note 24).
- Input tax represents VAT paid to suppliers that can be claimed as credit against future output VAT liabilities without prescription.
- Accrued interest receivable relates mostly to time deposits and is normally collected within the next financial year.
- Escrow fund pertains to amounts deposited with an escrow agent, a requisite for the issuance of temporary license to sell by the Housing and Land Use Regulatory Board (HLURB), pending issuance of a license to sell and certificate of registration. Amounts deposited include all amounts received from buyers including down payments, reservation and monthly amortization, among others.

13. Investments in Associate Companies and Joint Ventures

The movements in this account follow:

	2020	2019
	<i>(In Thousands)</i>	
Balance at beginning of year	₱280,971,638	₱259,795,077
Additions	390,350	5,330,780
Step acquisition (Note 5)	–	(1,272,455)
Reclassifications	32,934	1,579,750
Equity in net earnings	17,036,367	26,038,426
Dividends received and others	(4,443,565)	(5,503,034)
Share in other comprehensive gain (loss) of associate companies	3,262,981	(945,170)
Translation adjustment	15,017	(64,736)
Allowance for impairment loss	(1,000,000)	(3,987,000)
Balance at end of year*	₱296,265,722	₱280,971,638

* Investment in associate companies amounted to ₱287,655.9 million and ₱272,681.6 million as at December 31, 2020 and 2019, respectively.

The Group regularly tests for impairment of its investments comparing the expected cash flows against the carrying values. In 2020, the Group recognized ₱1.0 billion of impairment loss due to the adverse impact of COVID-19 on certain investments. In 2019, the impairment loss recognized in profit and loss amounted to ₱4.0 billion.

The associate companies and joint ventures of the Group follow:

Company	Percentage of Ownership				Principal Activities
	2020		2019		
	Gross	Effective	Gross	Effective	
Associates					
BDO Unibank, Inc. (BDO)	47	45	47	45	Financial services
China Banking Corporation (China Bank)	23	23	23	23	Financial services
Belle Corporation (Belle)	27	26	27	26	Real estate development and tourism
Atlas Consolidated Mining and Development Corporation (Atlas)	34	34	34	34	Mining
Sodexo Benefits and Rewards Services Philippines, Inc.	40	40	40	40	Retail
Fast Retailing Philippines, Inc.	25	19	25	19	Retail
Win With Love, Inc.	33	13	–	–	Retail
CityMall Commercial Centers, Inc.	34	34	34	34	Real estate development and tourism
Premium Leisure Corp. (PLC)	5	5	5	5	Gaming

(Forward)



Company	Percentage of Ownership				Principal Activities
	2020		2019		
	Gross	Effective	Gross	Effective	
Ortigas Land Corporation (formerly OCLP Holdings, Incorporated)	40	20	40	20	Real estate development
Feihua Real Estate (Chongqing) Company Ltd.	50	25	50	25	Real estate development
Fitness Health & Beauty Holdings Corp.	40	31	40	31	Retail
2Go Group, Inc.	30	30	30	30	Integrated supply chain
Neo Associates ^(a)	34	34	34	34	Real estate development
Goldilocks Bakeshop, Inc.	34	34	34	34	Bakery products and other food items
Asia-Pacific Computer Technology Center, Inc.	42	42	42	42	Investment
GPAY Network, PH, Inc.	35	35	35	35	Providing electronic money through electronic instruments
AIC Group of Companies Holding Corp.	35	35	-	-	Investment
Joint Ventures					
Waltermart Mall ^(b)	51	25	51	25	Shopping mall development
Metro Rapid Transit Service, Inc.	51	25	51	25	Transportation
ST 6747 Resources Corporation	50	25	50	25	Real estate 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., Willinson, Inc., Waltermart Ventures, Inc. and WM Development Inc.

BDO

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

	2020	2019	
	<i>(In Millions)</i>		
Total assets	₱3,374,900	₱3,188,858	
Total liabilities	2,981,879	2,818,271	
Total equity	393,021	370,587	
Proportion of the Group's ownership	45%	45%	
	178,138	166,764	
Goodwill and others	29,676	26,201	
Carrying amount of the Group's investment	₱207,814	₱192,965	
	2020	2019	2018
	<i>(In Millions)</i>		
Interest income	₱157,031	₱160,572	₱129,040
Interest expense	(23,331)	(40,681)	(30,748)
Other expenses - net	(105,446)	(75,723)	(65,653)
Net income	28,254	44,168	32,639
Other comprehensive income (loss)	(725)	515	(4,727)
Total comprehensive income	₱27,529	₱44,683	₱27,912
Group's share in net income	₱13,208	₱20,592	₱15,101
Group's share in total comprehensive income (loss)	₱4,325	(₱936)	₱10,754



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

	2020	2019	2018
		<i>(In Millions)</i>	
Share in net income	₱3,828	₱5,446	₱4,063
Share in other comprehensive income (loss)	(1,062)	(9)	315
Share in total comprehensive income	₱2,766	₱5,437	₱4,378

The fair value of investments in associate companies which are listed in the PSE follows:

	2020	2019	
		<i>(In Thousands)</i>	
BDO	₱232,855,091	₱343,893,457	
China Bank	15,112,172	15,172,742	
Belle	4,454,106	5,183,434	
Atlas	7,830,828	3,030,506	
PLC	11,774,732	15,082,241	

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



14. Property and Equipment

The movements in this account follow:

	Buildings and Improvements	Store Equipment and Improvements	Data Processing Equipment	Furniture, Fixtures and Office Equipment	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Construction in Progress	Total
<i>(In Thousands)</i>									
Cost									
As at December 31, 2018	₱13,655,272	₱3,662,606	₱7,836,767	₱9,563,662	₱9,422,640	₱18,812,117	₱964,311	₱1,514,504	₱65,431,879
Additions	356,889	144,070	681,626	1,284,065	864,377	1,347,570	90,239	2,677,577	7,446,413
Effect of business combination (Note 5)	–	–	750	86,517	14,443	–	1,562	–	103,272
Reclassifications	544,069	237,227	98,281	(974,418)	82,394	533,433	311	(1,459,977)	(938,680)
Disposals/retirements	(229,272)	(33,454)	(28,431)	(74,845)	(46,189)	(93,669)	(8,629)	(13,183)	(527,672)
As at December 31, 2019	14,326,958	4,010,449	8,588,993	9,884,981	10,337,665	20,599,451	1,047,794	2,718,921	71,515,212
Additions	659,964	197,056	464,927	527,832	907,077	787,008	14,012	2,538,278	6,096,154
Reclassifications	416,344	(24,817)	(45,252)	669,489	56,251	105,969	–	(737,665)	440,319
Disposals/retirements	(130)	(9,120)	(99,936)	(31,676)	(56,161)	(404,282)	(5,933)	(9,649)	(616,887)
As at December 31, 2020	₱15,403,136	₱4,173,568	₱8,908,732	₱11,050,626	₱11,244,832	₱21,088,146	₱1,055,873	₱4,509,885	₱77,434,798
Accumulated Depreciation and Amortization									
As at December 31, 2018	₱5,873,280	₱2,562,697	₱6,199,111	₱6,955,402	₱6,218,401	₱13,867,319	₱554,002	₱–	₱42,230,212
Depreciation and amortization	773,894	380,986	695,475	554,216	1,003,150	1,467,314	59,215	–	4,934,250
Effect of business combination (Note 5)	–	–	205	33,216	2,643	–	1,157	–	37,221
Reclassifications	(31,628)	(80,706)	(6,405)	861,310	(7,303)	(840,944)	(6,294)	–	(111,970)
Disposals/retirements	(90,774)	(15,556)	(21,913)	(23,952)	(43,342)	(91,236)	(8,601)	–	(295,374)
As at December 31, 2019	6,524,772	2,847,421	6,866,473	8,380,192	7,173,549	14,402,453	599,479	–	46,794,339
Depreciation and amortization	707,728	365,100	662,284	829,839	1,007,121	1,151,824	60,550	–	4,784,446
Reclassifications	(20,844)	(3,766)	(28,391)	445,821	16,330	(124,214)	549	–	285,485
Disposals/retirements	(32)	(7,065)	(70,007)	(25,515)	(39,421)	(368,990)	(5,890)	4,67–	(516,920)
As at December 31, 2020	₱7,211,624	₱3,201,690	₱7,430,359	₱9,630,337	₱8,157,579	₱15,061,073	₱654,688	₱–	₱51,347,350
Net Book Value									
As at December 31, 2020	₱8,191,512	₱971,878	₱1,478,373	₱1,420,289	₱3,087,253	₱6,027,073	₱401,185	₱4,509,885	₱26,087,448
As at December 31, 2019	7,802,186	1,163,028	1,722,520	1,504,789	3,164,116	6,196,998	448,315	2,718,921	24,720,873



15. Investment Properties

The movements in this account follow:

	Land and Improvements	Buildings and Leasehold Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
<i>(In Thousands)</i>					
Cost					
As at December 31, 2018	₱71,129,919	₱239,322,133	₱39,878,182	₱38,753,649	₱389,083,883
Additions	3,563,225	2,334,200	1,883,218	29,121,761	36,902,404
Reclassifications	(120,439)	12,621,438	1,261,397	(14,002,546)	(240,150)
Effect of common control business combination	510,586	3,771,736	–	382,207	4,664,529
Translation adjustment	(67,417)	(1,976,026)	(157,843)	(69,323)	(2,270,609)
Disposals	(5,125)	(18,639)	(159,680)	(1,153)	(184,597)
As at December 31, 2019	75,010,749	256,054,842	42,705,274	54,184,595	427,955,460
Additions	3,540,562	2,072,819	1,486,926	24,695,842	31,796,149
Reclassifications	(620,425)	7,509,703	862,027	(7,962,160)	(210,855)
Translation adjustment	15,655	469,724	37,418	42,657	565,454
Disposals	(44,242)	(80)	(121,218)	–	(165,540)
As at December 31, 2020	₱77,902,299	₱266,107,008	₱44,970,427	₱70,960,934	₱459,940,668
Accumulated Depreciation and Amortization					
As at December 31, 2018	₱2,153,121	₱53,349,433	₱24,317,055	₱–	₱79,819,609
Depreciation and amortization (Note 23)	244,454	7,297,151	3,064,236	–	10,605,841
Reclassifications	7,563	(11,523)	–	–	(3,960)
Effect of common control business combination	–	57,712	–	–	57,712
Translation adjustment	(35,052)	(355,546)	(88,474)	–	(479,072)
Disposals	(3,626)	(10,454)	(105,893)	–	(119,973)
As at December 31, 2019	2,366,460	60,326,773	27,186,924	–	89,880,157
Depreciation and amortization (Note 23)	251,543	7,589,858	2,358,514	–	10,199,915
Reclassifications	–	735	–	–	735
Translation adjustment	12,180	111,470	25,372	–	149,022
Disposals	(26,301)	(8)	(107,377)	–	(133,686)
As at December 31, 2020	₱2,603,882	₱68,028,828	₱29,463,433	₱–	₱100,096,143
Net Book Value					
As at December 31, 2020	₱75,298,417	₱198,078,180	₱15,506,994	₱70,960,934	₱359,844,525
As at December 31, 2019	72,644,289	195,728,069	15,518,350	54,184,595	338,075,303

Rent income from investment properties, which is primarily attributable to SM Prime, amounted to ₱25,843.3 million, ₱50,172.0 million and ₱46,225.1 million in 2020, 2019 and 2018, respectively. The corresponding direct operating expenses amounted to ₱19,635.6 million, ₱27,459.7 million and ₱25,146.9 million in 2020, 2019 and 2018, respectively.

Construction in progress includes construction costs incurred for new shopping malls, commercial building and redevelopment of existing malls amounting to ₱70,277.9 million and ₱53,779.7 million as at December 31, 2020 and 2019, respectively.

Construction contracts with various contractors related to the construction of the above-mentioned projects amounted to ₱65,457.5 million and ₱55,154.8 million as at December 31, 2020 and 2019, respectively, inclusive of overhead, cost of labor and materials and all other costs necessary for the proper execution of the works. The outstanding contracts are valued at ₱22,641.0 million and ₱24,676.2 million as at December 31, 2020 and 2019, respectively.

Interest capitalized to the construction of investment properties amounted to ₱3,539.8 million and ₱3,143.3 million as at December 31, 2020 and 2019, respectively. Capitalization rates used range from 2.4% to 4.7% in 2020 and 2.4% to 5.1% in 2019.



The fair value of substantially all investment properties amounting to ₱1,350.8 million was determined by accredited independent appraisers with appropriate qualifications and experience in the valuation of similar properties in the relevant locations. The fair value represents the price that would be received to sell the investment properties in an orderly transaction between market participants at the measurement date. Management also believes that the carrying values of additions to investment properties subsequent to the most recent valuation date would approximate their fair values. In conducting the appraisal, the independent appraisers mainly used the Income Approach. The Income Approach is based on the premise that the value of a property is directly related to the income it generates. The significant assumptions used in the valuation are discount rates and capitalization rates of 4.0% to 6.0% with an average growth of 1.0% to 5.0%.

These investment properties are categorized as Level 3 in the fair value hierarchy since valuation is based on unobservable inputs.

Management believes that the impact of COVID-19 on the fair value measurement of investment properties is short-term and temporary.

The Group has no restriction on the realizability of its investment properties and no obligation to purchase, construct or develop, repair, maintain and/or enhance any of these properties.

16. Land and Development - Net of Current Portion

The movements in “Land and development - noncurrent” accounted as investment property follow:

	2020	2019
	<i>(In Thousands)</i>	
Balance at beginning of year	₱74,946,694	₱53,928,447
Land acquisitions	6,619,150	23,254,266
Disposals	(4,113,632)	-
Reclassification to investment property	-	(432,280)
Reclassification from land and development - current, accounted as real estate inventories (Note 11)	-	7,227
Transfer to land and development - current (Note 11)	(1,830,013)	(1,810,966)
Balance at end of year	₱75,622,199	₱74,946,694

Land and development is stated at cost. There is no allowance for inventory writedown as at December 31, 2020 and 2019.



17. Intangibles and Other Noncurrent Assets

Intangible Assets

This account consists of:

	2020	2019
	<i>(In Thousands)</i>	
Goodwill	₱17,456,385	₱17,458,431
Less accumulated impairment loss	91,620	91,620
Net book value	17,364,765	17,366,811
Trademarks and brand names	7,223,738	7,922,798
	₱24,588,503	₱25,289,609

Goodwill is attributable mainly to SM Prime, Supervalu, Inc., Super Shopping Market, Inc., Neo Subsidiaries, Waltermart Supermarket, Incorporated and PULSI.

Trademarks and brand names include the following:

- a. Brand names of SM Supermarket and SM Hypermarket that were acquired in a business combination in 2006. These are assessed to have an indefinite life and valued using the Relief-from-Royalty Method. The royalty rate used was 3.5%, the prevailing royalty rate in 2006 in the retail assorted category.
- b. Rights, title and interest in the trademark of Cherry Foodarama, Inc. that was acquired in 2015 and assessed to have a definite useful life of 10 years. In 2020, provisions for impairment of ₱458.0 million was taken up in profit or loss.

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

The calculation of value-in-use is most sensitive to the following assumptions:

- a. *Revenue.* Revenue forecasts are management's best estimates considering factors such as index growth to market, customer projections and economic factors. Revenue growth rates used in the cash flow projections ranged from 4.1% to 4.7%.
- b. *Pre-tax discount rates.* Discount rates reflect the current market assessment of the risks to each CGU and are estimated based on the weighted average cost of capital for the industry. The rates are further adjusted to reflect the market assessment of any risk specific to the CGU for which future estimates of cash flows have not been adjusted. Pre-tax discount rates applied to cash flow projections ranged from 10.2% to 14.4% and 11.1% to 15.7% as at December 31, 2020 and 2019, respectively.

Fair value less cost of disposal. The fair value of the assets and liabilities of the CGUs were in reference to the available market price for quoted instruments.

Management assessed that no reasonably possible change in pre-tax discount rates, future cash inflows and fair values would cause the carrying value of goodwill in 2020 and 2019 to materially exceed its recoverable amount.



Other Noncurrent Assets

This account consists of:

	2020	2019
	<i>(In Thousands)</i>	
Bonds and deposits	₱56,259,937	₱48,643,102
Receivables from real estate buyers* (Note 10)	46,816,693	24,880,776
Long-term notes (Notes 22 and 29)	4,999,359	5,942,878
Deferred input VAT	1,804,670	1,410,699
Defined benefit asset (Note 25)	546,515	95,057
Land use rights	353,217	377,722
Escrow fund (Note 22)	132,460	132,460
Derivative assets (Note 29)	-	826,315
Others	1,405,799	2,066,636
	₱112,318,650	₱84,375,645

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

- Bonds and deposits include other assets used to secure certain obligations of the Group as well as deposits for its leased properties.
- Long-term notes pertain to a 7-year loan amounting to US\$108.4 million that was extended to Carmen Copper Corporation (CCC), a wholly owned subsidiary of Atlas. The Group collected US\$9.0 million and US\$10.8 million from CCC for such loan in 2020 and 2019, respectively. The loan bears a fixed interest that starts at 5.0% and escalates annually up to 10.0%, payable quarterly. In September 2020, the interest rate was renegotiated to 5.4%.

The Group assessed that this change in interest rate does not qualify as a loan modification and therefore, does not require a derecognition of the old loan and recognition of a new loan. The loss from the change in interest rate recognized under “Interest income” amounted to ₱508.5 million. This change has no significant impact to the Group’s ECL assessment.

- Included under “Land use rights” account are certain parcels of real estate properties planned for residential development in accordance with the cooperative contracts entered into by SM Prime with Grand China International Limited (Grand China) and Oriental Land Development Limited (Oriental Land) in March 2007. The value of these real estate properties was not part of the consideration paid by SM Prime to Grand China and Oriental Land. Accordingly, the assets were recorded at carrying value under “Other noncurrent assets” account and a corresponding liability equivalent to the same amount, which is shown as part of “Tenants’ deposits and others” account in the consolidated balance sheets.
- Escrow fund pertains mainly to funds deposited by the Parent Company in the account of an escrow agent as required by the SEC, in connection with the corporate restructuring in 2013.



18. Bank Loans

This account consists of:

	2020	2019
	<i>(In Thousands)</i>	
Peso-denominated:		
Parent Company	P-	P8,829,900
Subsidiaries	24,126,000	9,880,565
	P24,126,000	P18,710,465

These unsecured loans bear fixed interest ranging from 2.8% to 5.3% in 2020 and 3.8% to 7.9% in 2019.

These loans have maturities of less than one year. Interest on bank loans is disclosed in Note 24.

19. Accounts Payable and Other Current Liabilities

This account consists of:

	2020	2019
	<i>(In Thousands)</i>	
Trade	P82,599,493	P85,996,862
Accrued expenses	12,713,644	11,324,572
Nontrade	14,474,774	9,790,527
Tenants and customers' deposits*	12,411,589	12,868,406
Payable arising from acquisition of land	7,357,422	4,769,349
Payables to government agencies	4,722,145	6,331,940
Accrued interest (Note 22)	3,112,821	2,833,930
Subscriptions payable	2,021,790	2,021,790
Due to related parties (Note 22)	823,779	1,031,812
Lease liabilities (Note 27)	2,011,714	1,534,154
Gift checks redeemable and others	6,981,937	2,948,422
	P149,231,108	P141,451,764

* Includes unearned revenue from sale of real estate amounting to P7,615.0 million and P6,023.0 million as at December 31, 2020 and 2019, respectively.

The terms and conditions of the above liabilities follow:

- Trade payables primarily consist of liabilities to suppliers and contractors. These are noninterest-bearing and are normally settled on 30-to 60-day terms.
- Accrued expenses pertain to selling, general and administrative expenses which are normally settled within the next financial year.
- 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 normally at the time of signing lease contracts. These deposits may be returned to the tenants at lease termination, net of unpaid rental, penalties and/or cost of repairs for any damage on the leased properties. Customers' deposits mainly represents the excess of collections from real estate buyers over the related revenue recognized based on POC and the non-refundable reservation fees from prospective real estate buyers which are applied to the receivable when the reservation is converted to sales. In 2020 and 2019, revenue recognized from unearned revenue from sales of real estate at the beginning of the year amounted to ₱3,689.4 million and ₱2,769.2 million, respectively.
- Payable arising from acquisition of land is expected to be settled within the next financial year.
- Payables to government agencies mainly consist of output tax which is normally settled within the next financial year.
- The terms and conditions relating to Due to related parties are discussed in Note 22.
- Gift checks are redeemable at face value.

20. Long-term Debt

This account consists of:

	Availment	Maturity	Interest Rate/Term	Security	2020	2019
<i>(In Thousands)</i>						
Parent Company						
U.S. dollar-denominated	June 10, 2014 - July 16, 2019	March 28, 2022 - June 10, 2024	Fixed 4.9%; three-month LIBOR + margin; semi-annual and quarterly	Unsecured	₱42,604,024	₱44,921,283
Peso-denominated	July 16, 2012 - October 2, 2020	April 23, 2020 - August 8, 2025	Fixed 2.9%-6.9%; three-month PHP BVAL + margin; semi-annual and quarterly	Unsecured	79,023,014	68,498,010
Subsidiaries						
U.S. dollar-denominated	March 21, 2016 - November 10, 2020	January 29, 2021 - April 5, 2024	LIBOR + spread; semi-annual and quarterly	Unsecured	49,754,404	39,749,299
China Yuan Renminbi-denominated	January 14, 2016 - October 16, 2017	June 1, 2020 - October 16, 2022	Fixed 5.9%; CBC rate less 10%; quarterly	Unsecured/ Secured*	2,559,639	2,670,803
Peso-denominated	January 12, 2012 - December 29, 2020	March 1, 2020 - August 7, 2029	Fixed 3.6%-6.7%; BVAL+ margin	Unsecured	218,882,964	202,247,332
					392,824,045	358,086,727
Less debt issue cost					1,970,809	1,650,800
					390,853,236	356,435,927
Less current portion					60,121,438	29,077,719
					₱330,731,798	₱327,358,208

BVAL – Bloomberg Valuation

LIBOR – London Interbank Offered Rate

PDST-R2 – Philippine Dealing System Treasury Reference Rate – PM

CBC – Central Bank of China

*Long-term debt secured by portions of investment properties located in China matured in June 2020.



Debt Issue Cost

The movements in unamortized debt issue cost follow:

	2020	2019
	<i>(In Thousands)</i>	
Balance at beginning of year	₱1,650,800	₱1,770,189
Additions	924,470	463,575
Amortization	(604,461)	(582,964)
Balance at end of year	₱1,970,809	₱1,650,800

Repayment Schedule

The repayment schedule of long-term debt as at December 31, 2020 follows:

	Gross Debt	Debt Issue Cost	Net
	<i>(In Thousands)</i>		
Within 1 year	₱60,545,997	₱424,559	₱60,121,438
Over 1 year to 5 years	314,764,588	1,526,249	313,238,339
Over 5 years	17,513,460	20,001	17,493,459
	₱392,824,045	₱1,970,809	₱390,853,236

Covenants

The long-term debt of the Group is covered with certain covenants including adherence to financial ratios. The Parent Company's loan covenants include adherence to certain financial ratios namely: (1) debt-to-equity ratio not to exceed 80:20, and, (2) current ratio at a minimum of 0.30, and, certain restrictions with respect to material change in ownership or control. SM Prime's loan covenants include adherence to certain financial ratios namely: (1) current ratio of not less than 1:1, (2) debt to equity ratio of not more than 70:30 to 80:20, and (3) interest coverage ratio of not less than 2.5x; and, certain restrictions with respect to material change in ownership or control. As at December 31, 2020 and 2019, the Group is in compliance with the terms of its debt covenants.

21. Equity

Capital Stock

a. Common stock

	Number of Shares	
	2020	2019
Authorized - ₱10 par value per share	2,790,000,000	2,790,000,000
Issued and subscribed	1,204,582,867	1,204,582,867

As at December 31, 2020 and 2019, the Parent Company is compliant with the minimum public float as required by the PSE.



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	₱250
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

The total number of shareholders of the Company is 1,256 and 1,261 as at December 31, 2020 and 2019, respectively.

b. Redeemable preferred shares

	Number of Shares	
	2020	2019
Authorized - ₱10 par value per share	10,000,000	10,000,000

There are no issued and subscribed preferred shares as at December 31, 2020 and 2019.

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.

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.



Retained Earnings

▪ Appropriated

Following are the appropriations approved by the BOD:

	Date of BOD Approval	Amount
		<i>(In Thousands)</i>
Balance as at January 1, 2015		₱27,000,000
Reversal	November 4, 2015	(18,000,000)
Addition	November 4, 2015	27,000,000
Reversal	November 8, 2017	(27,800,000)
Addition	November 8, 2017	28,800,000

Retained earnings appropriated as at December 31, 2020 is intended for the payment of certain long-term debts and new investments as follows:

	Timeline	Amount
		<i>(In Thousands)</i>
Debt service	2021 - 2024	₱27,000,000
Investments	2021	10,000,000
		₱37,000,000

• Unappropriated

The Parent Company's cash dividend declarations in 2020 and 2019 follow:

Declaration Date	Record Date	Payment Date	Per Share	Total
				<i>(In Thousands)</i>
June 24, 2020	July 9, 2020	July 23, 2020	₱4.25	₱5,119,477
April 24, 2019	May 9, 2019	May 23, 2019	9.12	10,985,796

Unappropriated retained earnings include the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱254,371.2 million and ₱237,286.0 million as at December 31, 2020 and 2019, 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 ₱17,267.6 million and ₱16,330.0 million as at December 31, 2020 and 2019, respectively.



22. Related Party Disclosures

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

The significant transactions with related parties follow:

- Rent

The Group has existing lease agreements for office and commercial spaces with related companies (retail and banking group and other related parties under common stockholders).

- Royalty, Management and Service Fees

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

- Dividend Income

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

- Cash Placements and Loans

The Group has certain bank accounts and cash placements as well as bank loans and debts with BDO and China Bank. Such accounts earn interest at prevailing market rates.

- Notes Receivable

The Group has certain notes receivable from Carmen Copper Corporation (see Notes 17 and 28).

- Others

The Group, in the normal course of business, has outstanding receivables from and payables to related companies which are unsecured and normally settled in cash.

The related party transactions and outstanding balances follow:

	Transaction Amount			Outstanding Amount		Terms	Conditions
	2020	2019	2018	2020	2019		
<i>(In Thousands)</i>							
Banking Group							
Cash placement and investment in marketable securities				₱60,776,796	₱60,819,475	Interest-bearing	Unsecured; no impairment
Interest receivable				54,407	96,400	–	–
Interest income	₱1,639,790	₱2,738,310	₱2,253,257			–	–
Interest-bearing debt				34,555,640	25,787,720	Interest-bearing	Unsecured
Interest payable				87,662	85,185	–	–
Interest expense	1,837,740	1,885,429	1,441,884			–	–

(Forward)



	Transaction Amount			Outstanding Amount		Terms	Conditions
	2020	2019	2018	2020	2019		
	<i>(In Thousands)</i>						
Rent receivable				₱60,454	₱130,907	Noninterest-bearing	Unsecured; no impairment
Rent income	₱466,976	₱1,018,963	₱943,474			–	–
Receivable financed	7,170,156	7,689,986	1,663,822			Without recourse	Unsecured
Dividends receivable				13,462	13,462	Noninterest-bearing	Unsecured; no impairment
Bonds and deposits				16,808,050	17,722,250	Interest-bearing 4.5%	Unsecured; no impairment
Royalty, management and service fee receivable				8,077	16,882	Noninterest-bearing	Unsecured; no impairment
Royalty, management and service fee income	15,478	2,799	4,205			–	–
Escrow fund				276,669	250,445	Interest-bearing	Unsecured; no impairment
Retail and Other Entities							
Rent receivable				912,269	301,606	Noninterest-bearing	Unsecured; no impairment
Rent income	937,306	2,144,633	1,926,478			–	–
Royalty, management and service fee receivable				2,049,081	1,938,102	Noninterest-bearing	Unsecured; no impairment
Royalty, management and service fee income	1,448,870	1,713,152	1,233,740			–	–
Due from related parties				1,180,589	1,079,944	Noninterest-bearing	Unsecured; no impairment
Due to related parties				823,779	1,031,812	Noninterest-bearing	Unsecured
Dividend receivable				526,507	369,988	Noninterest-bearing	Unsecured
Interest receivable				7,763	9,905	–	–
Interest income	362,183	387,437	345,700			–	–
Notes receivable				4,999,359	5,942,878	Interest-bearing 5.0% to 7.0%	Unsecured; no impairment

Terms and Conditions of Transactions with Related Parties

Outstanding balances at yearend are unsecured and are normally settled in cash. The Group did not make any provision for impairment loss relating to amounts owed by related parties.

Compensation of Key Management Personnel

The aggregate compensation and benefits relating to key management personnel in 2020, 2019 and 2018 consist of short-term employee benefits amounting to ₱3,204.2 million, ₱3,270.9 million and ₱2,544.5 million, respectively, and post-employment benefits amounting to ₱517.8 million, ₱372.7 million and ₱338.2 million, respectively.



23. Selling, General and Administrative Expenses

This account consists of:

	2020	2019	2018
	<i>(In Thousands)</i>		
Personnel cost (Note 22)	₱24,832,719	₱29,924,102	₱23,948,881
Depreciation and amortization (Notes 14, 15, 17 and 27)	18,763,579	19,370,843	15,161,207
Utilities	14,769,462	18,028,601	18,048,050
Taxes and licenses	9,275,332	9,714,573	9,783,825
Outside services	8,180,283	7,048,795	8,339,162
Marketing and selling	3,826,199	6,803,530	5,847,641
Repairs and maintenance	2,984,440	3,067,465	2,977,334
Provisions - net (Note 10)	1,620,414	2,609,386	2,207,458
Supplies	1,577,357	2,474,260	2,584,725
Pension (Note 25)	1,320,622	1,145,678	962,405
Rent (Note 27)	1,114,634	4,474,401	7,668,449
Insurance	953,741	864,113	807,540
Transportation and travel	790,018	1,179,285	1,152,212
Data processing	600,271	788,316	664,778
Entertainment, representation and amusement	382,134	378,813	519,664
Professional fees	379,769	311,659	579,945
Communications	313,823	343,261	353,108
Donations	306,217	359,975	348,486
Royalty, management and service fees (Note 22)	145,011	197,555	183,884
Others	3,346,529	4,173,320	4,280,945
	₱95,482,554	₱113,257,931	₱106,419,699

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

24. Interest Income and Interest Expense

The sources of interest income and interest expense follow:

	2020	2019	2018
	<i>(In Thousands)</i>		
Interest income on:			
Time deposits and other noncurrent assets (Notes 8 and 17)	₱713,251	₱1,221,890	₱1,551,959
Cash in banks and temporary investments (Note 7)	1,454,905	2,038,322	1,706,201
Financial assets at FVPL (Note 9)	-	-	65,095
Others (Note 12)	267,859	620,944	430,886
	₱2,436,015	₱3,881,156	₱3,754,141



	2020	2019	2018
	<i>(In Thousands)</i>		
Interest expense on:			
Long-term debt (Note 20)	₱14,857,593	₱16,585,412	₱15,438,325
Bank loans (Note 18)	1,087,746	1,006,880	1,068,852
Lease liabilities (Note 27)	1,874,726	1,676,045	-
Others	203,545	243,408	67,211
	₱18,023,610	₱19,511,745	₱16,574,388

25. Pension Benefits

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

Net benefit expense (included under “Selling, general and administrative expenses”) consists of:

	2020	2019	2018
	<i>(In Thousands)</i>		
Current service cost	₱1,133,762	₱1,050,358	₱959,134
Net settlement gain	(2,923)	-	-
Net interest cost	196,309	98,138	2,681
Past service cost - curtailment	(6,526)	(2,818)	590
	₱1,320,622	₱1,145,678	₱962,405

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	Amount not Recognized due to Asset Limit	Defined Benefit Liability (Asset)
	<i>(In Thousands)</i>			
As at December 31, 2018	₱8,380,084	₱6,853,702	₱-	₱1,526,382
Net benefit expense (Note 23):				
Current service cost	1,008,560	-	-	1,008,560
Net interest cost	743,511	643,614	108	100,005
	1,752,071	643,614	108	1,108,565
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	-	(8,581)	-	8,581
Actuarial changes arising from:				
Changes in financial assumptions	2,436,454	-	-	2,436,454
Changes in demographic assumptions	17,266	-	-	17,266
Experience adjustment	657,913	-	-	657,913
Others	-	-	(1,689)	(1,689)
	3,111,633	(8,581)	(1,689)	3,118,525
Reclassifications from defined benefit assets	827,328	1,153,704	-	(326,376)
Effect of common control business combination (Note 5)	277	-	-	277
Actual contributions	-	1,607,666	-	(1,607,666)
Benefits paid	(440,647)	(434,477)	-	(6,170)
Transfer to related parties	(9,221)	(9,221)	-	-
Other adjustments	257,003	-	1,581	258,584
As at December 31, 2019	13,878,528	9,806,407	-	4,072,121

(Forward)



	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not Recognized due to Asset Limit	Defined Benefit Liability (Asset)
<i>(In Thousands)</i>				
Net benefit expense (Note 23):				
Current service cost	₱886,876	₱-	₱-	₱886,876
Settlement loss	563	-	-	563
Net interest cost	526,669	361,494	15	165,190
	1,414,108	361,494	15	1,052,629
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	-	(523,091)	-	523,091
Actuarial changes arising from:				
Changes in financial assumptions	(1,948,734)	-	-	(1,948,734)
Changes in demographic assumptions	(107,954)	-	-	(107,954)
Experience adjustment	13,285	-	-	13,285
Others	-	-	(32)	(32)
	(2,043,403)	(523,091)	(32)	(1,520,344)
Reclassifications from defined benefit assets	(3,733,524)	(2,810,818)	-	(922,706)
Actual contributions	-	622,667	-	(622,667)
Benefits paid	(1,141,453)	(1,140,586)	-	(867)
Transfer to related parties	(80,911)	(125,999)	-	45,088
Other adjustments	-	-	17	17
As at December 31, 2020	₱8,293,345	₱6,190,074	₱-	₱2,103,271

▪ 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)
<i>(In Thousands)</i>				
As at December 31, 2018	₱1,356,540	₱1,445,254	₱15,245	(₱142,559)
Net benefit expense (Note 23):				
Current service cost	41,798	-	-	41,798
Net interest cost (income)	20,879	23,813	1,067	(1,867)
Past service cost - curtailment	(2,818)	-	-	(2,818)
	59,859	23,813	1,067	37,113
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	-	6,519	-	(6,519)
Actuarial changes arising from:				
Changes in financial assumptions	3,759	-	-	3,759
Changes in demographic assumptions	(120)	-	-	(120)
Experience adjustment	(9,540)	-	-	(9,540)
Others	-	-	(3,529)	(3,529)
	(5,901)	6,519	(3,529)	(15,949)
Reclassifications from defined benefit liabilities	(851,621)	(1,147,177)	-	295,556
Actual contributions	-	104,393	-	(104,393)
Benefits paid	(6,165)	(6,165)	-	-
Transfer from the plan	295	295	-	-
Amount not recognized due to asset limit	-	-	11,299	11,299
Other adjustments	(232,426)	-	(12,788)	(245,214)
As at December 31, 2019	320,581	426,932	11,294	(95,057)
Net benefit expense (Note 23):				
Current service cost	246,886	-	-	246,886
Settlement gain	(3,486)	-	-	(3,486)
Net interest cost	212,714	182,217	622	31,119
Past service cost - curtailment	(6,526)	-	-	(6,526)
	449,588	182,217	622	267,993
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	-	(156,981)	-	156,981
Actuarial changes arising from:				
Changes in financial assumptions	(1,474,549)	-	-	(1,474,549)

(Forward)



	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not Recognized due to Asset Limit	Defined Benefit Liability (Asset)
<i>(In Thousands)</i>				
Changes in demographic assumptions	(P15,423)	P-	P-	(P15,423)
Experience adjustment	195,578	-	-	195,578
Others	-	-	50,700	50,700
	(1,294,394)	(156,981)	50,700	(1,086,713)
Reclassifications from defined benefit liabilities	3,477,855	2,788,251	-	689,604
Actual contributions	-	322,326	-	(322,326)
Benefits paid	(296,125)	(296,125)	-	-
Transfer from the plan	83,842	83,842	-	-
Amount not recognized due to asset limit	-	-	62,605	62,605
Other adjustments	-	-	(62,621)	(62,621)
As at December 31, 2020	P2,741,347	P3,350,462	P62,600	(P546,515)

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

	2020	2019
Discount rate	2.7% - 5.6%	3.8% - 7.7%
Future salary increases	2.0% - 9.0%	2.0% - 9.0%

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:

	2020	2019
<i>(In Thousands)</i>		
Cash and cash equivalents	P66,755	P485,544
Investment in debt and other securities	2,033,788	2,435,008
Investment in common trust funds	3,720,297	3,852,852
Investment in equity securities	141,993	143,261
Investment in government securities	3,354,562	3,257,911
Others	223,141	58,763
	P9,540,536	P10,233,339

- 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 2.6% to 7.5% and 4.0% to 7.5% in 2020 and 2019, respectively. These have maturities from February 2021 to October 2026 and February 2020 to October 2026 in 2020 and 2019, 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 2.6% to 6.3% and 3.3% to 8.8% in 2020 and 2019, respectively. These bonds have maturities from February 2023 to September 2025 and February 2020 to May 2030 in 2020 and 2019, 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:

	2020	2019
	<i>(In Thousands)</i>	
Balances:		
Cash and cash equivalents	₱66,755	₱485,544
Investment in common trust funds	3,720,297	3,852,852
Transactions:		
Interest income from cash and cash equivalents	41,161	183,328
Gains from investment in common trust funds	-	110,455

The Group expects to contribute about ₱893.3 million to its Pension Plan in 2021.

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, 2020 and 2019, with all other assumptions held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
	<i>(In Thousands)</i>	
2020		
Discount rates	50	(₱458,782)
	(50)	451,759
Future salary increases	100	881,326
	(100)	(766,679)
No attrition rate	-	1,772,843
2019		
Discount rates	50	(₱554,688)
	(50)	541,759
Future salary increases	100	1,101,148
	(100)	(1,607,872)
No attrition rate	-	2,157,892

The average duration of the Group's defined benefit obligation is 3 to 30 years in 2020 and 3 to 28 years in 2019.

The maturity analysis of the undiscounted benefit payments follows:

	2020	2019
	<i>(In Thousands)</i>	
Year 1	₱2,152,675	₱1,614,943
Year 2	807,739	548,903
Year 3	889,078	379,677
Year 4	899,571	479,300
Year 5	943,484	476,010
Year 6 -10	5,316,001	3,120,444

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:

	2020	2019
	<i>(In Thousands)</i>	
Deferred tax assets:		
Excess of fair values over cost of investment properties	₱936,986	₱1,151,366
NOLCO	957,572	413,026
Lease liabilities	5,474,118	7,717,920
Accrued leases	3,327,667	749,979
Provision for doubtful accounts and others	686,475	1,177,356
Unamortized past service cost and defined benefit liability	535,173	1,009,245
MCIT	589,212	17,088
	12,507,203	12,235,980
Deferred tax liabilities:		
Appraisal increment on investment property	2,843,288	3,013,880
ROU assets	6,995,580	7,319,668
Trademarks and brand names	1,879,000	1,879,000
Capitalized interest	2,442,990	1,768,391
Unrealized gross profit on sale of real estate	5,426,854	3,935,005
Excess of fair values over cost of equity instruments	146,893	125,084
Unamortized past service cost and defined benefit asset	83,053	186,000
Accrued/deferred rent income	107,065	114,875
Others	525,490	377,003
	20,450,213	18,718,906
Net deferred tax liabilities	₱7,943,010	₱6,482,926

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

	2020	2019
	<i>(In Thousands)</i>	
Deferred tax assets	₱4,671,969	₱3,121,117
Deferred tax liabilities	12,614,979	9,604,043
	₱7,943,010	₱6,482,926

The unrecognized deferred tax assets from the deductible temporary differences and carryforward benefits of NOLCO and MCIT amounted to ₱5,737.5 million and ₱5,356.6 million as at December 31, 2020 and 2019, respectively.



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

	2020	2019	2018
Statutory income tax rate	30%	30%	30%
Income tax effect of reconciling items:			
Equity in net earnings of associate companies and joint ventures	(12)	(9)	(8)
Interest income subjected to final tax	(2)	(1)	(2)
Others	1	-	1
Effective income tax rate	17%	20%	21%

27. Lease Agreements

As Lessor. The Group's lease agreements with its tenants are generally granted for a term of one to twenty-five years. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is calculated with reference to a fixed sum per square meter of area leased except for a few tenants which pay either a fixed monthly rent or a percentage of gross sales, whichever is higher.

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

	2020	2019
	<i>(In Millions)</i>	
Within one year	₱8,594	₱6,778
After one year but not more than five years	18,199	19,188
More than five years	9,256	6,520
	₱36,049	₱32,486

As Lessee. The Group leases certain parcels of land where some of its malls are situated as well as retail store, office spaces and warehouses. The terms of the lease are for periods ranging from ten to fifty years, renewable for the same period under the same terms and conditions. Rental payments are generally computed based on a certain percentage of gross rental income or a certain fixed amount, whichever is higher.

There are also non-cancellable operating lease commitments with lease periods ranging from two to thirty years, mostly containing renewal options and those that provide for the payment of additional rental based on a certain percentage of sales of the sub-lessees.



The rollforward analysis of ROU assets follows:

	2020		
	Land Use Rights	Retail Stores, Office Spaces and Warehouses	Total
	<i>(In Thousands)</i>		
Cost			
As at beginning of year	₱20,955,223	₱20,291,858	₱41,247,081
Additions	3,276,229	4,175,989	7,452,218
Translation adjustment	111,741	–	111,741
Disposals	–	(1,039,117)	(1,039,117)
As at end of year	24,343,193	23,428,730	47,771,923
Accumulated Depreciation and Amortization			
As at beginning of year	505,171	3,077,734	3,582,905
Depreciation and amortization (Note 23)	504,613	2,566,999	3,071,612
Translation adjustment	5,041	–	5,041
Disposals	–	(866,664)	(866,664)
As at end of year	1,014,825	4,778,069	5,792,894
Net Book Value	₱23,328,368	₱18,650,661	₱41,979,029
	2019		
	Land Use Rights	Retail Stores, Office Spaces and Warehouses	Total
	<i>(In Thousands)</i>		
Cost			
As at beginning of year	₱18,293,095	₱13,727,159	₱32,020,254
Additions	3,000,000	5,531,627	8,531,627
Reclassifications	145,995	1,033,072	1,179,067
Translation adjustment	(481,794)	–	(481,794)
Disposals	(2,073)	–	(2,073)
As at end of year	20,955,223	20,291,858	41,247,081
Accumulated Depreciation and Amortization			
As at beginning of year	₱–	₱–	₱–
Depreciation and amortization (Note 23)	510,196	3,077,734	3,587,930
Translation adjustment	(4,415)	–	(4,415)
Disposals	(610)	–	(610)
As at end of year	505,171	3,077,734	3,582,905
Net Book Value	₱20,450,052	₱17,214,124	₱37,664,176



The rollforward analysis of lease liabilities follows:

	2020	2019
	<i>(In Thousands)</i>	
As at beginning of year	₱29,134,546	₱24,781,169
Additions	4,175,989	5,531,627
Interest expense (Note 24)	1,874,726	1,676,045
Rent concessions (Note 23)	(275,102)	–
Terminations	(192,237)	–
Payments	(3,838,044)	(2,854,295)
As at end of year	30,879,878	29,134,546
Less current portion (Note 19)	2,011,714	1,534,154
Noncurrent portion	₱28,868,164	₱27,600,392

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

	2020	2019
	<i>(In Thousands)</i>	
Depreciation of ROU assets	₱3,071,612	₱3,587,930
Interest expense on lease liabilities	1,874,726	1,676,045

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased assets portfolio. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised.

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

	2020	2019
	<i>(In Millions)</i>	
Within one year	₱4,119	₱4,565
Over one year but no more than five years	14,858	12,954
Over five years	40,043	29,350
	₱59,020	₱46,869

Tenants' deposits amounted to ₱22,551.7 million and ₱23,607.1 million as at December 31, 2020 and 2019, respectively.

28. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, consist of cash and cash equivalents, time deposits, financial assets, non-trade receivables, bonds and deposits, receivables from banks, accrued interest receivable, bank loans, long-term debt and lease liabilities. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial instruments such as receivables and accounts payable and other current liabilities, which arise directly from its operations.



The Group also enters into derivative transactions, mainly, cross-currency swaps, interest rate swaps, foreign currency call options and non-deliverable forwards. The purpose is to manage the interest rate and foreign currency risks arising from the Group's operations and its sources of finance.

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

- *Interest rate risk.* Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Repricing of floating rate financial instruments is mostly done at intervals of three or six months.
- *Foreign currency risk.* The Group's exposure to foreign currency risk arises as the Parent Company and SM Prime have significant investments and debt issuances which are denominated in U.S. Dollars and China Yuan Renminbi.
- *Liquidity risk.* Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.
- *Credit risk.* Refers to the risk that a borrower will default on any type of debt by failing to make the required payments.
- *Equity price risk.* The Group's exposure to equity price risk pertains to its investments in quoted equity shares which are classified as equity investments at FVOCI in the consolidated balance sheets. Equity price risk arises from changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

The BOD reviews and approves the policies for managing each of these risks.

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations (see Note 20).

The Group maintains a conservative financing strategy and has preference for longer tenor credit with fixed interest rate that matches the nature of its investments. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps and cross-currency swaps in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed notional amount. The interest rate swaps economically hedge the underlying debt obligations. The cross-currency swaps were designated by the Group under cash flow hedge accounting.

As at December 31, 2020 and 2019, after taking into account the effect of the swaps, approximately 79.8% and 79.0%, respectively of the Group's borrowings, net of debt issue cost, is kept at fixed interest rates.

Interest Rate Risk Sensitivity Analysis. The sensitivity analysis for a reasonably possible change in interest rates, with all other variables held constant, of the Group's interest-bearing debt with floating interest rates, follows:



	Increase (Decrease) in Basis Points	Effect on Income Before Tax
		<i>(In Millions)</i>
2020	100	(₱169.1)
	50	(84.5)
	(100)	169.1
	(50)	84.5
2019	100	(₱172.7)
	50	(86.4)
	(100)	172.7
	(50)	86.4

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 risks by employing on-balance sheet hedges and derivatives such as foreign currency swap contracts, foreign 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 follow:

	2020		2019	
	US\$	PhP	US\$	PhP
	<i>(In Thousands)</i>			
Current assets:				
Cash and cash equivalents	\$3,162	₱151,858	\$10,003	₱506,525
Receivables and contract assets	986	47,335	1,023	51,800
Noncurrent assets:				
Time deposits	353,502	16,976,245	361,896	18,324,621
Other noncurrent assets	138,486	6,650,501	136,949	6,934,428
Total assets	496,136	23,825,939	509,871	25,817,374
Current liabilities:				
Accounts payable and other current liabilities	1,155	55,446	1,223	61,939
Noncurrent liabilities:				
Long-term debt - net of current portion	475,850	22,851,753	475,028	24,053,060
Total liabilities	477,005	22,907,199	476,251	24,114,999
Net	\$19,131	₱918,740	\$33,620	₱1,702,375

As at December 31, 2020 and 2019, approximately 22.8% and 23.1%, respectively, of the Group's borrowings, net of debt issue cost, are denominated in foreign currency.



The Group recognized net foreign exchange gain (loss) of ₱301.7 million gain, ₱561.7 million gain and ₱182.5 million loss in 2020, 2019 and 2018, 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, 2020	₱48.02
December 31, 2019	50.64
December 31, 2018	52.58

Foreign Currency Risk Sensitivity Analysis. The sensitivity analysis for a reasonably possible change in U.S. Dollar to Philippine peso exchange rate, with all other variables held constant, of the Group's financial assets and liabilities denominated in foreign currency, follows:

	Appreciation (Depreciation) of Peso	Effect on Income Before Tax <i>(In Millions)</i>
2020	1.50	₱28.7
	1.00	19.1
	(1.50)	(28.7)
	(1.00)	(19.1)
2019	1.50	₱50.4
	1.00	33.6
	(1.50)	(50.4)
	(1.00)	(33.6)

Liquidity Risk

The Group manages its liquidity to ensure adequate financing of capital expenditures and debt service. Financing consists of internally generated funds, proceeds from debt and equity issues, and/or sale of assets.

The Group regularly evaluates its projected and actual cash flow information and assesses conditions in the financial markets for opportunities to pursue fund raising initiatives including bank loans, export credit agency-guaranteed facilities, bonds and equity market issues.

The Group's financial assets, which have maturities of less than 12 months and used to meet its short-term liquidity needs, include the following:

	2020	2019
	<i>(In Thousands)</i>	
Cash and cash equivalents	₱78,159,197	₱76,213,774
Current portion of time deposits	31,012	30,488



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

	2020			Total
	Less than 1 Year	1 to 5 Years	More than 5 Years	
	(In Thousands)			
Bank loans	₱24,126,000	₱-	₱-	₱24,126,000
Accounts payable and other current liabilities *	131,739,712	-	-	131,739,712
Long-term debt (including current portion) **	68,844,675	354,465,676	18,264,810	441,575,161
Derivative liabilities**	357,662	5,767,463	-	6,125,125
Dividends payable	3,829,207	-	-	3,829,207
Lease liabilities	4,118,901	14,857,947	40,042,860	59,019,708
Tenants' deposits **	351,473	21,641,732	130,122	22,123,327
Other noncurrent liabilities ***	61,548	5,694,993	794,710	6,551,251
	₱233,429,178	₱402,427,811	₱59,232,502	₱695,089,491

*Excluding payables to government agencies of ₱4,772.0 million, which are not considered as financial liabilities.

**Based on estimated future cash flows.

***Excluding nonfinancial liabilities amounting to ₱8,806.2 million.

	2019			Total
	Less than 1 Year	1 to 5 Years	More than 5 Years	
	(In Thousands)			
Bank loans	₱18,710,465	₱-	₱-	₱18,710,465
Accounts payable and other current liabilities *	122,251,417	-	-	122,251,417
Long-term debt (including current portion) **	37,745,146	336,519,185	96,164,360	470,428,691
Derivative liabilities**	-	1,966,090	-	1,966,090
Dividends payable	4,204,962	-	-	4,204,962
Lease liabilities	3,859,945	12,334,377	25,810,461	42,004,783
Tenants' deposits **	297,039	21,306,522	64,830	21,668,391
Other noncurrent liabilities ***	-	22,775,561	-	22,775,561
	₱187,068,974	₱394,901,735	₱122,039,651	₱704,010,360

*Excluding payables to government agencies of ₱6,331.9 million, which are not considered as financial liabilities.

**Based on estimated future cash flows.

***Excluding nonfinancial liabilities amounting to ₱5,086.4 million.

Credit Risk

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

With respect to credit risk arising from the other financial assets of the Group which consist of cash and cash equivalents, time deposits and certain derivative instruments, the Group's credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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

As at December 31, 2020 and 2019, the financial assets, except for certain receivables, are generally viewed by management as good and collectible considering the credit history of the counterparties. Past due or impaired financial assets are very minimal 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 high quality and standard quality as internal credit ratings.



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.

	2020			2019		
	High Quality	Standard Quality	Total	High Quality	Standard Quality	Total
<i>(In Thousands)</i>						
Cash and cash equivalents (excluding cash on hand)	₱76,819,031	₱-	₱76,819,031	₱74,274,369	₱-	₱74,274,369
Time deposits including noncurrent portion	1,387,454	-	1,387,454	2,443,460	-	2,443,460
Financial assets at FVOCI	26,145,159	1,701,227	27,846,386	22,253,153	2,635,485	24,888,638
Receivables and contract assets - net (including noncurrent portion of receivables from real estate buyers)*	50,056,968	6,736,112	56,793,080	46,018,028	8,873,608	54,891,636
Advances and other receivables - net (includes non-trade receivables, bonds and deposits, receivable from banks, notes receivable and accrued interest receivable under "Other current assets" account in the consolidated balance sheets)**	20,442,625	-	20,442,625	21,431,159	-	21,431,159
Escrow fund	276,669	-	276,669	250,445	-	250,445
Other noncurrent assets:						
Bonds and deposits	16,808,050	-	16,808,050	17,722,250	-	17,722,250
Long-term notes	4,999,359	-	4,999,359	5,942,878	-	5,942,878
Derivative assets (including noncurrent portion)	2,747	-	2,747	826,315	-	826,315
	₱196,938,062	₱8,437,339	₱205,375,401	₱191,162,057	₱11,509,093	₱202,671,150

*Excluding non-financial assets amounting to ₱44,272.2 million and ₱20,268.6 million as at December 31, 2020 and 2019, respectively.

**Excluding non-financial assets amounting to ₱121.7 million and ₱449.3 million as at December 31, 2020 and 2019, respectively.

Equity Price Risk

Management closely monitors the equity securities in its investment portfolio. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.

The sensitivity analysis for a reasonably possible change in equity indices, with all other variables held constant, of the Group's investments in listed shares of stock, follows:

	Change in Equity Price	Effect on Equity
		<i>(In Millions)</i>
2020	+1.2%	₱359.1
	-1.2%	(359.1)
2019	+2.9%	₱838.5
	-2.9%	(838.5)



Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes appropriate adjustments based on changes in economic conditions. Accordingly, the Group may adjust dividend payments to shareholders, secure new and/or pay off existing debts, return capital to shareholders or issue new shares.

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

Net Gearing Ratio

	2020	2019
	<i>(In Thousands)</i>	
Bank loans	₱24,126,000	₱18,710,465
Long-term debt (current and noncurrent)	390,853,236	356,435,927
Less:		
Cash and cash equivalents (excluding cash on hand)	(76,819,031)	(74,274,369)
Time deposits (current and noncurrent)	(1,387,454)	(2,443,460)
Net interest-bearing debt (a)	336,772,751	298,428,563
Total equity	564,727,898	536,151,478
Net interest-bearing debt and total equity (b)	₱901,500,649	₱834,580,041
Gearing ratio - net (a/b)	37%	36%

Gross Gearing Ratio

	2020	2019
	<i>(In Thousands)</i>	
Bank loans	₱24,126,000	₱18,710,465
Long-term debt	390,853,236	356,435,927
Total interest-bearing debt (a)	414,979,236	375,146,392
Total equity	564,727,898	536,151,478
Total interest-bearing debt and total equity (b)	₱979,707,134	₱911,297,870
Gearing ratio - gross (a/b)	42%	41%



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:

	Carrying Value	Fair Value	2020		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In Thousands)					
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	₱26,133,219	₱26,133,219	₱26,133,219	₱-	₱-
Unlisted shares of stock	1,701,227	1,701,227	-	-	1,701,227
Club shares	11,940	11,940	-	11,940	-
Derivative assets	2,747	2,747	-	2,747	-
	27,849,133	27,849,133	26,133,219	14,687	1,701,227
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	1,356,442	1,356,442	-	1,356,442	-
Other noncurrent assets:					
Bonds and deposits	16,808,050	19,271,918	-	-	19,271,918
Long-term notes	4,999,359	6,068,924	-	-	6,068,924
	23,163,851	26,697,284	-	1,356,442	25,340,842
	₱51,012,984	₱54,546,417	₱26,133,219	₱1,371,129	₱27,042,069
Liabilities Measured at Fair Value					
Derivative liabilities	₱6,125,125	₱6,125,125	₱-	₱6,125,125	₱-
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion, net of debt issue cost)	330,731,798	332,475,152	-	-	332,475,152
Lease liabilities - noncurrent portion	28,868,164	30,776,929	-	-	30,776,929
Tenants' deposits and others*	30,947,183	18,298,284	-	-	18,298,284
	390,547,145	381,550,365	-	-	381,550,365
	₱396,672,270	₱387,675,490	₱-	₱6,125,125	₱381,550,365

*Excluding nonfinancial liabilities amounting to ₱8,806.2 million

	Carrying Value	Fair Value	2019		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In Thousands)					
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	₱22,240,653	₱22,240,653	₱22,240,653	₱-	₱-
Unlisted shares of stock	2,635,484	2,635,484	-	-	2,635,484
Club shares	12,500	12,500	-	12,500	-
Derivative assets	826,315	826,315	-	826,315	-
	25,714,952	25,714,952	22,240,653	838,815	2,635,484
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	2,412,972	2,386,637	-	-	2,386,637
Other noncurrent assets:					
Bonds and deposits	17,722,250	19,763,982	-	-	19,763,982
Long-term notes	5,942,878	7,577,904	-	-	7,577,904
	26,078,100	29,728,523	-	-	29,728,523
	₱51,793,052	₱55,443,475	₱22,240,653	₱838,815	₱32,364,007
Liabilities Measured at Fair Value					
Derivative liabilities	₱1,966,090	₱1,966,090	₱-	₱1,966,090	₱-
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	327,358,208	331,463,306	-	-	331,463,306
Lease liabilities - noncurrent portion	27,600,392	38,144,838	-	-	38,144,838
Tenants' deposits and others*	35,607,059	32,355,186	-	-	32,355,186
	390,565,659	401,963,330	-	-	401,963,330
	₱392,531,749	₱403,929,420	₱-	₱1,966,090	₱401,963,330

*Excluding nonfinancial liabilities amounting to ₱5,086.4 million.



There were no transfers into and out of Levels 1, 2 and 3 fair value measurements as at December 31, 2020 and 2019.

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:

	2020	2019
Noncurrent portion of time deposits	2.1% - 5.5%	4.4% - 4.7%
Other noncurrent assets:		
Bond and deposits	0.3%	1.7%
Long-term notes	0.2% - 0.3%	1.7% - 1.9%
Tenants' deposits	1.0% - 5.5%	3.1% - 4.7%

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

<u>Debt</u>	<u>Fair Value Assumptions</u>
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 range from 0.2% to 4.7% and 1.7% to 6.5% as at December 31, 2020 and 2019, respectively.
Variable Rate	For variable rate loans that re-price every three months, the carrying value 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 3.7% to 4.4% and 3.0% to 7.0% as at December 31, 2020 and 2019, 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:

	2020	2019
	<i>(In Thousands)</i>	
Balance at beginning of year	(₱1,139,775)	₱1,231,780
Net changes in fair value during the year	(4,989,108)	(2,223,363)
Fair value on settled derivatives	6,505	(148,192)
	(₱6,122,378)	(₱1,139,775)

Derivative Instruments Accounted for as Cash Flow Hedges

As at December 31, 2020, the Parent Company and SM Prime have outstanding arrangements to hedge both foreign currency and interest rate exposure on its foreign currency-denominated debt. Details follow:



31. Change in Liabilities Arising From Financing Activities

	2020			2019		
	Bank Loans (Note 18)	Long-term Debt (Note 20)	Lease Liabilities (Note 27)	Bank Loans (Note 18)	Long-term Debt (Note 20)	Lease Liabilities (Note 27)
	<i>(In Thousands)</i>					
Balance at beginning of year	₱18,710,465	₱356,435,927	₱29,134,546	₱18,885,465	₱367,036,243	₱24,781,169
Availments	82,880,520	75,253,912	4,175,989	25,266,865	52,895,468	5,531,627
Payments	(77,464,985)	(36,158,696)	(3,838,044)	(21,376,865)	(64,799,259)	(2,854,295)
Cumulative translation adjustment						
on cash flow hedges	–	(702,490)	–	–	(1,841,637)	–
Foreign exchange movement	–	(3,685,613)	–	–	(929,710)	–
Reclassification	–	–	–	(4,065,000)	4,065,000	–
Others	–	(289,804)	1,407,387	–	9,822	1,676,045
Balance at end of year	₱24,126,000	₱390,853,236	₱30,879,878	₱18,710,465	₱356,435,927	₱29,134,546

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

32. Reclassification

The Group reclassified certain income accounts in 2019 to conform to the 2020 presentation and classification. The reclassification has no impact on the 2020 and 2019 profit or loss and equity of the Group.

33. Other Matters

COVID-19 Outbreak

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an ECQ throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020. The ECQ shifted to modified enhanced community quarantine (MECQ) until May 31, 2020 and to general community quarantine (GCQ) for NCR and certain provinces until the first part of the third quarter. Subsequently, MECQ was once again imposed on select areas including Metro Manila and a few other provinces in the National Capital Region from August 4 to 18, 2020 then back again to GCQ until December 31, 2020.

The COVID-19 pandemic has caused disruptions in the Group's business activities. As this global problem evolves, the Group will continually adapt and adjust its business model according to the business environment in the areas where the Group operates, in full cooperation with the national and local government units.




INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
SM Investments Corporation
10th Floor, One E-Com Center
Harbor Drive, Mall of Asia Complex
CBP-1A, Pasay City 1300

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SM Investments Corporation and Subsidiaries as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated February 26, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Julie Christine O. Mateo
Partner
CPA Certificate No. 93542
SEC Accreditation No. 0780-AR-3 (Group A),
August 16, 2018, valid until August 15, 2021
Tax Identification No. 198-819-116
BIR Accreditation No. 08-001998-068-2020,
December 3, 2020, valid until December 2, 2023
PTR No. 8534342, January 4, 2021, Makati City

February 26, 2021



SM INVESTMENTS CORPORATION AND SUBSIDIARIES
INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2020

Consolidated Financial Statements

A. Statement of Management’s Responsibility for Financial Statements	Attached
B. Certificate on the Compilation Services for the Preparation of the Financial Statements and Notes to Financial Statements	Attached
C. Independent Auditor’s Report	Attached
D. Consolidated Balance Sheets as at December 31, 2020 and 2019	Attached
E. Consolidated Statements of Income For the years ended December 31, 2020, 2019 and 2018	Attached
F. Consolidated Statements of Comprehensive Income For the years ended December 31, 2020, 2019 and 2018	Attached
G. Consolidated Statements of Changes in Equity For the years ended December 31, 2020, 2019 and 2018	Attached
H. Consolidated Statements of Cash Flows For the years ended December 31, 2020, 2019 and 2018	Attached
I. Notes to Consolidated Financial Statements	Attached

Supplementary Schedules

Independent Auditor’s Report on Supplementary Schedules	Attached
SRC Annex 68-J Schedules	
A. Financial Assets	Attached
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)	*
C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements	Attached
D. Long-term Debt	*
E. Indebtedness to Related Parties	*
F. Guarantees of Securities of Other Issuers	*
G. Capital Stock	Attached

Additional Components

Computation of Public Ownership	Attached
Financial Ratios - Key Performance Indicators	Attached
Reconciliation of Retained Earnings Available for Dividend Declaration	Attached
Conglomerate Map	Attached

**These schedules have been omitted because they are either not required, not applicable or the information required to be presented is included in the Group's consolidated financial statements or the notes to consolidated financial statements.*

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
AS AT DECEMBER 31, 2020
(Amounts in Thousands Except Per Share Data)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Interest and Dividend Income Received and Accrued
Temporary investments*:				
BDO Unibank, Inc.		P46,587,453	P–	P1,384,008
China Banking Corporation		316,532	–	21,246
Others		4,651,848	–	8,016
		51,555,833	–	1,413,270
Time deposits – current*		31,012	–	595
Financial Asset at FVOCI:				
Shares of Stock:				
Common shares:				
Shang Properties, Inc.	189,550,548 shares	513,682	513,682	29,665
Republic Glass Holdings Corporation	14,350,000 shares	43,402	43,402	–
PICOP Resources, Inc.	40,000,000 shares	8,200	8,200	–
Export and Industry Bank, Inc.	7,829,000 shares	2,035	2,035	–
Benguet Corporation	266,757 shares	827	827	–
		568,146	568,146	29,665
Total Current Financial Assets		P52,154,991	P568,146	P1,443,530

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Interest and Dividend Income Received and Accrued
Financial Asset at FVOCI– noncurrent:				
Shares of Stock				
Listed:				
Ayala Corporation	27,137,551 shares	P22,442,755	P22,442,755	P192,579
DMCI Holdings	164,031,800 shares	928,420	928,420	63,360
Manila Electric Company	105,490 shares	6,854	6,854	–
Philippine Long Distance Telephone Company	292,531 shares	2,817	2,817	5
Philippine Bank of Communications	13,43 shares	285	285	–
Prime Media Holdings, Inc.	500,000 shares	430	430	–
D.M. Wenceslao and Associates, Incorporated	79,167,800 shares	601,675	601,675	3,730
The Philippine Stock Exchange, Inc.	3,595,639 shares	553,369	553,369	–
Rizal Banking Corporation	53,862,336 shares	1,028,465	1,028,465	24,237
Philippine National Bank	112 shares	4	4	–
Unlisted:				
Allfirst Equity Holdings, Inc.	95,000 shares	661,901	661,901	–
Heavenly Garden Development Corp.	25,000 shares	2,500	2,500	–
SM Insurance Brokers Services, Inc.	129,390 shares	150	150	–
Mutual Development Center, Inc.	4,633 shares	1,258	1,258	–
Manila North Tollways Corporation	732,600 shares	981,099	981,099	115,744
Wave Computing	4,764,700 shares	54,318	54,318	–
		27,266,300	27,266,300	399,655

(Forward)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Interest and Dividend Income Received and Accrued
Club Shares				
Cebu Golf & Country Club	1 share	₱7,400	₱7,400	₱–
Baguio Country Club	1 share	3,000	3,000	–
Mimosa Golf & Country Club, Inc.	1 share	150	150	–
Country Club of Tagaytay Highlands	1 share	650	650	–
Camp John Hay	2 shares	300	300	–
Subic Bay Yacht Club	1 share	250	250	–
Splendido Taal Golf Club	1 share	70	70	–
Calatagan Golf Club	1 share	70	70	–
Cresta del Mar	1 share	35	35	–
Ridge Resort	1 share	15	15	–
		11,940	11,940	–
		27,278,240	27,278,240	399,655
Time Deposits – noncurrent*		1,356,442	–	43,101
Bonds and Deposits		16,808,050	–	669,555
Total Noncurrent Financial Assets		₱45,442,732	₱27,278,240	₱1,112,311

*Excluding cash on hand and in banks.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL
STATEMENTS
AS AT DECEMBER 31, 2020
(Amounts in Thousands)

Name and Designation of Debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
<u>Accounts receivable – Tenants</u>							
SM Retail Inc.	₱19,771	₱51,454	₱68,270	₱–	₱2,955	₱–	₱2,955
SM Mart, Inc.	114,540	255,514	288,850	–	81,204	–	81,204
Mainstream Business, Inc.	97,320	162,219	203,890	–	55,649	–	55,649
Major Shopping Management Corp.	52,751	112,584	127,198	–	38,137	–	38,137
Madison Shopping Plaza, Inc.	83,491	127,488	162,092	–	48,887	–	48,887
Mandurriao Star, Inc.	95,694	152,755	191,298	–	57,151	–	57,151
Mercantile Stores Group, Inc.	95,657	141,768	185,346	–	52,079	–	52,079
Manila Southern Associates, Inc.	81,984	128,811	162,870	–	47,925	–	47,925
Market Strategic Firm, Inc.	94,073	145,561	185,696	–	53,938	–	53,938
Metro Main Star Asia Corp.	82,590	137,844	155,955	–	64,479	–	64,479
Multi Stores Corporation	33,661	63,343	76,430	–	20,574	–	20,574
Metro Manila Shopping Mecca Corp.	76,950	119,377	153,077	–	43,250	–	43,250
Mindanao Shopping Destination Corp.	23,343	36,196	47,961	–	11,578	–	11,578
Meridien Business Leader Inc.	69,670	94,737	125,116	–	39,291	–	39,291
My Shoppinglane Cebu Corp..	26,838	35,317	44,183	–	17,972	–	17,972

(Forward)

Name and Designation of Debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
Mindanao Shoppers Daily Destination Corp.	₱27,599	₱43,031	₱54,216	₱–	₱16,414	₱–	₱16,414
Master Shoppers Venue, Inc.	15,931	24,943	29,651	–	11,223	–	11,223
Mayon Shoppers Lifestyle Corporation	17,214	29,415	24,891	–	21,738	–	21,738
Middle Store United, Inc.	9,267	15,192	15,841	–	8,618	–	8,618
Main Shopping Princess Phils., Inc.	14,604	30,294	29,036	–	15,862	–	15,862
Accessories_Management Corp.	383	606	989	–	–	–	–
CF_Mgt. Corp.	495	733	1,228	–	–	–	–
LF_Mgt. Corp.	588	870	1,458	–	–	–	–
MF_Mgt. Corp.	457	735	1,192	–	–	–	–
MCLG_Mgmt. Corp.	(49)	371	322	–	–	–	–
MLC Shoes and Bags Mgt. Corp.	590	768	919	–	439	–	439
Shoemart, Inc. (formerly LTBG_Mgmt. Corp.)	3,396	–	3,349	–	47	–	47
Supervalu, Inc. (formerly SM Supermarket, Inc.)	544,124	3,518,164	3,573,915	–	488,373	–	488,373
Super Shopping Market, Inc.	288,255	1,705,668	1,675,314	–	318,609	–	318,609
Sanford Marketing Corporation	70,267	469,072	468,920	–	70,419	–	70,419
Waltermart Supermarket, Incorporated	–	10,274	10,274	–	–	–	–
Alfamart Trading Philippines, Inc.	5,889	39,431	38,673	–	6,647	–	6,647
HMS Development Corp	3,360	24,629	23,751	–	4,238	–	4,238
Forever Agape & Glory, Inc.	30,247	65,236	80,061	–	15,422	–	15,422
Modern Free Luxe Stores, Inc	–	5,087	4,139	–	948	–	948
Premium Global Essences Stores, Inc.	4,601	15,445	16,490	–	3,556	–	3,556

(Forward)

Schedule C

Name and Designation of Debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
Walk EZ Retail Corp.	₱6,831	₱24,307	₱28,833	₱–	₱2,305	₱–	₱2,305
Mini Depato Corp.	41,162	96,325	116,269	–	21,218	–	21,218
ACE Hardware Philippines, Inc.	162,512	532,974	640,216	–	55,270	–	55,270
CK_Fashion Collection Corp.	41	24	65	–	–	–	–
Homeworld Shopping Corporation	44,895	120,448	141,600	–	23,743	–	23,743
International Toy World, Inc.	68,964	114,216	165,837	–	17,343	–	17,343
Kultura Store, Inc.	14,321	29,946	39,437	–	4,830	–	4,830
Nursery Care Corporation	2,603	17,147	19,750	–	–	–	–
Signature Lines, Inc.	4,641	11,016	13,927	–	1,730	–	1,730
Sports Central (Manila), Inc.	38,521	92,775	111,794	–	19,502	–	19,502
Star Appliance Center, Inc.	127,062	500,040	543,144	–	83,958	–	83,958
Supplies Station, Inc.	1,449	3,510	4,478	–	481	–	481
Warehouse Development Company, Inc.	9,880	155,384	154,385	–	10,879	–	10,879
Premium Fashion Retail Designs, Inc.	–	495	495	–	–	–	–
Athletes Pro Group, Inc.	–	5,964	5,405	–	559	–	559
Whiteplane, Inc.	–	2,370	–	–	2,370	–	2,370
Best Selection Retail Corporation	–	8,402	3,775	–	4,627	–	4,627
EC Steps Retail Corp.	–	780	655	–	125	–	125
SM Prime Holdings, Inc.	11,861	74,890	63,545	–	23,206	–	23,206
SM Development Corporation (Parent)	–	577	577	–	–	–	–
Summerhills Home Development Corp.	–	5,104	4,337	–	767	–	767

(Forward)

Schedule C

Name and Designation of Debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
Costa del Hamilo, Inc.	₱–	₱5,561	₱4,956	₱–	₱605	₱–	₱ 605
Highlands Prime, Inc.	–	7,342	6,407	–	935	–	935
SM Hotels and Conventions Corp.	–	8,835	7,688	–	1,147	–	1,147
Intercontinental Development Corporation	–	3,451	–	–	3,451	–	3,451
Manila Southcoast Development Corp.	143	1,200	1,195	–	148	–	148
Digital Advantage Corporation	–	2,572	–	–	2,572	–	2,572
SM Investments Corporation	4,846	54,752	55,172	–	4,426	–	4,426
Total Accounts Receivable-Tenants	₱2,625,283	₱9,465,339	₱10,366,803	₱–	₱1,903,819	₱–	₱1,903,819

Name and Designation of Debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
<u>Due From Related Parties</u>							
Belleshares Holdings, Inc. (formerly SM Commercial Properties, Inc.)	₱1,717,862	₱–	₱–	₱–	₱1,717,862	₱–	₱1,717,862
Intercontinental Development Corporation	125,000	–	–	–	125,000	–	125,000
Mountain Bliss Resort and Development Corp. and a subsidiary	979,317	–	–	–	979,317	–	979,317
Manila Southcoast Development Corp.	2,795,157	120,498	–	–	2,915,655	–	2,915,655
Henfels Investments Co. Inc.	2,337,132	3,132,820	–	–	5,469,952	–	5,469,952
SM Retail, Inc.	42,575	–	42,575	–	–	–	–
SM Prime Holdings, Inc.	2,902,648	–	2,902,648	–	–	–	–
Multi Realty Development Corporation	11,483,839	–	–	–	11,483,839	–	11,483,839
Prime Central Limited	1,956,302	–	1,956,302	–	–	–	–
Total Due From Related Parties	₱ 24,339,832	₱3,253,318	₱4,901,525	₱–	₱22,691,625	₱–	₱22,691,625

Accounts receivable—royalty, management and service fees	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
SM Retail Inc.	₱–	₱12,443	₱12,443	₱–	₱–	₱–	₱–
SM Mart, Inc.	–	211,194	211,194	–	–	–	–
Mainstream Business, Inc.	–	90,558	90,558	–	–	–	–
Major Shopping Management Corp.	–	61,371	61,371	–	–	–	–
Madison Shopping Plaza, Inc.	–	65,828	65,828	–	–	–	–
Mandurriao Star, Inc.	–	88,934	88,934	–	–	–	–
Mercantile Stores Group, Inc.	–	83,113	83,113	–	–	–	–
Manila Southern Associates, Inc.	–	74,075	74,075	–	–	–	–
Market Strategic Firm, Inc.	–	87,435	87,435	–	–	–	–
Metro Main Star Asia Corp.	–	64,014	64,014	–	–	–	–
Multi Stores Corporation	–	35,551	35,551	–	–	–	–
Metro Manila Shopping Mecca Corp.	–	68,499	68,499	–	–	–	–
Mindanao Shopping Destination Corp.	–	22,670	22,670	–	–	–	–
Meridien Business Leader Inc.	–	44,966	44,966	–	–	–	–
My Shoppinglane Cebu Corp.	–	6,249	(238)	–	6,487	–	6,487
Mindanao Shoppers Daily Destination Corp.	–	15,954	15,954	–	–	–	–
Master Shoppers Venue, Inc.	10,253	10,902	10,902	–	10,253	–	10,253
Mayon Shoppers Lifestyle Corporation	–	549	549	–	–	–	–
Middle Store United, Inc.	–	172	172	–	–	–	–
Main Shopping Princess Phils., Inc.	–	257	257	–	–	–	–
Shoemart, Inc.	–	50	50	–	–	–	–

(Forward)

Accounts receivable—royalty, management and service fees	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
Supervalue, Inc. (formerly SM Supermarket, Inc.)	₱685	₱336,954	₱128,524	₱–	₱209,115	₱–	₱209,115
Super Shopping Market, Inc.	3,748	232,732	232,778	–	3,702	–	3,702
Sanford Marketing Corporation	–	363,460	139,780	–	223,680	–	223,680
Waltermart Supermarket, Incorporated	–	1,285	1,285	–	–	–	–
Alfamart Trading Philippines, Inc.	–	9,833	9,833	–	–	–	–
Alfametro Marketing, Inc.	–	2,598	2,598	–	–	–	–
Hyperhome Corp.	–	287	287	–	–	–	–
HMS Development Corp	–	13,072	7,788	–	5,284	–	5,284
Forever Agape & Glory, Inc.	–	43	43	–	–	–	–
Premium Global Essences Stores, Inc.	–	1,375	1,053	–	322	–	322
Walk EZ Retail Corp.	–	101	101	–	–	–	–
Mini Depato Corp.	–	304	304	–	–	–	–
ACE Hardware Philippines, Inc.	–	73,737	49,411	–	24,326	–	24,326
CK_Fashion Collection Corp.	–	2	2	–	–	–	–
Homeworld Shopping Corporation	–	37,016	16,369	–	20,647	–	20,647
Kultura Store, Inc.	–	19,872	10,517	–	9,355	–	9,355
Nursery Care Corporation	–	3,590	2,773	–	817	–	817
Homeworld Shopping Corporation	–	10,116	7,426	–	2,690	–	2,690
Signature Lines, Inc.	–	1,979	730	–	1,249	–	1,249
Sports Central (Manila), Inc.	–	11,380	6,440	–	4,940	–	4,940
Star Appliance Center, Inc.	191,607	329,563	386,977	–	134,193	–	134,193

(Forward)

Accounts receivable—royalty, management and service fees	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
Supplies Station, Inc.	₱–	₱ 8,567	₱ 5,283	₱–	₱ 3,284	₱–	₱3,284
Athletes Pro Group, Inc.	–	52	52	–	–	–	–
Whiteplane, Inc.	–	8	8	–	–	–	–
Best Selection Retail Corporation	–	51	51	–	–	–	–
SM Prime Holdings, Inc.	–	221,862	221,862	–	–	–	–
Intercontinental Development Corporation	–	3,746	3,746	–	–	–	–
Digital Advantage Corporation	–	352	352	–	–	–	–
Belleshare Holdings, Inc.	6,862	6,862	6,862	–	6,862	–	6,862
SM Investments Corporation	14,080	50,790	60,390	–	4,480	–	4,480
Accounts receivable—royalty, management and service fees	₱227,235	₱2,786,373	₱2,341,922	₱–	₱671,686	₱–	₱671,686

Dividends Receivable	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
Multi-Realty Development Corporation	₱55,000	₱190,909	₱82,273	₱–	₱163,636	₱–	₱163,636
SM Retail, Inc	8,885,875	4,172,498	4,829,281	–	8,229,092	–	8,229,092
SM Prime Holdings, Inc.	–	2,655,391	2,655,391	–	–	–	–
Belleshares Holdings, Inc. (formerly SM Commercial Properties, Inc.)	205,920	309,375	309,375	–	205,920	–	205,920
Net Group	80,750	1,045,000	1,125,750	–	–	–	–
Nagtahan Property Holdings, Inc.	–	7,978	–	–	7,978	–	7,978
Total Dividends Receivable	₱9,227,545	₱8,381,151	₱9,002,070	₱–	₱8,606,626	₱–	₱8,606,626

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
AS AT DECEMBER 31, 2020

Title of Issue	Number of Shares Authorized	Number of Shares Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held by		
				Affiliates	Directors, Officers and Principal Stockholders	Others
Common Stock	2,790,000,000	1,204,582,867	–	103,538,381	518,098,169	582,946,317

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
COMPUTATION OF PUBLIC OWNERSHIP
AS AT DECEMBER 31, 2020

Number of Shares Issued and Outstanding (I/O)	"% to total I/O shares"	Number of Shares	Total
			1,204,582,867
Directors:			
Teresita T. Sy			
Direct	2.11%	25,440,508	
Indirect	4.98%	60,000,000	
Henry Sy, Jr.			
Direct	0.01%	150,281	
Indirect	6.34%	76,352,727	
Harley T. Sy			
Direct	7.27%	87,604,771	
Jose T. Sio			
Direct	0.00%	21	
Frederick C. DyBuncio			
Indirect	0.00%	10	
Tomasa H. Lipana			
Direct	0.00%	150	
Alfredo E. Pascual			
Direct	0.00%	10	
Robert G. Vergara			
Direct	0.00%	100	
Subtotal	20.71%	249,548,578	

(Forward)

	"% to total I/O shares"	Number of Shares	Total
Officers -			
Franklin C. Gomez Indirect	0.00%	4,500	
Cecilia R. Patricio Direct	0.00%	130	
Subtotal	0.00%	4,630	
Principal Stockholders:			
Hans T. Sy Direct	6.30%	75,839,675	
Indirect	1.90%	22,929,461	
Herbert T. Sy Direct	8.20%	98,753,008	
Elizabeth T. Sy Direct	3.03%	36,449,503	
Indirect	2.87%	34,573,314	
Subtotal	22.30%	268,544,961	
Affiliates:			
Multi-Realty Development Corporation Indirect	0.00%	1,648	
SM Prime Holdings, Inc. Indirect	0.01%	146,104	
Belle Corporation Direct	0.00%	48,877	
Syntrix Holdings, Inc. Direct (Forward)	3.89%	46,875,000	

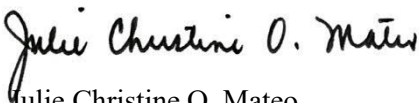
	"% to total I/O shares"	Number of Shares	Total
Sysmart Corporation			
Direct	2.40%	28,925,745	
Indirect	0.00%	41,007	
Tansmart Corporation			
Direct	1.88%	22,500,000	
Indirect	0.42%	5,000,000	
Subtotal	8.60%	103,538,381	
Total Shares held by Directors, Officers, Principal Stockholders and Affiliates	51.61%		621,636,550
Total Number of Shares Owned by the Public	48.39%		582,946,317

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
SM Investments Corporation
10th Floor, One E-Com Center
Harbor Drive, Mall of Asia Complex
CBP-1A, Pasay City 1300

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SM Investments Corporation and Subsidiaries as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated February 26, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Julie Christine O. Mateo
Partner
CPA Certificate No. 93542
SEC Accreditation No. 0780-AR-3 (Group A),
August 16, 2018, valid until August 15, 2021
Tax Identification No. 198-819-116
BIR Accreditation No. 08-001998-068-2020,
December 3, 2020, valid until December 2, 2023
PTR No. 8534342, January 4, 2021, Makati City

February 26, 2021



SM INVESTMENTS CORPORATION AND SUBSIDIARIES
FINANCIAL RATIOS - KEY PERFORMANCE INDICATORS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

		<u>2020</u>	<u>2019</u>
i.	Current ratio	$\frac{\text{Total current assets}}{\text{Total current liabilities}}$	1.06 : 1 1.26 : 1
ii.	Acid test ratio	$\frac{\text{Total current assets less inventories and other current assets}}{\text{Total current liabilities}}$	0.58 : 1 0.66 : 1
iii.	Solvency ratio	$\frac{\text{Net income after tax + Depreciation}}{\text{Total liabilities}}$	8.0% 14.6%
iv.	Debt-to-equity ratio	$\frac{\text{Total interest-bearing debt}}{\text{Total equity + Total interest-bearing debt}}$	42 : 58 41 : 59
	Net debt-to-equity ratio	$\frac{\text{Total interest-bearing debt less cash and cash equivalents (excluding cash on hand), time deposits and investments in bonds}}{\text{Total equity + Total interest-bearing debt less cash and cash equivalents (excluding cash on hand), time deposits and investments in bonds}}$	37 : 63 36 : 64
v.	Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	2.17 2.13
vi.	Interest rate coverage ratio	$\frac{\text{Income from operations + Depreciation and amortization}}{\text{Interest expense}}$	4.25 6.40
vii.	Return on assets	$\frac{\text{Net income after tax}}{\text{Average assets}}$	2.9% 6.2%

viii.	Return on equity	$\frac{\text{Net income attributable to equity holders of the parent}}{\text{Average equity attributable to equity holders of the parent}}$	6.0%	11.9%
ix.	Net Margin	$\frac{\text{Net income after tax}}{\text{Total revenue}}$	8.7%	13.8%

**RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION**

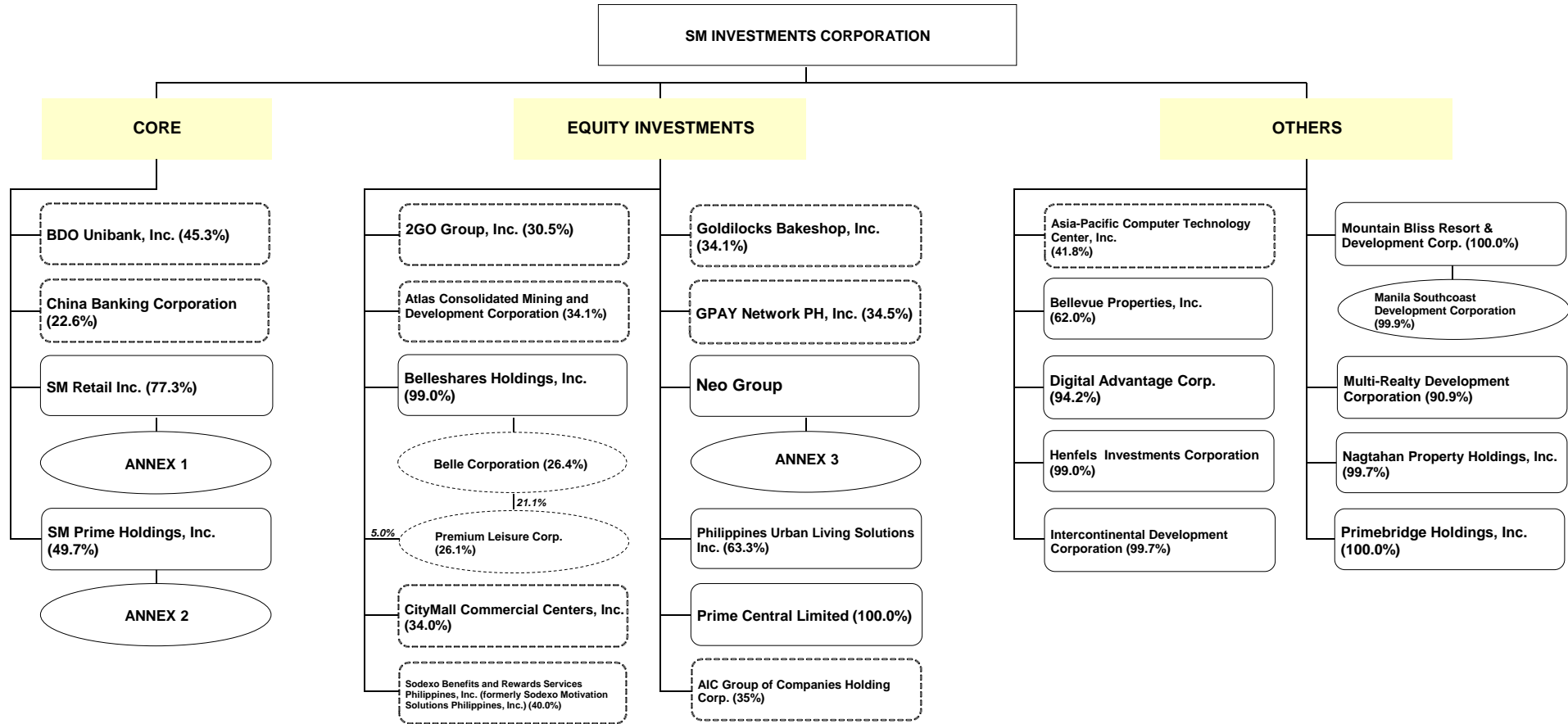
**As at December 31, 2020
(Amounts in Thousands)**

SM Investments Corporation

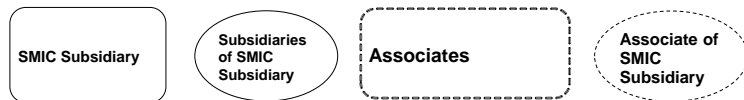
10th Floor, One E-Com Center, Harbor Drive,
Mall of Asia Complex, CBP-1A, Pasay City 1300

Unappropriated RE, December 31, 2019	P16,500,934
Adjustments to beginning unappropriated RE:	
Rental income from straight-line amortization in excess of rental payments	(220,036)
Actuarial loss as at January 1, 2013 recorded as expense	48,548
	<u>(171,488)</u>
Unappropriated RE, as adjusted to available for dividend distribution, beginning	16,329,446
Net income during the period closed to Retained Earnings	6,017,014
Less: Non-actual/unrealized income net of tax	
Unrealized foreign exchange gain – net (except those attributable to cash and cash equivalents)	(313)
Add: Rental payments in excess of rental income from straight-line amortization	40,105
Transfer of unrealized gain on equity instrument at fair value through other comprehensive income	864
	<u>864</u>
Net income actually earned during the period	6,057,670
Less: Cash dividends declared during the period	(5,119,477)
	<u>(5,119,477)</u>
Unappropriated RE, as adjusted to available for dividend distribution, December 31, 2020	<u>P17,267,639</u>

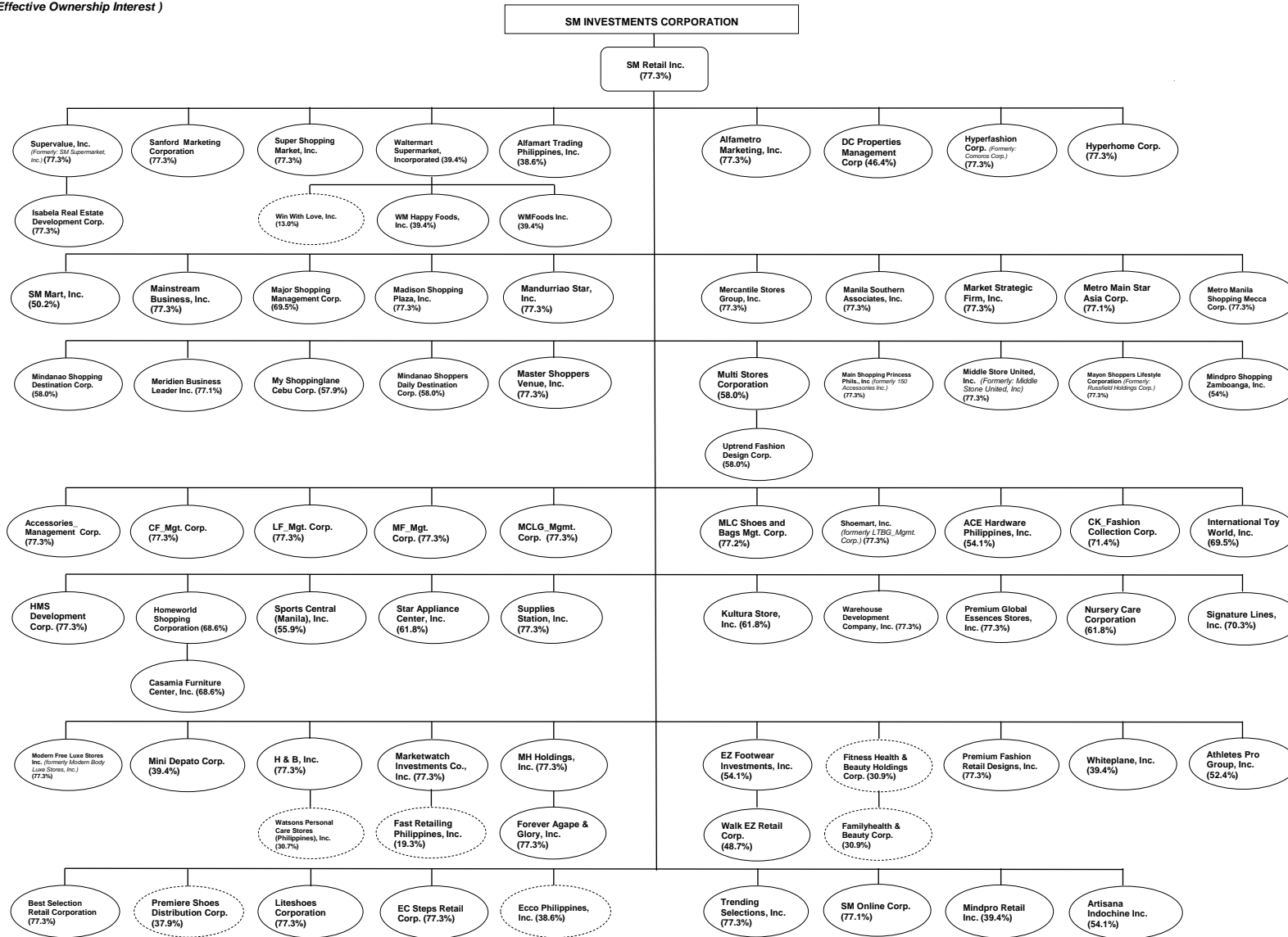
SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONGLOMERATE MAP
AS AT DECEMBER 31, 2020
(Effective Ownership Interest)



Legend:



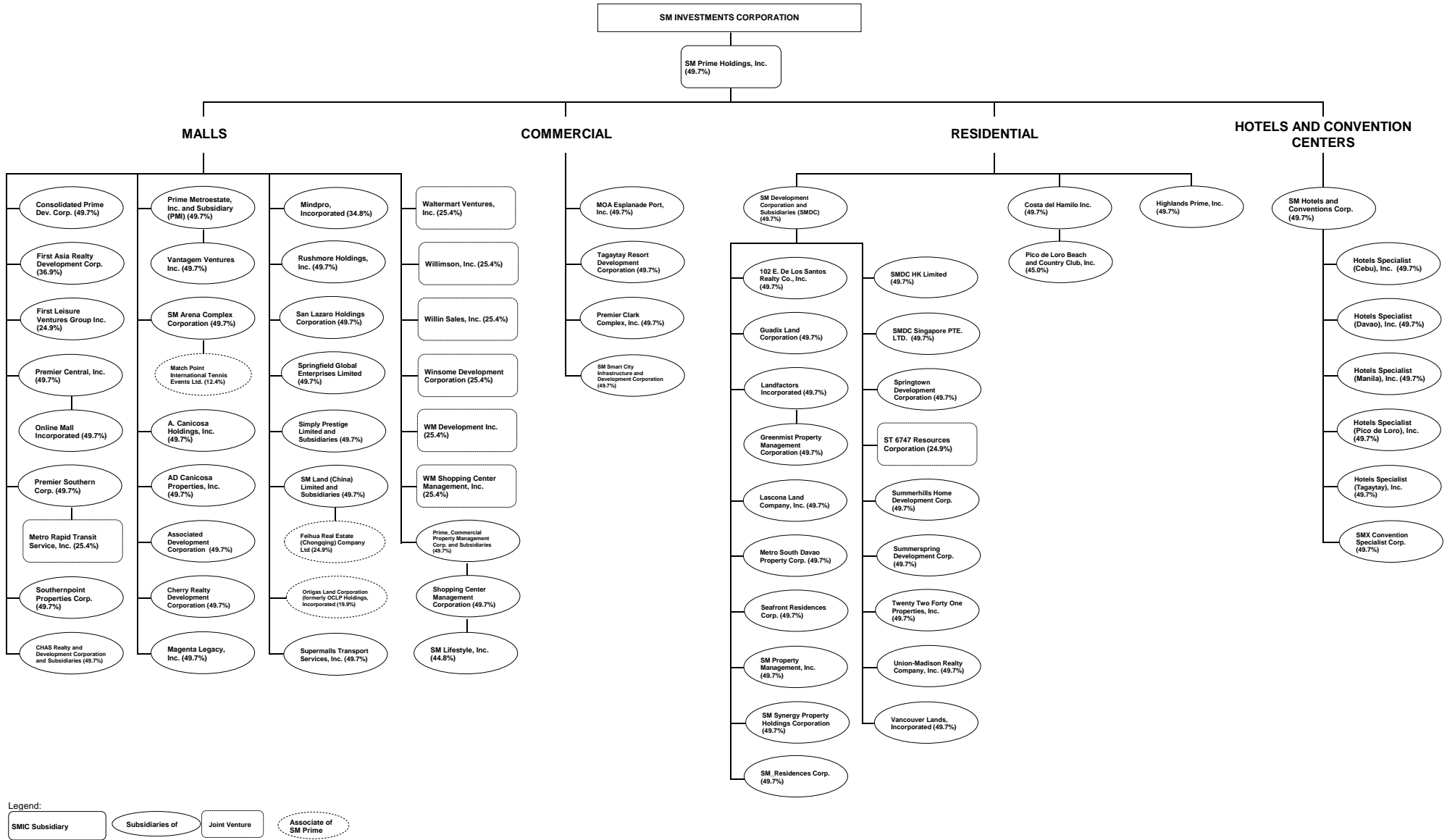
**SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONGLOMERATE MAP
AS AT DECEMBER 31, 2020
(Effective Ownership Interest)**



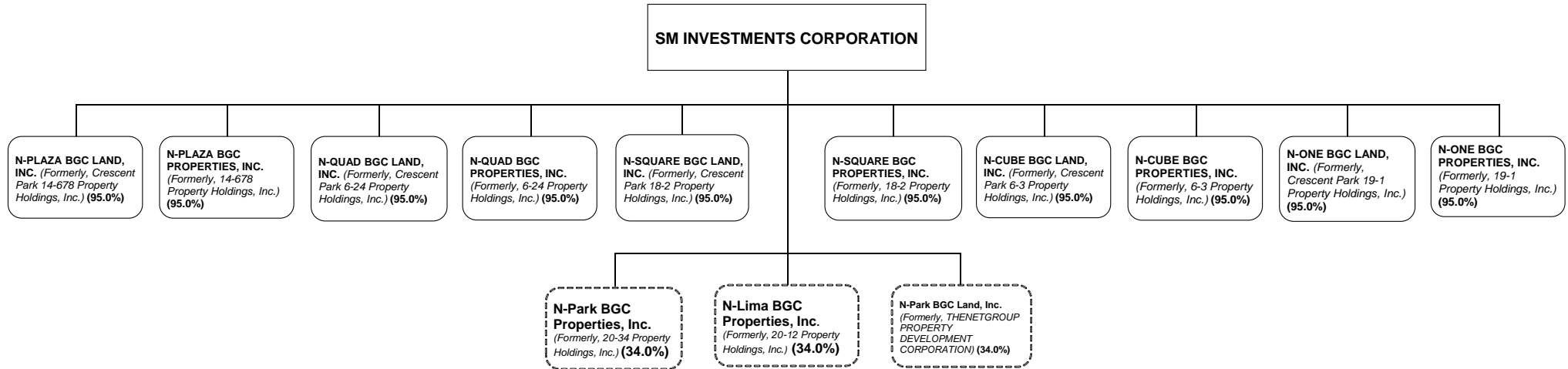
Legend:



SM INVESTMENTS CORPORATION AND SUBSIDIARIES
 CONGLOMERATE MAP
 AS AT DECEMBER 31, 2020
 (Effective Ownership Interest)



**SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONGLOMERATE MAP
AS AT DECEMBER 31, 2020
(Effective Ownership Interest)**



Legend:

