





SM INVESTMENTS

**Notice of Annual Stockholders' Meeting  
April 26, 2023 at 2:30 p.m.**

To all Stockholders:

The 2023 Annual Stockholders' Meeting (ASM) of SM Investments Corporation (the Company or SMIC) will be held on **April 26, 2023 (Wednesday) at 2:30 p.m.** The ASM will be conducted in hybrid format (a combination of in-person and remote attendance) and voting by SMIC stockholders of record ("Stockholders") will solely be *in absentia* through the Company's secure online voting facility. The in-person meeting will be held at Function Room 1, SMX Convention Center Manila, Seashell Lane, Mall of Asia Complex, Pasay City, and will be livestreamed for stockholders participating remotely. 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 April 27, 2022
4. Annual Report for the Year 2022 (Open Forum)
5. Ratification of the acts of the Board of Directors, Board Committees 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 2023-2024
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, Inc. (PSE) on **March 27, 2023** as the record date for the determination of stockholders entitled to notice of, to participate, and to vote *in absentia* at such meeting and any adjournment thereof.

Stockholders who wish to participate in the meeting, whether in-person or remotely, must register at the SMIC 2023 ASM registration portal <<https://asmregister.sminvestments.com>> and upload supporting documents listed therein on or before **April 17, 2023**. All documents submitted will be subject to verification and validation by the Corporate Secretary.

In addition to the above, Stockholders who wish to attend in-person must email SMIC's Corporate Governance Team at <[asm@sminvestments.com](mailto:asm@sminvestments.com)> to be counted for in-person attendance. Kindly note that in observance of COVID-19 protocols, in-person attendance will be limited to the first one hundred (100) fully-vaccinated Stockholders who registered via email as set forth above.

Stockholders who wish to appoint a proxy may accomplish the attached proxy form (which need not be notarized) and submit their duly accomplished and signed proxies to the Office of the Corporate Secretary at No. 1105 Tower 2 High Street South Corporate Plaza, 26<sup>th</sup> Street Bonifacio

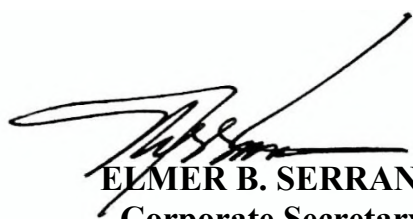
Global City, Taguig City 1634 at least seven (7) business days (or until **April 17, 2023**) before the annual meeting, as provided in the By-laws. Validation of proxies will be conducted on **April 19, 2023** at the Office of the Corporate Secretary.

Successfully registered stockholders can 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 Registering, Participating via Remote Communication and In-Person, 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 Information Statement, Annual Report (once available) with the Audited Financial Statements of the Company for the period ended December 31, 2022 and other pertinent materials related to the 2023 ASM shall be posted in SMIC's 2023 ASM website <[www.sminvestments.com/asm2023](http://www.sminvestments.com/asm2023)> and PSE EDGE on or before April 20, 2023. 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/asm2023](http://www.sminvestments.com/asm2023)>.

**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 April 27, 2022.**

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 26, 2023.

**Agenda Item 4: To acknowledge and consider for approval the Annual Report of the Company for 2022.**

The Company's 2022 performance results have been duly summarized in the Annual Report which includes the Audited Financial Statements (AFS) of the Company for the year ended 2022. 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 2022 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, Board Committees and Management from the date of the last ASM to the date of this meeting.**

The Company's performance in 2022, as detailed in the Annual Report, is attributed to the strategic directions and key policies set by the Board of Directors and the Board Committees 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 2023 to 2024.**

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 2023. 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 2023.

Taguig City, March 22, 2023.

(SAMPLE PROXY FORM FOR INDIVIDUALS)

**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 26, 2023 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 2022 Annual Report.  
 Yes  No  Abstain
  
3. Ratification of all acts and resolutions of the Board of Directors, Board Committees and Management.  
 Yes  No  Abstain
  
4. Election of Directors.  
 a) Vote for all nominees listed below:
  1. Teresita T. Sy
  2. Jose T. Sio
  3. Henry T. Sy, Jr.
  4. Harley T. Sy
  5. Frederic C. DyBuncio
  6. Tomasa H. Lipana (Lead Independent Director)
  7. Robert G. Vergara (Independent Director)
  8. Ramon M. Lopez (Independent Director)  
 b) Withhold authority for all nominees listed above  
  
 c) Withhold authority to vote for the nominees listed below:  
  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
  
5. Appointment of SyCip Gorres Velayo & Co. as external auditor for 2023  
 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 17, 2023 (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.



SM INVESTMENTS

## 2023 ANNUAL STOCKHOLDERS' MEETING April 26, 2023 at 2:30 pm

### **Guidelines for Registering, Participating via Remote Communication and In-Person, and Voting in Absentia**

The 2023 Annual Stockholders' Meeting (ASM) of SM Investments Corporation (SMIC or the Company) is scheduled on **April 26, 2023 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 27, 2023 (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.

The ASM will be conducted in hybrid format (a combination of in-person and remote attendance). In-person attendance will be limited to the first one hundred (100) fully-vaccinated stockholders. The ASM will be broadcasted via livestreaming accessible to registered participants.

ALL VOTING BY STOCKHOLDERS WILL STILL BE *IN ABSENTIA* THROUGH SMIC'S SECURE ONLINE VOTING FACILITY.

#### **Registration for All Stockholders**

Stockholder must notify the Corporate Secretary of their intention to participate in the ASM whether in person or via remote communication and to exercise their right to vote in absentia no later than **April 17, 2023**, by registering at <<https://asmregister.sminvestments.com>> and by uploading 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
  3. If appointing a proxy, duly accomplished and signed proxy form (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
  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
  5. If appointing a proxy, duly accomplished and signed proxy form (need *not* be notarized)
- For Certificated Corporate/Partnership Stockholders
    1. Secretary's Certification of Board resolution attesting to the authority of representative to participate in-person or by remote communication for and on behalf of the Corporation/Partnership
    2. Valid government-issued ID of the authorized representative
    3. Stock certificate number/s
    4. Email-address and contact number of authorized representative
    5. If appointing a proxy, duly accomplished and signed proxy form (need *not* be notarized)
  - 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, duly accomplished and signed proxy form (need *not* be notarized)
    4. Email-address and contact number of stockholder or proxy

**Note:** *Attachment/s should be clear copies in JPG or PDF format, with each file size no larger than 2MB.*

**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.**

**An active/valid email address is required for the registration. Any single email address can be used to register up to five (5) times for multiple shareholdings with SMIC under different classifications, i.e., single, joint, multiple/joint, corporate and under broker account. If you have exceeded this number of allowable request, please contact the Company's Corporate Governance Team at (02) 8857-0100 or via email at <[asm@sminvestments.com](mailto:asm@sminvestments.com)>.**

### **Voting in Absentia**

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/she 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/her shares shall equal, or he/she may distribute them on the same principle among as many candidates as he/she 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/her vote, he/she can proceed to submit the 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.

### **In-Person Attendance**

In-person attendance will be limited to ensure the well-being of everyone. Stockholders who wish to attend in-person must email SMIC's Corporate Governance Team at <[asm@sminvestments.com](mailto:asm@sminvestments.com)> of their intention to attend in-person, and ONLY THE FIRST ONE HUNDRED (100) fully-vaccinated stockholders to email will be allowed to join the in-person meeting. These stockholders shall receive a notification from SMIC, which will include details on safety protocols for their attendance of the meeting to be held at Function Room 1, SMX Convention Center Manila, Seashell Lane, Mall of Asia Complex, Pasay City.

***Note:** Stockholders attending the in-person meeting should still register and cast their votes in absentia via SMIC's online voting portal.*

### **Participation Through Remote Communication**

The ASM will be livestreamed 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 <<http://www.sminvestments.com/asm2023>>.

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 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 2023 Open Forum" to <[asm@sminvestments.com](mailto:asm@sminvestments.com)> no later than April 24, 2023. 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 (02) 8857-0100 or via email at <[asm@sminvestments.com](mailto:asm@sminvestments.com)>.*


*For complete information on the annual meeting, please visit <<http://www.sminvestments.com/asm2023>>.*


**PROFILES OF THE BOARD OF DIRECTORS**

<b>JOSE T. SIO</b>		
<i>Chairman of the Board</i>		
<p>Member, Executive Committee                  Member, Audit Committee                  Member, Risk Management Committee                  Member, Compensation Committee                  Member, Related Party Transaction Committee</p>		
<b>EDUCATION/EXPERIENCE</b>	<p><b>Jose T. Sio</b> is the Chairman of the Board of SMIC. He is also a Director of China Banking Corporation, Atlas Consolidated Mining and Development Corporation, NLEX Corporation, and Ortigas Land Corporation, Trustee of Far Eastern University, Incorporated, and Adviser to the Board of BDO Unibank, Inc., Belle Corporation 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 &amp; 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. In June 2022, he received the Parangal San Mateo Award, the highest honor that can be conferred upon an accounting professional by the Philippine Institute of Certified Public Accountants (PICPA). In March 2023, he was honored by the Professional Regulatory Board of Accountancy with the Accountancy Centenary Award of Excellence.</p>	
<b>BOARD ATTENDANCE</b>	100%; 8 of 8 meetings	
<b>DATE OF FIRST APPOINTMENT</b>	May 2005	
<b>NO. OF YEARS ON THE BOARD</b>	18 years	
<b>DIRECTORSHIP/S IN OTHER REPORTING COMPANIES</b>	China Banking Corporation	Director
	Atlas Consolidated Mining and Development Corporation	Director
	Far Eastern University Incorporated	Trustee
<b>OTHER INFORMATION</b>	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year	


<b>TERESITA T. SY</b>		
<i>Vice Chairperson of the Board</i>		
<p>Chairperson, Compensation Committee                  Chairperson, Executive Committee</p>		
<b>EDUCATION/EXPERIENCE</b>	<p><b>Teresita T. Sy</b> 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>	
<b>BOARD ATTENDANCE</b>	100%; 8 of 8 meetings	
<b>DATE OF FIRST APPOINTMENT</b>	May 1979	
<b>NO. OF YEARS ON THE BOARD</b>	44 years	

<b>DIRECTORSHIP/S IN OTHER REPORTING COMPANIES</b>	BDO Unibank, Inc.	Chairperson of the Board
<b>OTHER INFORMATION</b>	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.	

<b>HENRY T. SY, JR.</b>		
<i>Vice Chairman of the Board</i>		
<b>EDUCATION/EXPERIENCE</b>	<b>Henry T. Sy, Jr.</b> is the Vice Chairman of SMIC and Chairman of SM Prime Holdings, Inc. and Synergy Grid & Development Phils., 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.	
<b>BOARD ATTENDANCE</b>	100%; 8 of 8 meetings	
<b>DATE OF FIRST APPOINTMENT</b>	May 1979	
<b>NO. OF YEARS ON THE BOARD</b>	44 years	
<b>DIRECTORSHIP/S IN OTHER REPORTING COMPANIES</b>	SM Prime Holdings, Inc.	Chairman of the Board
	Synergy Grid & Development Phils, Inc.	Chairman of the Board
<b>OTHER INFORMATION</b>	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.	


<b>FREDERIC C. DYBUNCIO</b>		
<i>President/CEO</i>		
	Member, Executive Committee	
<b>EDUCATION/EXPERIENCE</b>	<b>Frederic C. DyBuncio</b> is the President and Chief Executive Officer of SMIC and 2GO Group, Inc. He is also the 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.	
<b>BOARD ATTENDANCE</b>	100%; 8 of 8 meetings	
<b>DATE OF FIRST APPOINTMENT</b>	April 2017	

<b>NO. OF YEARS ON THE BOARD</b>	6 years	
<b>DIRECTORSHIP/S IN OTHER REPORTING COMPANIES</b>	2GO Group, Inc.	President/CEO/Director
	Atlas Consolidated Mining and Development Corporation	Chairman of the Board
<b>OTHER INFORMATION</b>	No legal dispute in the past five(5) years; No conflict of interest transactions in the past year.	

		<b>HARLEY T. SY</b> <i>Executive Director</i>	
		Member, Executive Committee	
<b>EDUCATION/EXPERIENCE</b>	<b>Harley T. Sy</b> 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.		
<b>BOARD ATTENDANCE</b>	100%; 8 of 8 meetings		
<b>DATE OF FIRST APPOINTMENT</b>	May 1993		
<b>NO. OF YEARS ON THE BOARD</b>	30 years		
<b>DIRECTORSHIP/S IN OTHER REPORTING COMPANIES</b>	China Banking Corporation	Director	
<b>OTHER INFORMATION</b>	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.		

		<b>TOMASA H. LIPANA</b> <i>Lead Independent Director</i>	
		Chairperson, Audit Committee Member, Corporate Governance Committee	
<b>EDUCATION/EXPERIENCE</b>	<b>Tomasa H. Lipana</b> is the Lead 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 an Independent Director of Rural Bank of Silay City, Inc. Previously, she was an Independent Director of Goldilocks Bakeshop Inc., Inter-Asia Development Bank, and QBE Seaboard Insurance Philippines, and was also an appointive Director of Trade and Investment Development Corporation (Philippine Guarantee Corporation, formerly Philippine Export-Import Credit Agency), a government-owned and controlled corporation. 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 one of the 100 notable CPAs conferred with the Accountancy Centenary Award of Excellence by the Board of Accountancy, Professional Regulations Commission. She is also a CPA Board placer.
<b>BOARD ATTENDANCE</b>	100%; 8 of 8 meetings
<b>DATE OF FIRST APPOINTMENT</b>	April 2016
<b>NO. OF YEARS ON THE BOARD</b>	7 years
<b>DIRECTORSHIP/S IN OTHER REPORTING COMPANIES</b>	Currently no directorships in other reporting companies.
<b>OTHER INFORMATION</b>	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.

<p><b>ROBERT G. VERGARA</b> <i>Independent Director</i></p>		
<p>Chairperson, Risk Management Committee Member, Corporate Governance Committee Member, Related Party Transactions Committee</p>		
<b>EDUCATION/EXPERIENCE</b>	<p><b>Robert G. Vergara</b> is an Independent Director of SMIC. He also sits as an Independent Director of Metro Pacific Health, Inc and STI Education Systems Holdings, Inc. He is currently the President of Vergara Advisory Management, Inc. founded in May 2018. 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 <i>magna cum laude</i> from Ateneo De Manila University with Bachelor of Science degrees in Management Engineering and Mathematics.</p>	
<b>BOARD ATTENDANCE</b>	100%; 8 of 8 meetings	
<b>DATE OF FIRST APPOINTMENT</b>	April 2019	
<b>NO. OF YEARS ON THE BOARD</b>	4 years	
<b>DIRECTORSHIP/S IN OTHER REPORTING COMPANIES</b>	STI Education Systems Holdings, Inc. Independent Director	
<b>OTHER INFORMATION</b>	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.	

**RAMON M. LOPEZ**  
*Independent Director*



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

**Ramon M. Lopez** is an Independent Director of SMIC. He currently serves as Independent Director of AIC Group of Companies Holding Corp. (Airspeed) and as Board of Trustee and Vice Chairman of Valenzuela City Polytechnic College. He is also a member of Management Association of the Philippines and Foundation for Economic Freedom, an economic policy advocacy group. He was the former Secretary of the Philippine Department of Trade and Industry (DTI). He has served for the full term of the administration of former President Rodrigo Roa Duterte. During his term, he was the Chairman of DTI institutions such as the Board of Investments, the Philippine Economic Zone Authority, the Export Development Council, Anti-Red Tape Authority Advisory Council, Philippine International Trading Corp., CITEM, and the Halal Board. He also supervised attached agencies such as the Intellectual Property Office of the Philippines, Technical Education and Skills Development Authority, and the Cooperative Development Authority, among others. He also received several awards such as the 2016 Nation Builders Award for Government Service and the Philippine Innovation Man of the Year Award in 2017. In 2018, he received from former President Duterte the Presidential Award, Order of Sikatuna, with a rank of Datu, one of the senior honors one can receive in the Philippines. He was also named by People Asia as one of the 2020 People of the Year, for the re-opening of the economy during the pandemic. He is also an Asia CEO Awards 2022 "Lifetime Contributor of the Year" awardee. Just recently, he was also awarded the Presidential Medal of Merit for his vital role in the Inter-Agency Task Force for the Management of Emerging Infectious Diseases. Mr. Lopez has a Master's Degree in Development Economics class at Williams College, Massachusetts USA and an AB Degree in Economics from the University of the Philippines School of Economics.

**EDUCATION/EXPERIENCE**

**BOARD ATTENDANCE** 100%; 3 of 8 meetings

**DATE OF FIRST APPOINTMENT** August 2022

**NO. OF YEARS ON THE BOARD** 7 months

**DIRECTORSHIP/S IN OTHER REPORTING COMPANIES** Currently no directorships in other reporting companies.

**OTHER INFORMATION** No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.

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: **10<sup>th</sup> Floor, OneE-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 26, 2023, 2:30 p.m.**  
**The meeting will be conducted in hybrid format, a combination of in-person and remote attendance. The in-person meeting shall be held at Function Room 1, SMX Convention Center Manila, Seashell Lane, Mall of Asia Complex, Pasay City, and shall be livestreamed via Zoom for stockholders participating remotely.**
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **March 23, 2023**
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 |
|----------------------|--|
| <b>Common shares</b> | <b>1,222,023,358</b>   |
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 26, 2023
- Time : 2:30 p.m.
- Place : The meeting will be held at Function Room 1, SMX Convention Center Manila, Seashell Lane, Mall of Asia Complex, Pasay City, with livestreaming via Zoom for stockholders participating remotely.
- Mailing Address of Registrant : **SM Investments Corporation**  
10<sup>th</sup> Floor, OneE-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 March 23, 2023.

**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 27, 2023. The total number of shares outstanding and entitled to vote in the stockholders' meeting is 1,222,023,358 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 30day 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 give rise to 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, 2023, the total number of common shares outstanding and entitled to vote in the stockholders' meeting is 1,222,023,358 shares. Out of the aforesaid outstanding common shares, 401,496,816 shares or 32.86% 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 27, 2023.

**(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.

For this year's ASM, all voting will still be *in absentia* through SMIC's secure online voting facility and proxies submitted to the Office of the Corporate Secretary.

Stockholders as of Record Date may nominate directors and vote by remote communication, *in absentia*, or by proxy. Stockholders of record must inform the Corporate Secretary of their intention to participate in the meeting in person or via remote communication and to vote *in absentia* by registering at the SMIC 2023 ASM registration portal <<https://asmregister.sminvestments.com>> on or before April 17, 2023, 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.

Stockholders of Record Date who wish to attend in person must email SMIC's Corporate Governance Team at <[asm@sminvestments.com](mailto:asm@sminvestments.com)> of their intention to attend in-person, and only the first one hundred (100) fully-vaccinated stockholders to email will be allowed to join the in-person meeting. These stockholders shall receive a notification from SMIC, which will include details on safety protocols for their attendance of the meeting at Function Room 1, SMX Convention Center Manila, Seashell Lane, Mall of Asia Complex, Pasay City. Stockholders attending the in-person meeting should still register and cast their votes in absentia via SMIC's online voting portal.

Stockholders of Record Date who wish to appoint a proxy may accomplish the attached proxy form (which need not be notarized) and submit their duly accomplished and signed proxies to the Office of the Corporate Secretary at No. 1105 Tower 2 High Street South Corporate Plaza, 26<sup>th</sup> Street Bonifacio Global City, Taguig City 1634 at least seven (7) business days (or until April 17, 2023) before the annual meeting, as provided in the By-laws. Validation of proxies will be conducted on April 19, 2023 at the Office of the Corporate Secretary.

*The detailed guidelines for participation and voting for this meeting are set forth in the "Guidelines for Registering, Participating via Remote Communication and In-Person, 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, 2023**

As of February 28, 2023, 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	85,947,685	7.03%
-do-	Henry T. Sy, Jr. (Director and Vice Chairman) Forbes Park, Makati City	Same as the Record Owner	Filipino	76,878,370	6.29%

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-	Harley T. Sy (Executive Director) Forbes Park, Makati City	Same as the Record Owner	Filipino	93,741,298	7.67%
-do-	Hans T. Sy (Stockholder of Issuer) Forbes Park, Makati City	Same as the Record Owner	Filipino	104,915,706	8.59%
-do-	Herbert T. Sy (Stockholder of Issuer) Forbes Park, Makati City	Same as the Record Owner	Filipino	99,093,995	8.11%
-do-	Elizabeth T. Sy (Stockholder of Issuer) Forbes Park, Makati City	Same as the Record Owner	Filipino	77,159,344	6.31%
-do-	PCD Nominee Corp. (Filipino)	Various clients <sup>1</sup>	Filipino	145,316,957	11.89%
-do-	PCD Nominee Corp. (Non-Filipino)	Various clients <sup>1</sup>	Foreign	401,271,874	32.84%

<sup>(1)</sup> 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, 2023

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	P859,476,850.00	D	Filipino	7.03%
Common	Henry T. Sy, Jr.	768,783,700.00	D	Filipino	6.29%
Common	Harley T. Sy	937,412,980.00	D	Filipino	7.67%
Common	Jose T. Sio	210.00	D	Filipino	0.00%
Common	Frederic C. DyBuncio	100.00	D	Filipino	0.00%
Common	Tomasa H. Lipana	1,500.00	D	Filipino	0.00%
Common	Robert G. Vergara	1,000.00	D	Filipino	0.00%
Common	Ramon M. Lopez	1,000.00	D	Filipino	0.00%
Common	Franklin C. Gomez	138,800.00	D	Filipino	0.00%
Common	Erwin G. Pato	0.00		Filipino	0.00%
Common	Wellington L. Palmero	0.00		Filipino	0.00%
Common	Anastacio C. Balubar II	0.00		Filipino	0.00%
Common	Arthur A. Sy	0.00		Filipino	0.00%
Common	Elmer B. Serrano	0.00		Filipino	0.00%
		P2,565,816,140.00			20.99%

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:**

<b>Officers</b>	<b>Name</b>	<b>Age</b>	<b>Citizenship</b>
Chairman	Jose T. Sio	83	Filipino
Vice Chairperson	Teresita T. Sy	72	Filipino
Vice Chairman	Henry T. Sy, Jr.	69	Filipino
President & Chief Executive Officer	Frederic C. DyBuncio	63	Filipino
Executive Director	Harley T. Sy	63	Filipino
Lead Independent Director	Tomas H. Lipana	74	Filipino
Independent Director	Robert G. Vergara	62	Filipino
Independent Director	Ramon M. Lopez	63	Filipino
Treasurer/EVP-Treasury, Finance and Planning	Erwin G. Pato	50	Filipino
Senior Vice President - Finance	Franklin C. Gomez	53	Filipino
Senior Vice President - Legal and Assistant Corporate Secretary	Arthur A. Sy	53	Filipino
Chief Risk & Compliance Officer and Senior Vice President	Wellington Palmero	62	Filipino
Vice President - Internal Audit	Anastacio C. Balubar II	52	Filipino
Corporate Secretary	Elmer B. Serrano	55	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, Atlas Consolidated Mining and Development Corporation, NLEX Corporation, and Ortigas Land Corporation, Trustee of Far Eastern University, Incorporated, and Adviser to the Board of BDO Unibank, Inc., Belle Corporation 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. In June 2022, he received Parangal San Mateo, the highest honor that can be conferred upon an accounting professional by the Philippine Institute of Certified Public Accountants (PICPA). In March 2023, he was honored by the Professional Regulatory Board of Accountancy with the Accountancy Centenary Award of Excellence.

**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. and Synergy Grid & Development Phils, 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 also the 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.

**Tomasa H. Lipana\*** is the Lead 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. Previously, she was an Independent Director of Goldilocks Bakeshop Inc., Inter-Asia Development Bank, and QBE Seaboard Insurance Philippines, and was also an appointive Director of Trade and Investment Development Corporation (Philippine Guarantee Corporation, formerly Philippine Export-Import Credit Agency), a government-owned and controlled corporation. 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 one of the 100 notable CPAs conferred with the Accountancy Centenary Award of Excellence by the Board of Accountancy, Professional Regulations Commission. She is also a CPA Board placer.

**Robert G. Vergara\*** is an Independent Director of SMIC. He also sits as an Independent Director of Metro Pacific Health, Inc and STI Education Systems Holdings, Inc. He is currently the President of Vergara Advisory Management, Inc. founded in May 2018. 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.

**Ramon M. Lopez\*** is an Independent Director of SMIC. He currently serves as Independent Director of AIC Group of Companies Holding Corp. (Airspeed) and as Board of Trustee and Vice Chairman of Valenzuela City Polytechnic College. He is also a member of Management Association of the Philippines and Foundation for Economic Freedom, an economic policy advocacy group. He was the former Secretary of the Philippine Department of Trade and Industry (DTI). He has served for the full term of the administration of former President Rodrigo Roa Duterte. During his term, he was the Chairman of DTI institutions such as the Board of Investments, the Philippine Economic Zone Authority, the Export Development Council, Anti-Red Tape Authority Advisory Council, Philippine International Trading Corp., CITEM, and the Halal Board. He also supervised attached agencies such as the Intellectual Property Office of the Philippines, Technical Education and Skills Development Authority, and the Cooperative Development Authority, among others. He also received several awards such as the 2016 Nation Builders Award for Government Service and the Philippine Innovation Man of the Year Award in 2017. In 2018, he received from former President Duterte the Presidential Award, Order of Sikatuna, with a rank of Datu, one of the senior honors one can receive in the Philippines. He was also named by People Asia as one of the 2020 People of the Year, for the re-opening of the economy during the pandemic. He is also an Asia CEO Awards 2022 “Lifetime Contributor of the Year” awardee. Just recently, he was also awarded the Presidential Medal of Merit for his vital role in the Inter-Agency Task Force for the Management of Emerging Infectious Diseases. Mr. Lopez has a Master’s Degree in Development Economics class at Williams College, Massachusetts USA and an AB Degree in Economics from the University of the Philippines School of Economics.

*\* 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**

<b><u>Name</u></b>	<b><u>Period Served</u></b>
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
Tomasa H. Lipana	2016 to present
Robert G. Vergara	2019 to present
Ramon M. Lopez	August 2022 to present

#### **Directorships in Other Reporting Companies**

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

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

<b><u>Name of Director</u></b>	<b><u>Name of Reporting Company</u></b>	<b><u>Position Held</u></b>
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 Chairman
Harley T. Sy	China Banking Corporation	Director
Robert G. Vergara	STI Education Systems Holdings, Inc.	Independent Director

\*Mr. Sio was a director of Belle Corporation from 2009 to 2022.

### **Attendance in Board Meetings**

Below is the attendance of the Directors for the meetings held as of December 2022:

Director	Jan. 19	Feb. 28	Apr. 1	Apr. 27	May 11	Aug. 3	Aug. 24	Nov. 9	%
	Special	Regular	Special	Regular / Organiza- tional	Special	Regular	Special	Regular	
Jose T. Sio	√	√	√	√	√	√	√	√	100
Teresita T. Sy	√	√	√	√	√	√	√	√	100
Henry T. Sy, Jr.	√	√	√	√	√	√	√	√	100
Harley T. Sy	√	√	√	√	√	√	√	√	100
Frederic C. DyBuncio	√	√	√	√	√	√	√	√	100
Tomas H. Lipana	√	√	√	√	√	√	√	√	100
Alfredo E. Pascual*	√	√	√	√	√	N/A	N/A	N/A	100
Robert G. Vergara	√	√	√	√	√	√	√	√	100
Ramon M. Lopez*	N/A	N/A	N/A	N/A	N/A	√	√	√	100

\*Mr. Pascual tendered his resignation as Independent Director effective June 30, 2022. Mr. Ramon M. Lopez was elected as Independent Director on August 03, 2022 to serve the unexpired term of Mr. Pascual.

### **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. Tomas H. Lipana (Lead Independent Director)
7. Robert G. Vergara (Independent Director)
8. Ramon M. Lopez (Independent Director)

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

1. Tomasa H. Lipana
2. Robert G. Vergara
3. Ramon M. Lopez

Tony Ong King, Tomasa H. Lipana, Robert G. Vergara and Ramon M. Lopez *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 nominated persons will be presented to the Company's shareholders for election at the annual stockholders' meeting. The nominated individuals must 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. Ramon M. Lopez - 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 2022:

Members	March 14, 2022	August 1, 2022
Alfredo E. Pascual*	√	N/A
Ramon M. Lopez*	N/A	N/A
Tomas H. Lipana	√	√
Robert G. Vergara	√	√

\*Mr. Pascual has tendered his resignation effective June 30, 2022. Mr. Ramon M. Lopez was elected as Independent Director and Chairman of the Corporate Governance Committee on August 03, 2022.

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**

**Erwin G. Pato** is the Treasurer and Executive Vice President for Treasury, Finance and Planning of SMIC. Prior to joining SMIC in January 2020, he was formerly the Head of Treasury of Temasek Holdings Pte Ltd. He spent over 20 years of Treasury leadership experience in various industries spanning investment houses, local and regional banks, global consumer finance companies, industrial companies, and government owned global investment companies. Mr. Pato holds a Bachelor of Arts Degree major in Economics from Ateneo de Manila University.

**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 the De La Salle University, Manila.

**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.

**Wellington Palmero** is the Senior Vice President, Chief Risk, and 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, Toronto, Hong Kong and New York. Mr. Palmero holds a Master's Degree in Business Administration from the University of Western Ontario.

**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 currently Chairman of the Board of Directors of Dominion Holdings, Inc. and is concurrently a director of 2GO Group, Inc., and Independent Director of Philippine Telegraph and Telephone Corporation. He is Corporate Secretary of SM Prime Holdings, Inc., Prime Leisure Corp., Atlas Consolidated Mining and Development Corporation, as well as subsidiaries of BDO Unibank, Inc., and of DFNN Inc. He is also Corporate Secretary of, or counsel to, prominent financial industry organizations, such as the Bankers Association of the Philippines and the Philippine Payments Management, Inc. and the PDS Group of Companies. Atty. Serrano is a practicing lawyer specializing in corporate law and is the Managing Partner of the law firm SERRANO LAW. He has been awarded "Asia Best Lawyer" 3 years in a row by the International Financial Law Review (IFLR) for Banking and Finance, Capital Markets, and Mergers & Acquisitions, one of only two exclusively recognized lawyers in all three practice areas in the Philippines. This comes after being consistently recognized as a "Highly Regarded-Leading Lawyer" in the same fields by IFLR. The Legal 500 Asia Pacific also named Atty. Serrano as a "Leading Individual" in Banking & Finance, after constant citation as a "Recommended Lawyer". Atty. Serrano is a Certified Associate Treasury Professional and was among the top graduates of the Trust Institute of the Philippines in 2001. Atty. Serrano holds a Juris Doctor degree from the Ateneo de Manila University and a BS Legal Management degree from the same university.

#### **Period of Officership**

<b><u>Name</u></b>	<b><u>Office</u></b>	<b><u>Period Served</u></b>
Frederic C. DyBuncio	President and Chief Executive Officer	2017 to present
Erwin G. Pato	Treasurer and EVP-Treasury, Finance and Planning	2021 to present
Franklin C. Gomez	Senior Vice President - Finance	2013 to present
Arthur A. Sy	Assistant Corporate Secretary and Senior Vice President - Legal	2017 to present
Wellington Palmero	Chief Risk & Compliance Officer and Senior Vice President	2017 to present
Anastacio C. Balubar II	Vice President - Internal Audit	2017 to present
Elmer B. Serrano	Corporate Secretary	2014 to present

#### **Directorships in Other Reporting Companies**

Other than Atty. Elmer B. Serrano who is also a director of 2GO Group, Inc. and Dominion Holdings, Inc., and an independent director of Philippine Telegraph and Telephone Corporation, the Officers do not hold any directorships in other reporting companies during the last five years.

#### **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. There are no other elements of related party transactions that are considered necessary for an understanding of the transactions' business purpose and economic substance, their effect on the financial statements, and the special risks or contingencies arising from these transactions, other than those disclosed in Note 21 (Related Party Transactions) of the Notes to the Consolidated Financial Statements.

The members of the Related Party Transactions Committee are:

1. Ramon M. Lopez - 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 2022:

<b>Members</b>	<b>March 31, 2022</b>	<b>November 4, 2022</b>
Alfredo E. Pascual*	√	N/A
Ramon M. Lopez*	N/A	√
Robert G. Vergara	√	√
Jose T. Sio	√	√

\*Mr. Pascual has tendered his resignation effective June 30, 2022. Mr. Ramon M. Lopez was elected as Independent Director and Chairman of the Related Party Transactions on August 03, 2022.

**(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. Erwin G. Pato  
Treasurer and EVP\*

#### **Summary Compensation Table (in million pesos)**

	<b><u>Year</u></b>	<b><u>Salary</u></b>	<b><u>Bonus</u></b>	<b><u>Other Annual Compensation</u></b>
* President and four Most Highly Compensated Executive Officers	2023 (estimate)	146	24	-
	2022	140	23	-
	2021	135	23	-
All other Officers and Directors as a group Unnamed	2023 (estimate)	394	64	-
	2022	388	58	-
	2021	382	63	-

### **b) Compensation of Directors**

#### **Board Remuneration**

Each members of the Board of Directors received the following remuneration as Directors for the year 2022:

<b><u>Name</u></b>	<b><u>Total (PHP)</u></b>
1. Jose T. Sio	5,400,000.00
2. Teresita T. Sy	5,400,000.00
3. Henry T. Sy Jr.	5,400,000.00
4. Harley T. Sy	5,400,000.00
5. Frederic C. DyBuncio	5,400,000.00
6. Tomasa H. Lipana	5,400,000.00
7. Alfredo E. Pascual*	2,500,000.00

8. Roberto G. Vergara	5,400,000.00
9. Ramon M. Lopez*	2,250,000.00

\*Mr. Pascual has tendered his resignation as Independent Director effective June 30, 2022. Mr. Ramon M. Lopez was elected as Independent Director on August 03, 2022 to serve the unexpired term of Mr. Pascual.

Above-mentioned amounts include total fees and *per diems* received by the directors for their attendance in the meetings of the Board. There is no distinction on the fee for a committee chairman and member. Other than these fees, the non-executive directors do not receive any share options, profit sharing, bonus, or other forms of emoluments.

Except for reasonable per diems, directors, as such, shall be entitled to receive only such compensation as may be granted to them by the vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders. In no case shall the total yearly compensation of directors, as such, exceed 10% of the net income before income tax of the Company during the preceding year.

The Board, through the Compensation Committee, designates the amount of remuneration and provides oversight over remuneration of Management and other key personnel, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully and will ensure that compensation is consistent with the Company's culture, strategy and control environment. The Committee decides, determines and approves, by a majority vote of all its members, matters relating to the compensation, remuneration and benefits of the Company's officers and directors. The Committee meets at least twice a year or as often as it considers necessary.

#### **Employment Contract**

There are no special contracts of employment between the Company and the named directors and executive officers, as well as special compensatory plans or arrangements, including payment to be received from the Company with respect to any named director or executive.

#### **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, through its Corporate Governance Committee, conducts annual performance evaluations of the Board of Directors, its individual members and Board Committees. The Committee also ensures that every three (3) years, the assessment is supported by an external facilitator.

Elements of the Board evaluation include the following:

1. Board Structure and Composition – The diversity and balance of competencies of directors, board committees and officers who support the Board.
2. Board Roles and Accountabilities – How the Board effectively fulfills its roles and accountabilities particularly in strategy, policy, oversight and accountability.
3. Board Dynamics – How the Board works as a team, the expectations of individual directors and the leadership of the chairperson.
4. Board Processes – The internal processes of the Board from nomination, election and onboarding of the directors, among others.

The Corporate Governance Committee spearheaded the annual Board evaluation self-assessment by the members of the Board of Directors in 2022. The results of the evaluation,

which found the Board to be functioning well to its mandate, were discussed and presented to the Board through the Corporate Governance Committee.

Through the annual 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. Areas of continuing education on corporate governance topics they require.

Directors are asked to rate the performance of the collective Board, the Board Committees, themselves as directors, the Company's Chairman of the Board, the President, and key officers. The detailed Board Evaluation Form can be found in the Company's website.

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

The Company also 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. On 20 July 2022, directors and key officers attended a corporate governance training seminar conducted by BDO Unibank, Inc.

### **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.

### **Pension Benefits**

The SM Group has a benefit pension plans covering all regular and permanent employees. The assets of the Pension Plan are held by a trustee bank, BDO. The investing decisions of the Pension Plan are made by the Board of Trustees of said Plan. The Group expects to contribute about ₱1.4 billion to its Pension Plan in 2023.

### **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 compensatory plan, contract, or arrangement, 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. Ramon M. Lopez - Member (Independent Director)
3. Jose T. Sio - Member

Below is the attendance of the members for the Committee meetings held as of December 2022:

<b>Members</b>	<b>April 27, 2022</b>	<b>Nov. 4, 2022</b>
Teresita T. Sy-Coson	√	√
Alfredo E. Pascual*	√	N/A
Ramon M. Lopez*	N/A	√
Jose T. Sio	√	√

\*Mr. Pascual has tendered his resignation effective June 30, 2022. Mr. Ramon M. Lopez was elected as Independent Director and member of the Compensation Committee on August 03, 2022.

### **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.

SRC Rule 68, as Amended, Part 3 (b) (ix), *Rotation of External Auditors*, states that the key audit partners, which include the engagement partner or signing partner, shall comply with the provisions on long association of personnel (including partner rotation) with an audit client as prescribed in the Code of Ethics for Professional Accountants in the Philippines (the Code). The Code allows for the engagement partner or signing partner for any audit client, to act in such capacity for a maximum of seven years. 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.

The Company's Manual of Corporate Governance provides that an external auditor shall be selected and appointed by the shareholders upon recommendation of the Audit Committee. The Audit Committee pursuant to its Charter, and so authorized by the Board, recommends and evaluates the performance of the external auditor. Also, the Committee assists and advises the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's accounting, financial reporting, auditing practices and internal control systems and adherence to over-all corporate governance best practice. The Committee also oversees the Corporation's process for monitoring compliance with laws, regulations, the Code of Ethics, and performs other duties as the Board may require. Prior to commencement of audit, the Committee is also mandated to discuss with the external auditor the proposed audit scope and approach of the audit.

The Company's Manual of Corporate Governance also provides that the Committee shall pre-approve all audit plans, scope and frequency before the conduct of external audit. The Committee is also responsible for evaluating and determining the non-audit services, if any, of the external auditor and review periodically the significance of the non-audit fees paid to them. The Committee further reviews the independence of the external auditor and meets with the latter separately to discuss any matters that either party believes should be discussed privately.

The fees paid to SGV & Co. for the audit of SMIC Parent and Consolidated yearend financial statements and review of supplementary schedules amounted to P2.6 million for 2022 and ~~P~~2.4 million for 2021. Fees amounting to P5.9 million was also paid to SGV & Co. in 2021 for the review of financial statements relative to the issuance of retail bonds. The fees paid to SGV & Co. for tax related services amounted to P0.3 million in 2022 and nil in 2021. There were no other fees paid to SGV & Co. for services rendered other than audit and tax services as discussed above.

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. Ramon M. Lopez - Member (Independent Director)
3. Jose T. Sio - Member

Below is the attendance of the members for the Committee meetings held as of December 2022:

Members	Feb 24	Apr. 25	May 11	Aug. 1	Nov. 4
Tomasa H. Lipana	√	√	√	√	√
Alfredo E. Pascual*	√	√	√	N/A	N/A
Ramon M. Lopez*	N/A	N/A	N/A	N/A	√

Jose T. Sio	√	√	√	√	√
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\*Mr. Pascual has tendered his resignation effective June 30, 2022. Mr. Ramon M. Lopez was elected as Independent Director and member of the Audit Committee on August 03, 2022.

The members of the Risk Management Committee are:

1. Robert G. Vergara - Chairman (Independent Director)
2. Ramon M. Lopez - Member (Independent Director)
3. Jose T. Sio - Member

Below is the attendance of the members for the Committee meetings held as of December 2022:

	August 1, 2022	November 4, 2022
Robert G. Vergara	√	√
Ramon M. Lopez*	N/A	√
Jose T. Sio	√	√

\* Mr. Ramon M. Lopez was elected as Independent Director and member of the Risk Management Committee on August 03, 2022.

#### **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 April 27, 2022, appended to this Information Statement as **Annex "A"**. These minutes fully reflect the proceedings during the meeting in accordance with Section 49 of the Revised Corporation Code, 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;
  - 3) the matters discussed and resolutions reached;
  - 4) a record of the voting results for each agenda item; and
  - 5) the list of directors and officers and a description of stockholders who participated in the meeting, 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. In compliance with the rules of the SEC, the Company's Definitive Information Statement (DIS) for the 2022 Annual Meeting were uploaded via PSE EDGE on April 5, 2022 and posted on the Company's website and published in the Business Sections of The Manila Times and BusinessWorld, in print and online formats prior to the 2022 Annual Meeting. The DIS contains detailed discussions on the material information on the current stockholders, and their voting rights. The same information is found in this Information Statement on Item 1 (Voting Securities), Item 4 (Voting Securities and Principal Holders Thereof), and Item 19 (Voting Procedures).

The office of the Corporate Secretary has in its custody the full list and names of stockholders who participated in the virtual 2022 Annual Stockholders' Meeting. The

list of stockholders entitled to vote at the upcoming Meeting is also available for inspection at the Company's principal office on business days within reasonable hours.

- 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, 2022, 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 Registering, Participating via Remote Communication and In-Person, 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**

##### **Vote required for approval**

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.

**Methods by which votes will be cast and counted**

SMIC's By-Laws does not prescribe a specific manner of voting. However, election of directors may be conducted by ballot if so 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 ASM, all voting will still be *in absentia* through SMIC's secure online voting facility and proxies submitted to the Office of the Corporate Secretary.

*Proxies*

Pursuant to the Company's By-Laws, duly accomplished proxy forms must be submitted to the Corporate Secretary at least seven (7) business days before the date of the stockholder's meeting, or until April 17, 2023, at the Office of the Corporate Secretary at No. 1105 Tower 2 High Street South Corporate Plaza, 26<sup>th</sup> Street Bonifacio Global City, Taguig City 1634. A sample format of the proxy form for individual and corporate stockholders are here attached and are also available at the Company website at <<http://www.sminvestments.com/asm2023>>.

*Voting in Absentia*

Stockholders may also vote *in absentia* and pre-cast their votes through the Company's secure online voting facility for this meeting. *The detailed guidelines for participation and voting for this meeting are set forth in the "Guidelines for Registering, Participating via Remote Communication and In-Person, and Voting in Absentia" appended to this Information Statement.*

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.

*Tabulation of Votes*

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 independently count and validate the tabulation of stockholder votes for this meeting. Pre-casted votes will be automatically tabulated and counted at the close of registration and voting periods.

The Corporate Secretary will lead the validation of proxies, in coordination with SMIC's stock and transfer agent, and attended by SGV & Co. as independent validator and tabulator of votes. Any questions and issues relating to the validity and sufficiency of proxies, both as to form and substance, shall be resolved by the Corporate Secretary. The Corporate Secretary's decision shall be final and binding on the stockholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the meeting.

Stockholders holding SMIC common shares as of March 27, 2023 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 April 27, 2022**

The stockholders' approval of the minutes of the meeting held on April 27, 2022 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 28, 2021
- Annual Report for the Year 2021 (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 2022-2023
- Appointment of External Auditor
- Approval of Merger of SMIC and Allfirst Equity Holdings, Inc. with SMIC as surviving entity
- Other Matters
- Adjournment

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

**2. Annual Report for the Year 2022 and Approval of Audited Financial Statements as of December 31, 2022**

SMIC's Audited Financial Statements as of December 31, 2022 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, Board Committees 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 Taguig City on March 22, 2023.

By: **SM INVESTMENTS CORPORATION**



**ELMER B. SERRANO**  
Corporate Secretary

<b>MANAGEMENT REPORT</b>
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**A.i Audited Consolidated Financial Statements**

The Company's audited consolidated financial statements for the year ended December 31, 2022 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, 2022 and 2021**

**Results of Operation**  
*(amounts in billion pesos)*

	<b>2022</b>	<b>2021 (Restated)</b>	<b>% Change</b>
<b>Revenues</b>	<b>P 553.8</b>	<b>P 432.4</b>	<b>28%</b>
Cost and Expenses	436.2	353.5	23%
<b>Income from Operations</b>	<b>117.6</b>	<b>78.9</b>	<b>49%</b>
Other Charges	18.4	15.3	21%
Provision for Income Tax	14.8	9.0	64%
<b>Net Income After Tax</b>	<b>84.4</b>	<b>54.6</b>	<b>54%</b>
Non-controlling Interests	22.7	14.2	59%
<b>Net Income Attributable to Owners of the Parent</b>	<b>P 61.7</b>	<b>P 40.4</b>	<b>53%</b>

*SM Investments Corporation and Subsidiaries (the Group) reported P61.7 billion Net Income Attributable to Owners of the Parent on P553.8 billion Revenues.*

Following is the contribution of each of the major business segments to the consolidated revenues and net income:

	<b>Revenues</b>		<b>Net Income</b>	
	<b>2022</b>	<b>2021 (Restated)</b>	<b>2022</b>	<b>2021 (Restated)</b>
<b>Retail</b>	<b>68%</b>	71%	<b>21%</b>	16%
<b>Property</b>	<b>18%</b>	19%	<b>23%</b>	24%
<b>Banks</b>	<b>6%</b>	5%	<b>45%</b>	49%
<b>Portfolio</b>	<b>8%</b>	5%	<b>11%</b>	11%

### Retail

SM Retail reported P17.9 billion *Net income* on *Revenues* of P378.2 billion, 86% and 24% higher than 2021, respectively.

The SM Stores reported P94.9 billion *Sales*, 64% higher than 2021.

The Food Stores reported P215.4 billion *Sales*, 12% higher than 2021. The SM Markets reported P158.2 million *Sales*, 11% higher than 2021. 2022 is the first year that Alfamart reported positive results on P23.3 billion *Sales*, 22% higher than 2021.

The Specialty Stores reported P81.5 billion *Sales*, 29% higher than 2021. This growth is attributable to SM Appliances, Our Home, Ace Hardware, Sports stores and Toy Kingdom/Pet Express.

The general improvement in profitability is attributable to the strong sales growth across all store formats, aggressive cost management, as well as the adoption of CREATE.

### Property

SM Prime reported P30.1 billion *Net income* on *Revenues* of P105.8 billion, 38% and 29% higher than 2021, respectively.

The Philippine malls reported *Revenues* of P49.8 billion, more than double the P24.1 billion reported in 2021. Local mall rental income increased by 92% to P44.1 billion.

SM Prime's residential business led by SMDC reported *Revenues* of P40.1 billion and reservation sales of P102.0 billion.

### Banking

BDO reported P57.1 billion *Net income*, 33% higher than 2021. This is supported by a 14% growth in net interest income and 17% growth in Other operating income.

The highlights of BDO's financial statements are as follows: strong results continue across core businesses; earnings are broad-based and diversified; full-year return on equity at 13%; balance sheet is solid with very comfortable capital position; and asset quality improving with ample provisioning. BDO continues being alert to the challenges posed by supply constraints, higher inflation, tighter external liquidity, rates/FX volatility and geopolitical strains.

China Bank reported a P19.1 billion *Net income*, 27% higher than 2021. This is supported by a 19% growth in net interest income.

### Portfolio Investments

The strong performance of the Portfolio Investments is attributable to Philippine Geothermal Production Company, Inc. and the turnaround of 2GO.

### Profit & Loss Statement - Account Analysis

*Merchandise Sales*, which increased by 25% to P367.3 billion, accounted for 66% of total revenues in 2022. This is attributable to the strong holiday sales and increased demand for school essential with the resumption of in-person schooling.

*Real Estate Sales* decreased by 13% to P39.0 billion due mainly to sales cancellations relative to the expiration of Bayanihan Act which gave some reprieve to unit buyers in terms of amortization payments.

*Rent Revenues*, derived mainly from the mall operations of SM Prime, increased by 66% to P49.2 billion. This is attributable to increased mall traffic.

*Equity in Net Earnings of Associate Companies and Joint Ventures* increased by 34% to P35.8 billion. The increase is mainly coming from BDO and China Bank.

*Other Revenues* increased by 73% to P62.4 billion.

- *Sales - Processed Food and Others* increased by 92% to P24.6 billion. The increase is attributable to the full year sales contribution of 2GO and GBI in 2022. 2GO and GBI became subsidiaries of SMIC in June 2021 and August 2021, respectively.
- *Shipping, Logistics and Other Services* increased by 149% to P14.1 billion. The increase is attributable to the full year revenue contribution of 2GO and 4 months revenue contribution of Airspeed in 2022 (see Note 5 of the consolidated financial statements).
- *Cinema Ticket Sales, Amusement and Others* increased by 745% to P4.2 billion. This is attributable to the lifting of restrictions in the operation of cinemas and other leisure areas in the latter part of 2021.
- *Royalty and Service Fees* increased by 23% to P5.4 billion as this is based on the higher sales base of various retail affiliated stores.

*Selling, General and Administrative Expenses* increased by 23% to P120.6 billion. This increase is relative to the increase in revenue. Also, 2022 includes the full year expenses of 2GO and GBI.

*Income from Operations* increased by 49% to P117.6 billion. *Operating Margin* and *Net Margin* in 2022 is at 21.2% and 15.2%, respectively.

*Other Charges (net)* increased by 21% to P18.4 billion. *Interest Expense* increased to P21.5 billion due mainly to new debt availments for working capital and capital expenditure requirements. *Interest Income* increased by 38% to P3.0 billion due mainly to increase in average balance of cash and time deposits. *Foreign Exchange Gain (Loss) - Net and Others in 2022* include *Gain on Disposal of Investments and Properties - Net* of P209 million and P211 million foreign exchange loss. The PHP to USD foreign exchange rate amounted to PHP55.76 : USD1.00 in 2022 from PHP51.00 : USD1.00 in 2021.

*Provision for Income Tax* increased by 64% to P14.8 billion due mainly to higher taxable income in 2022 and the initial adoption of Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) in 2021 which included favorable adjustments of deferred tax liabilities.

*Non-controlling Interests* increased by 59% to P22.7 billion due mainly to the improved net income of partly-owned subsidiaries.

**Financial Position**  
(amounts in billion pesos)

	12 / 31 / 2022	12 / 31 / 2021 (Restated)	% Change
Current Assets	P 361.5	P 306.4	18.0%
Noncurrent Assets	1,120.4	1,056.4	6.0%
<b>Total Assets</b>	<b>P 1,481.9</b>	<b>P 1,362.8</b>	<b>8.7%</b>
Current Liabilities	P 293.0	P 261.6	12.0%
Noncurrent Liabilities	496.7	477.6	4.0%
<b>Total Liabilities</b>	<b>789.7</b>	<b>739.2</b>	<b>6.8%</b>
<b>Total Equity</b>	<b>692.2</b>	<b>623.6</b>	<b>11.0%</b>
<b>Total Liabilities and Equity</b>	<b>P 1,481.9</b>	<b>P 1,362.8</b>	<b>8.7%</b>

Total *Assets* and *Liabilities* increased by 8.7% to P1,481.9 billion and 6.8% to P789.7 billion, respectively.

Current Assets

*Current Assets* increased by 18.0% to P361.5 billion.

*Cash and Cash Equivalents* increased by 19.3% to P106.6 billion due mainly to improved operating results and proceeds from issuances of bonds and loan availments, partly offset by payments for trade, capital expenditures and debt servicing.

*Receivables and Contract Assets* increased by 10.4% to P84.5 billion due mainly to higher receivables from real estate buyers, tenants, and shipping and logistics services (see Note 5 of the consolidated financial statements).

*Inventories* increased by 23% to P106.4 billion. The increase is attributable to the construction accomplishments of the Property Group and the increase in merchandise inventories of the Retail Group.

*Other Current Assets* increased by 3.7% to P54.8 billion due mainly to higher prepaid taxes, input tax and bonds and deposits.

Noncurrent Assets

*Noncurrent Assets* increased by 6.0% to P1,120.4 billion.

*Financial Assets at FVOCI (current and noncurrent)* decreased by 6.4% to P25.9 billion due mainly to the decline in market value of certain investments in shares of stock, partly offset by new investments.

*Investments in Associate Companies and Joint Ventures* increased by 7.6% to P328.3 billion. The increase mainly represents the Group's equity in net earnings of its associate companies particularly the banks, partly offset by dividends received, share in comprehensive

loss of its associate companies, and the effect of business combination in 2022 (see Note 5 of the consolidated financial statements).

*Property and Equipment* increased by 5.4% to P47.9 billion due mainly to additions to machinery and equipment of PGPC in 2022.

*Time Deposits (current and noncurrent)* increased by 681% to P32.9 billion due mainly to the reclassification of time deposits from other noncurrent assets in 2022.

*Investment Properties* increased by 4.8% to P486.0 billion due mainly to SM Prime's landbanking, ongoing new mall projects, redevelopment of SM Mall of Asia and other existing malls, and construction of commercial buildings, net of depreciation expense.

### Liabilities

*Interest-bearing Debt* increased by 7.0% to P505.7 billion due mainly to SM Prime's debt availments in 2022.

*Accounts Payable and Other Current Liabilities* increased by 8.0% to P182.0 billion due mainly to the increase in trade and nontrade payables and accruals of SM Retail in 2022.

*Deferred Tax Liabilities* increased by 7.2% to P16.8 billion reflecting the net change in SM Prime's unrealized gross profit on sale of real estate.

*Tenants' Deposits and Others* increased by 1.2% to P49.8 billion. The increase is attributable to the deferred output VAT related to sales of residential projects and higher noncurrent portion of lease liability. This account also includes the deposits from residential buyers and tenants in new malls and office buildings and derivative liabilities.

### Equity

Total *Equity* increased by 11.0% to P692.2 billion.

*Equity Attributable to Owners of the Parent* increased by 11.0% to P496.9 billion. This increase resulted mainly from the P61.7 billion net income and reduced by P7.5 billion dividends declared in 2022 that is reflected in *Retained Earnings*. *Fair Value Changes on Cash Flow Hedges* increased to gain of P1.6 billion. The increase is partly offset by the 17.3% decrease in *Unrealized Gain on Financial Assets at FVOCI* to P11.8 billion due to lower market valuation of certain investments, 68% increase in *Remeasurement Loss on Defined Benefit Asset/Obligation* to P1.7 billion, 6.7% decrease in *Cumulative Translation Adjustment* to P2.1 billion, and 63% increase in *Share in Other Comprehensive Loss of Associates – net* to P10.8 billion.

*Non-controlling Interests* increased by 11.0% to P195.3 billion 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, and 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:

	12 / 31 / 2022	12 / 31 / 2021 (Restated)
Current Ratio	1.2	1.2
Acid Test Ratio	0.7	0.6
Solvency Ratio	13.7%	10.2%
Asset to Equity	2.1	2.2
Debt - Equity Ratios:		
On Gross Basis	42 : 58	43 : 57
On Net Basis	35 : 65	38 : 62
Return on Equity	13.1%	9.4%
Return on Assets	5.9%	4.2%
Revenue Growth	28.1%	8.9%
Net Margin	15.2%	12.6%
Net Income Growth	53%	69%
EBITDA ( <i>In Billions of Pesos</i> )	141.2B	99.9B
Interest Cover	6.6x	5.2x

*Acid Test Ratio* slightly increased to 0.7 due to the 20% increase in quick assets vs. 12.0% increase in *Current Liabilities*.

*Solvency Ratio* increased to 13.7% due to the 43% increase in *Net Income After Tax* and depreciation vs. 6.8% increase in *Total Liabilities*.

*Gross Debt - Equity Ratio* improved to 42:58 due to the 7.0% increase in gross debt with 11.0% increase in equity.

*Net Debt - Equity Ratio* improved to 35:65 due to the P45.7 billion increase in cash and cash equivalents and time deposits which resulted to a decrease in net debt of P12.5 billion.

*Return on Equity* improved to 13.1% due to the 53% increase in net income attributable to owners of the parent vs. 9.5% increase in average equity.

*Return on Assets* improved to 5.9% due to the 54% increase in *Net Income After Tax* vs 11.0% increase in average assets.

*Revenue Growth* increased to 28.1% due mainly to the 25% increase in *Merchandise Sales*, 34% increase in *Equity in Net Earnings of Associate Companies and Joint Ventures*, 66% increase in *Rent Revenues* and 73% increase in *Other Revenues*. In 2021, *Merchandise Sales* and *Rent Revenues* increased only by 1.7% and by 10.2%, respectively.

*EBITDA* increased by 41% due to the P38.6 billion increase in income from operations and P2.7 billion increase in depreciation.

*Interest Cover* improved to 6.6x due to the 41% increase in EBITDA vs. 12.6% 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. 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	Income from Operations + Depreciation & Amortization
12. Interest Cover	$\frac{\text{EBITDA}}{\text{Interest Expense}}$

### **Expansion Plans / Prospects in 2023**

In 2023, expansion and construction of malls, residential and commercial properties, opening of new retail stores across the various formats, mainly in the Retail Food Group, and selectively in the Retail Non-Food Group, as well as expansion of the Group's logistics capacity will continue.

SM Prime will launch 3 new malls in the Philippines in 2023.

Investments in new business ventures would be pursued as opportunities arise.

The above expenditures will be funded with cash generated from operations and other capital raising initiatives such as bond issuance and debt availments.

## Calendar Years Ended December 31, 2021 and 2020

### Results of Operation (amounts in billion pesos)

	2021 (Restated)	2020 (Restated)	% Change
<b>Revenues</b>	<b>P 432.4</b>	<b>P 397.1</b>	<b>8.9%</b>
Cost and Expenses	353.5	338.2	4.5%
<b>Income from Operations</b>	<b>78.9</b>	<b>58.9</b>	<b>34%</b>
Other Charges	15.3	16.9	-9.5%
Provision for Income Tax	9.0	7.2	25%
<b>Net Income After Tax</b>	<b>54.6</b>	<b>34.8</b>	<b>57%</b>
Non-controlling Interests	14.2	10.9	30%
<b>Net Income Attributable to Owners of the Parent</b>	<b>P 40.4</b>	<b>P 23.9</b>	<b>69%</b>

SM Investments Corporation and Subsidiaries (the Group) reported P40.4 billion *Net Income Attributable to Owners of the Parent* on P432.4 billion *Revenues*.

Following is the contribution of each of the major business segments to the consolidated revenues and net income:

	Revenues		Net Income	
	2021 (Restated)	2020 (Restated)	2021 (Restated)	2020 (Restated)
<b>Retail</b>	<b>71%</b>	75%	<b>16%</b>	11%
<b>Property</b>	<b>19%</b>	19%	<b>24%</b>	31%
<b>Banks</b>	<b>5%</b>	4%	<b>49%</b>	50%
<b>Portfolio</b>	<b>5%</b>	2%	<b>11%</b>	8%

#### Retail

SM Retail reported *Revenues* of P303.9 billion, 2.4% higher than 2020. The Food Stores reported sales of P191.9 billion, 3% lower than 2020 where sales reflect the effect of pantry loading when customers were buying in advance of the anticipated lockdown. The non-Food stores reported an 11% growth in sales driven by The SM Stores, SM Appliances and Our Home stores.

SM Retail generated P9.6 billion of *Net income* on P303.9 billion *Revenues* in 2021. The Food Stores registered a 31% increase in *Net income*, Specialty Stores at 77% and the SM Stores at 79%. The general improvement in profitability is attributable to sustained growth in sales particularly for the SM Stores and Specialty Stores, aggressive cost management, rental concessions received from various lessors as well as the adoption of CREATE.

### Property

SM Prime reported *Revenues* of P82.3 billion and *Net income* of P21.8 billion, 1% and 21% higher than 2020, respectively.

The Philippine malls reported *Revenues* of P24.1 billion, 2% higher than 2020, reflecting the impact of more relaxed mobility restrictions especially in the last quarter of 2021. The China malls, on the other hand, reported *Revenues* of P5.9 billion, 28% higher than 2020. The results compare with pre-pandemic levels as the country recovered more quickly from the COVID-19 outbreak.

SMDC reported *Revenues* of P45.9 billion, 3% lower than 2020. SMDC's sales take-up reached P98.9 billion in 2021.

### Banking

BDO reported a *Net income* of P42.8 billion, 51% higher than 2020. BDO's full year profits were buoyed by an 11% increase in non-interest income and normalized provisions. This reflects the Bank's operational resiliency notwithstanding COVID-19 related headwinds depressing loan activity for much of 2021.

China Bank, on the other hand, reported a *Net income* of P15.1 billion, 25% higher than 2020. Interest expense dropped 44% with continued prudent management, resulting in a net interest income of P38.3 billion, up 13%.

### Profit & Loss Statement - Account Analysis

*Merchandise Sales*, which increased by 1.7% to P294.7 billion, accounted for 68% of total revenues in 2021.

*Real Estate Sales* decreased by 4.1% to P45.1 billion. Revenues are recognized in the books based on percentage of completion of the pertinent residential projects.

*Rent Revenues*, derived mainly from the mall operations of SM Prime, increased by 10.2% to P29.6 billion. The increase reflects the impact of more relaxed mobility restrictions especially in the last quarter of 2021.

*Equity in Net Earnings of Associate Companies and Joint Ventures* increased by 58% to P26.8 billion mainly coming from BDO and China Bank.

*Other Revenues* increased by 120% to P36.1 billion.

- *Sales - Processed Food and Others* increased by 331% to P12.8 billion. The increase includes the P7.9 billion sales of 2GO and GBI from the time that they became subsidiaries of SMIC.
- *Shipping, Logistics and Other Services* of P5.7 billion represent a portion of 2GO's revenues from the time it became a of SMIC.

- *Cinema Ticket Sales, Amusement and Others* decreased by 54% to P0.5 billion. This is attributable to the continuing strict restrictions in the operation of cinemas and other leisure areas throughout 2021 whereas 2020 was for the most part of Quarter 1 2020, operating on pre-pandemic terms.
- *Royalty and Service Fees* increased by 11.6% to P4.4 billion reflecting the general improvement in business conditions.
- *Others* which include income from promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues, increased by 53% to P11.6 billion.

*Selling, General and Administrative Expenses* increased by 2.6% to P98.2 billion due mainly to the scaled-down operation of certain retail stores and malls and efforts to control costs through rationalization of operations. 2021 includes the cost and expenses of 2GO and GBI from the time they became subsidiaries of SMIC.

*Income from Operations* increased by 34% to P78.9 billion. *Operating Margin* and *Net Margin* in 2021 is at 18.3% and 12.6%, respectively.

*Other Charges (net)* decreased by 9.5% to P15.3 billion. *Interest Expense* increased to P19.1 billion due mainly to new debt availments for working capital and capital expenditure requirements. *Interest Income* decreased by 10.2% to P2.2 billion due mainly to lower average balance of cash and time deposits. These were partially offset by the P0.6 billion increase in *Gain on Disposal of Investments and Properties - Net* and P0.3 billion increase in *Gain from Fair Value Changes on Derivatives - Net* in 2021. *Foreign Exchange Gain - Net and Others* increased to P0.8 billion. The PHP to USD foreign exchange rate amounted to PHP51.00 : USD1.00 in 2021 from PHP48.02 : USD1.00 in 2020.

*Provision for Income Tax* increased by 25.1% to P9.0 billion due mainly to the adoption of Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) that was signed into law by the President of the Republic of the Philippines on March 26, 2021, which provides for the retroactive application to July 01, 2020 of the lower corporate income tax rate.

*Non-controlling Interests* increased by 30% to P14.2 billion due mainly to the improved net income of partly-owned subsidiaries.

**Financial Position**  
(amounts in billion pesos)

	<b>12 / 31 / 2021 (Restated)</b>	<b>12 / 31 / 2020 (Restated)</b>	<b>% Change</b>
Current Assets	P 306.4	P 257.3	19.1%
Noncurrent Assets	1,056.4	985.6	7.2%
<b>Total Assets</b>	<b>P 1,362.8</b>	<b>P 1,242.9</b>	<b>9.6%</b>
Current Liabilities	P 261.6	P 241.6	8.3%
Noncurrent Liabilities	477.6	428.0	11.6%
<b>Total Liabilities</b>	<b>739.2</b>	<b>669.6</b>	<b>10.4%</b>
<b>Total Equity</b>	<b>623.6</b>	<b>573.3</b>	<b>8.8%</b>
<b>Total Liabilities and Equity</b>	<b>P 1,362.8</b>	<b>P 1,242.9</b>	<b>9.6%</b>

Total *Assets* increased by 9.6% to P1,362.8 billion. Likewise, total *Liabilities* increased by 10.4% to P739.2 billion.

Current Assets

*Current Assets* increased by 19.1% to P306.4 billion.

*Cash and Cash Equivalents* increased by 13.6% to P89.4 billion due mainly to investments, capital expenditures and debt servicing.

*Receivables and Contract Assets* increased by 23% to P76.5 billion due mainly to higher receivables from real estate buyers and shipping and logistics services (see Note 5 of the consolidated financial statements).

*Inventories* increased by 20% to P86.8 billion. The increase includes P1.8 billion of merchandise inventory which is partly attributable to the inventories of 2GO and GBI (see Note 5 of the consolidated financial statements), P2.3 billion of land and development - current portion, and P10.6 billion of condominium and residential units for sale.

*Other Current Assets* increased by 20.9% to P52.8 billion due mainly to higher prepaid taxes and nontrade receivables

Noncurrent Assets

*Noncurrent Assets* increased by 7.2% to P1,056.4 billion.

*Investments in Associate Companies and Joint Ventures* increased by 2.6% to P305.1 billion. The increase mainly represents the Group's equity in net earnings of its associate companies particularly the banks, partly offset by dividends received, share in comprehensive loss of its associate companies, and the effect of business combination discussed in Note 5 of the consolidated financial statements.

*Property and Equipment* increased by 50% to P45.4 billion. The increase includes the property and equipment of 2GO and GBI (see Note 5 of the consolidated financial statements).

*Investment Properties* increased by 6.5% to P463.8 billion 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 5.8% to P125.6 billion due mainly to higher bonds and deposits and receivable from real estate buyers.

#### Liabilities

*Interest-bearing Debt* increased by 11.8% to P472.5 billion due to net loan availments in 2021. The increase includes the interest-bearing debt of 2GO (see Note 5 of the consolidated financial statements).

*Accounts Payable and Other Current Liabilities* increased by 8.9% to P168.4 billion due mainly to higher trade payables and accruals in 2021. The increase includes the trade payables and accruals of 2GO and GBI (see Note 5 of the consolidated financial statements).

*Deferred Tax Liabilities* increased by 25% to P15.7 billion reflecting the net change in unrealized gross profit on sale of real estate and appraisal increment resulting from business combination. The increase includes the deferred tax liabilities of 2GO and GBI (see Note 5 of the consolidated financial statements).

*Tenants' Deposits and Others* increased by 1.7% to P49.2 billion. This account includes deferred output VAT related to sales of residential projects and deposits from residential buyers and tenants in new malls and office buildings and derivative liabilities.

#### Equity

Total *Equity* increased by 8.8% to P623.6 billion.

*Equity Attributable to Owners of the Parent* increased by 8.5% to P447.6 billion. This increase resulted mainly from the P40.4 billion net income reduced by P5.1 billion dividends declared in 2021 that is reflected in *Retained earnings*, *Fair Value Changes on Cash Flow Hedges* which decreased to loss of P1.2 billion, *Cumulative Translation Adjustment* which increased to P2.2 billion, *Unrealized Gain on Financial Assets at FVOCI* which increased to P14.3 billion, and *Remeasurement Loss on Defined Benefit Asset/Obligation* which decreased to P1.0 billion. These were partly offset by the 151% increase in *Share in Other Comprehensive Loss of Associates – net*.

*Non-controlling Interests* increased by 9.4% to P176.0 billion 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 Group's 2021 results reflect the continuing impact of COVID-19 on the Group's businesses although at a lesser scale.

SM Prime's malls in the Philippines continue to feel the impact of mobility restrictions for the most part of 2021. Processes to manage costs and initiatives to generate more revenues continue to be implemented. The Philippine malls show encouraging recovery especially in the last quarter of 2021 whereas SM Prime's malls in China have gone back to pre-pandemic operations.

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 continued to operate under normal conditions throughout the year.

SM Prime made adjustments to the construction and sales operations of its residential business to align with the pandemic related restrictions. It continues to build up its inventory to support revenue targets for the succeeding years. Reservation sales are sustained and expected to pick up in 2022. The credit quality of receivables is within a reasonable level.

SM Prime's hotels have started to operate at higher capacities and show increasing occupancy rates in the last quarter of 2021.

BDO and China Bank have been operating at normal levels and continue to generate profits even with higher provisions from possible credit losses compared to 2019, before the pandemic set in.

The SM Retail stores demonstrated resilience and high adaptability to the COVID economic environment. Efforts to make its operations more efficient, make shopping more convenient for its customers and grow its digital channels continue. Sales increased significantly in the last quarter of 2021.

## Key Performance Indicators

The key financial ratios of the Group follow:

	12/ 31 / 2021 (Restated)	12 / 31 / 2020 (Restated)
Current Ratio	1.2	1.1
Acid Test Ratio	0.6	0.6
Solvency Ratio	10.2%	8.0%
Asset to Equity	2.2	2.2
Debt - Equity Ratios:		
On Gross Basis	43 : 57	42 : 58
On Net Basis	38 : 62	37 : 63
Return on Equity	9.4%	5.9%
Return on Assets	4.2%	2.9%
Revenue Growth	8.9%	-22%
Net Margin	12.6%	8.8%
Net Income Growth	69%	-48%
EBITDA ( <i>In Billions of Pesos</i> )	99.9B	77.9B
Interest Cover	5.2x	4.2x

*Current Ratio* slightly increased to 1.2 due to the 19.1% increase in *Current Assets* vs. 8.3% decrease in *Current Liabilities*.

*Solvency Ratio* increased to 10.2% due to the 40% increase in *Net Income After Tax* and depreciation vs. 10.4% increase in *Total Liabilities*.

*Gross Debt - Equity Ratio* increased to 43:57 due to the 11.8% increase in gross debt with only 8.8% increase in Equity.

*Net Debt - Equity Ratio* increased to 38:62 due to the P50.1 billion increase in gross debt with only P13.0 billion increase in cash and cash equivalents or increase in net debt by P37.0 billion. In 2020, net debt increased by P37.8 billion.

*Return on Equity* increased to 9.4% due to the 69% increase in net income attributable to owners of the parent vs. 4.9% increase in average equity.

*Return on Assets* increased to 4.2% due to the 57% increase in *Net Income After Tax* vs 7.4% increase in average assets.

*Revenue Growth* increased to 8.9% due mainly to the 1.7% increase in *Merchandise Sales*, 58% increase in *Equity in Net Earnings of Associate Companies and Joint Ventures*, 10.2% increase in *Rent Revenues* and 120% increase in *Other Revenues*. In 2020, all sources of revenues, except for *Real Estate Sales*, had negative growth.

*Net Margin* and *Net Income Growth* increased to 12.6% and 69%, respectively.

*EBITDA* increased by 28% due to the P20.0 billion increase in income from operations and P1.9 billion increase in depreciation.

*Interest Cover* increased to 5.2x due to the 28% increase in EBITDA vs. 3.9% 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. 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	Income from Operations + Depreciation & Amortization
12. Interest Cover	$\frac{\text{EBITDA}}{\text{Interest Expense}}$

### **Expansion Plans / Prospects in 2022**

In 2022, expansion and construction of malls, residential and commercial properties, opening of new retail stores across the various formats, mainly in the Retail Food Group, and selectively in the Retail Non-Food Group, as well as expansion of the Group's logistics capacity will continue.

Investments in new business ventures would be pursued as opportunities arise.

## Calendar Years Ended December 31, 2020 and 2019

### Results of Operation (amounts in billion pesos)

Accounts	2020 (Restated)	2019 (Restated)	% Change
<b>Revenues</b>	<b>P 397.1</b>	<b>P 506.7</b>	<b>-22%</b>
Cost and Expenses	338.2	399.3	-15.3%
<b>Income from Operations</b>	<b>58.9</b>	<b>107.4</b>	<b>-45%</b>
Other Charges	16.9	19.1	-11.5%
Provision for Income Tax	7.2	17.4	-59%
<b>Net Income After Tax</b>	<b>34.8</b>	<b>70.9</b>	<b>-51%</b>
Non-controlling Interests	10.9	24.9	-56%
<b>Net Income Attributable to Owners of the Parent</b>	<b>P 23.9</b>	<b>P 46.0</b>	<b>-48%</b>

SM Investments Corporation and Subsidiaries (the Group) reported P23.9 billion *Net Income Attributable to Owners of the Parent* on P397.1 billion *Revenues*. 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, 67% 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 24%.

#### Property

SM Prime reported a *Net income* of P18.0 billion, 53% lower than 2019 and *Revenues* of P81.9 billion, 31% 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, accounts for 73% 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 2<sup>nd</sup> quarter.

*Real Estate Sales* increased by 5.7% to P47.0 billion. 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 48% to P26.9 billion. 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.

*Equity in Net Earnings of Associate Companies and Joint Ventures* decreased by 35% to P17.0 billion mainly representing the decrease in net income of BDO.

*Other Revenues* decreased by 46% to P16.5 billion.

- *Sales - Processed Food and Others* decreased by 41% to P3.0 billion.
- *Cinema Ticket Sales, Amusement and Others* decreased by 86% to P1.1 billion. 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 and Service Fees* decreased by 46% to P3.9 billion relative to the drop in business volume.

- *Others* which include income from promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues decreased by 6.9% to P7.6 billion due to the closure of certain retail stores and malls during the ECQ and MECQ periods.

*Selling, General and Administrative Expenses* decreased by 17.5% to P95.7 billion 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 P58.9 billion. *Operating Margin* and *Net Margin* is at 14.8% and 8.8%, respectively.

*Other Charges (net)* decreased by 11.5% to P16.9 billion. *Interest Expense* decreased by 6.5% to P18.4 billion 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 38% to P2.4 billion due mainly to lower average daily balance of cash and time deposits. *Foreign Exchange Gain - Net and Others* decreased by 76% to P0.1 billion. The PHP to USD foreign exchange rate amounted to PHP48.02 : USD1.00 in 2020 and PHP50.64 : USD1.00 in 2019.

*Provision for Income Tax* decreased by 59% to P7.2 billion due mainly to lower taxable income. The effective income tax rate is 17.1% in 2020 and 19.7% in 2019.

*Non-controlling Interests* decreased by 56% to P10.9 billion due mainly to the decrease in net income of partly-owned subsidiaries.

**Financial Position**  
(amounts in billion pesos)

<b>Accounts</b>	<b>12 / 31 / 2020 (Restated)</b>	<b>12 / 31 / 2019 (Restated)</b>	<b>% Change</b>
Current Assets	P 257.3	P 253.1	1.6%
Noncurrent Assets	985.6	908.6	8.5%
<b>Total Assets</b>	<b>P 1,242.9</b>	<b>P 1,161.7</b>	<b>7.0%</b>
Current Liabilities	P 241.6	P 198.0	22%
Noncurrent Liabilities	428.0	419.2	2.1%
<b>Total Liabilities</b>	<b>669.6</b>	<b>617.2</b>	<b>8.5%</b>
<b>Total Equity</b>	<b>573.3</b>	<b>544.5</b>	<b>5.3%</b>
<b>Total Liabilities and Equity</b>	<b>P 1,242.9</b>	<b>P 1,161.7</b>	<b>7.0%</b>

Total *Assets* increased by 7.0% to P1,242.9 billion. Likewise, total *Liabilities* increased by 8.5% to P669.6 billion.

Current Assets

*Current Assets* increased by 1.6% to P257.3 billion.

*Cash and Cash Equivalents* increased by 0.5% to P78.7 billion due mainly to debt availments, net of payments for trade, investments, capital expenditures and debt servicing.

*Receivables and Contract Assets* increased by 11.1% to P62.3 billion 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 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 6.6% to P43.7 billion due mainly to higher prepaid taxes and other prepayments.

Noncurrent Assets

*Noncurrent Assets* increased by 8.5% to P985.6 billion.

*Financial Assets at FVOCI* increased by 13.8% to P26.6 billion due mainly to new investments and increase in market values in 2020.

*Right-of-use Assets* increased by 11.3% to P42.1 billion due mainly to P7.5 billion new and renewed leases, offset by P3.2 billion amortization and lease terminations.

*Investments in Associate Companies and Joint Ventures* increased by 5.9% to P297.4 billion. 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 5.4% to P435.5 billion 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 34% to P118.6 billion 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 P241.6 billion.

*Bank Loans* increased by 29% to P24.1 billion due to new loan availments, partly offset by payments.

*Accounts Payable and Other Current Liabilities* increased by 5.2% to P154.6 billion 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 19.4% to P2.6 billion due mainly to lower income in 2020.

*Current Portion of Long-term Debt* increased by 107% to P60.1 billion due mainly to the reclassification of maturing loans from noncurrent.

#### Noncurrent Liabilities

*Noncurrent Liabilities* increased by 2.1% to P428.0 billion.

*Long-term Debt - Net of Current Portion* increased by 1.0% to P338.2 billion due mainly to new debt availments partly offset by reclassification of maturing debts to current.

*Deferred Tax Liabilities* increased by 32.0% to P12.5 billion due mainly to unrealized gross profit on sale of real estate for income tax purposes.

*Tenants' Deposits and Others* increased by 2.4% to P48.4 billion. 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 P573.3 billion.

*Equity Attributable to Owners of the Parent* increased by 5.5% to P412.4 billion. This increase resulted mainly from the (a) P18.8 billion net increase in Retained Earnings representing the 2020 net income of P23.9 billion offset by P5.1 billion dividend declaration, (b) *Equity Adjustments from Common Control Transactions* which decreased by 3.6% to P6.3 billion as a result of the merger with Allfirst (see Note 5 of the consolidated financial statements), (c) *Remeasurement Loss on Defined Benefit Asset/Obligation* which decreased by 37% to P1.6

billion as a result of the 2020 valuation of the Group's retirement plans, (d) *Share in Other Comprehensive Loss of Associates – net* which decreased to P2.6 billion. These were partly offset by the *Cumulative Translation Adjustment* which decreased to P0.9 billion, *Fair Value Changes on Cash Flow Hedges* which decreased to P2.6 billion loss, and *Unrealized Gain on Financial Assets at FVOCI* which decreased to P13.6 billion.

*Non-controlling Interests* increased by 4.8% to P160.9 billion 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 22% and consolidated net income attributable to owners of the parent dropped 48%.

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 48% 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 P8.9 billion, 3.5x higher than 2019.

The Group's receivables from real estate sales increased by P30.5 billion or 46% 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.

To support the Group's operational and capital expenditure requirements, (1) the Group availed an additional P44.5 billion of debt, net 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 P64.1 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 (Restated)	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	-22%	11.5%
Net Margin	8.8%	13.8%
Net Income Growth	-48%	20.2%
Return on Equity	5.9%	11.9%
Return on Assets	2.9%	6.2%
EBITDA <i>(In Billions of Pesos)</i>	77.9B	124.8B
Interest Cover	4.2x	6.4x

*\*Not restated*

*Current Ratio* decreased to 1.1 from 1.3 in 2019 due mainly to the 1.6% 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 4.8% increase in quick assets vs. 22% increase in *Current Liabilities*.

*Solvency Ratio* decreased to 8.0% from 14.6% in 2019 due mainly to the 39% 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 10.4% increase in gross debt and 2.6% increase in cash and cash equivalents.

*Revenue Growth* decreased to -22% from 11.5% in 2019 due mainly to the significant drop in *Merchandise Sales, Rent Revenues and Equity in Net Earnings of Associate Companies and Joint Ventures*.

The drop in *Net Income* of 48%, *Return on Equity* of 5.9% and *Return on Assets* of 2.9% reflect the effect of COVID-19 on the Group results.

The drop in EBITDA reflects the significant drop in revenues.

*Interest Cover* decreased to 4.2x from 6.4x in 2019 due to the 39% decrease in EBITDA vs. only 6.5% 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	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.

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

##### **Business Development**

SM Investments Corporation 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, food manufacturing 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** currently has 72 department stores located in Metro Manila and key provincial cities. Of these, 68 stores are based inside SM malls and 4 stores in Cubao, Makati, Quiapo and Delgado.

##### **Non-Food Retail**

In 2022, 4 new stores were opened in Roxas City, Sorsogon, Tanza and Tuguegarao. These new stores contributed an additional 36,357 sqm, bringing the gross selling area (GSA) of The SM Store to 844,343 sqm.

##### **Food Retail**

**SM Supermarket** is a large format anchor tenant in SM malls. It has been in operation since 1985 and currently has 65 stores nationwide totaling to 383,172 sqm of GSA with each store carrying 30,000 to 35,000 SKUs. In 2022, it opened 4 new stores Roxas City, Sorsogon, Tanza and Tuguegarao.

**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 54 stores in operation totaling 341,441 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. Savemore introduced a smaller-sized format called Savemore Express which are below 1,000 sqm in size and carries a more concentrated selection of fast-moving SKUs. Among SM Retail's Food formats, Savemore has the largest footprint with 564,937 sqm of GSA across 215 stores as of end-2022. Savemore stores carry 20,000 to 25,000 SKUs, while Savemore Express carry below 20,000 SKUs. In 2022, they opened 7 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 82 Department Stores and Supermarkets as at end-2022, with an aggregate GSA of 212,368 sqm. In 2022, they opened 5 department stores and 5 supermarkets in the areas of Cavite, Bulacan, Nueva Ecija 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 1,412 stores as of end-2022, mostly located outside Metro Manila, each carrying up to 4,000 SKUs. In 2022, they opened 208 new stores within Metro Manila, Bataan, Olongapo, 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 ticket sales and other amusement income. SM Prime has 82 malls in the Philippines with a total gross floor area (GFA) of 8.9 million sqm and 7 shopping malls in China with a total GFA of 1.3 million sqm.

In 2022, SM Prime’s mall business unit opened 4 new malls in the Philippines namely SM City Roxas in Capiz, SM City Tanza in Cavite, SM City Sorsogon in Bicol and SM City Tuguegarao in Cagayan. The Company also opened MOA Square, the commercial space beside the SM Mall of Asia which houses the first IKEA store in the Philippines and the biggest IKEA in the world. These new malls and expansion project added around 305,000 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, 2022, the primary residential business unit had 61 residential projects in the market worth PHP652 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, 2022, 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 nine hotels located in Tagaytay City, Batangas, Pampanga, Cebu City, Davao City, Pasay City, Iloilo City, Quezon City and Bacolod City with more than 2,200 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 two trade halls located in SM Megamall 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 1,500 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-2022, BDO had a strong balance sheet with total resources of PHP3.6 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 637 bank branches with over 1,000 ATMs nationwide.

The Bank boasts a strong balance sheet, with total resources at PHP1.1 trillion as at end-2022. SMIC has an effective stake of 22.5% in China Bank.

### **Portfolio 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 one of the leading developers of sustainable resort destinations and leisure properties 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 79.78%-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 26.6%.

**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 Group** features a portfolio of seven commercial office buildings certified green under the BERDE green building rating system and certified net zero carbon under the EDGE Zero Carbon and Advancing Net Zero Philippines programs. With a total GFA of 256,707 sqm and a tenant base that includes top-tier local and multinational companies, all seven buildings are located within the largest and only Philippine Economic Zone Authority (PEZA) certified IT park in Bonifacio Global City.

Occupancy as of December 31, 2022 is 87.44%

SMIC effectively owns 95% of the first five buildings, and 34% in the remaining two buildings in the NEO 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 2022, SMIC holds 52.9% 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 71.3% 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 895 stores and selected operations overseas. Now on its 56<sup>th</sup> year, Goldilocks continues to provide its customers with a wide array of baked goods and home cooked food.

SMIC effectively owns 74.1% in Goldilocks.

**Airspeed** is an end-to-end logistics solutions and express courier company that has been in the industry for over 37 years. They provide freight solutions management via air, sea, and land through their established network of international and domestic partners and carriers. Airspeed also offers customized logistics, warehousing and distribution, and customs clearance.

SMIC effectively owns 51.0% in Airspeed.

**Philippine Geothermal Production Company** (“PGPC”) is a company that operates steam fields to supply third-party owned geothermal power plants. PGPC also has rights exclusive rights to explore, develop and utilize other geothermal resources in the Philippines. PGPC is currently supplying steam with an equivalent of approximately 300MW powering the Luzon grid. SMIC merged with Allfirst Equity Holdings, Inc. in August 2022, with SMIC as the surviving entity.

SMIC effectively owns 100% of PGPC.

#### **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.

	<u>2022</u>				<u>2021</u>			
Stock Prices		<u>High</u>		<u>Low</u>		<u>High</u>		<u>Low</u>
1 <sup>st</sup> Quarter	₱	976.5	₱	860.0	₱	1,079.0	₱	958.0
2 <sup>nd</sup> Quarter		898.0		763.0		1,019.0		900.0
3 <sup>rd</sup> Quarter		885.0		725.5		1,025.0		910.5
4 <sup>th</sup> Quarter		980.0		759.0		1,038.0		932.0

As of March 21, 2023, the closing price of the Company’s shares of stock is P899.50/share.

##### **Stockholder and Dividend Information**

The number of stockholders of record as of February 28, 2023 was 1,251. As of December 31, 2022, there are no restrictions that would limit the ability of the Company to pay dividends to the common stockholders, except with respect to ₱335.3 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 2022 and 2021, the Company declared dividends of P7,528.6 million and P5,119.5 million equivalent to 41% and 85% of 2021 and 2020 earnings (not restated), respectively, of SMIC Parent Company to preserve capital, given the uncertainty brought about by the COVID-19 pandemic.

The cash dividends pertaining to the 2022 earnings will be discussed and determined at the next Board Meeting on April 26, 2023.

On April 27, 2022, the BOD approved the declaration of cash dividends of 62.5% of the par value or P6.25 per share for a total amount of P7,528.6 million in favor of stockholders on record as at May 13, 2022. This was paid on May 26, 2022.

On April 28, 2021, 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 May 13, 2021. This was paid on May 27, 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.

The top 20 stockholders as of February 28, 2023 are as follows:

	<u>Name</u>	<u>No. of Shares Held</u>	<u>% to Total</u>
1	PCD Nominee Corp (Non-Filipino)	401,271,874	32.84%
2	PCD Nominee (Filipino)	145,316,957	11.89%
3	Hans T. Sy	104,915,706	8.59%
4	Herbert T. Sy	99,093,995	8.11%
5	Harley Sy	93,741,298	7.67%
6	Teresita T. Sy	85,947,685	7.03%
7	Elizabeth T. Sy	77,159,344	6.31%
8	Henry T. Sy, Jr.	76,878,370	6.29%
9	Syntrix Holdings, Inc.	46,242,000	3.78%
10	Sysmart Corporation	28,632,252	2.34%
11	Tansmart Holdings, Inc.	26,965,000	2.21%
12	Henry Sy Foundation, Inc.	22,500,000	1.84%
13	Felicidad T. Sy Foundation, Inc.	11,250,000	0.92%
14	Susana Fong	452,998	0.04%
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 securities below 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:

- 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.

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**

The continued success and growth of SM Investments Corporation lies in the foundation of good corporate governance where all of its Directors, officers and employees are committed to foster the culture of fairness, accountability and transparency in all its dealings with various stakeholders at all levels within the organization. Through the Company's Manual on Corporate Governance, various initiatives and programs were executed in line with the best practices as contained in the Manual.

The Manual on Corporate Governance institutionalizes the principles of good corporate governance, defines the Company's compliance system and identifies the responsibilities of the Board of Directors in relation to good corporate governance. It also states the Company's policies on disclosure and transparency and mandates the conduct of communication and training programs on corporate governance. The Manual further provides the rights of all shareholders and the protection of the interests of minority stockholders.

To operationalize the Manual, the Company requires all its employees to accomplish the online form of the declaration on Conflict of Interest on an annual basis, in line with the Company's long-standing commitment to doing business founded on the values of transparency, integrity and accountability. With the support of the Company's Human Resource Department, classroom trainings, e-learning modules and periodic email reminders to all employees on various corporate governance policy reminders were made, like the Insider Trading Policy which prohibits directors, officers and employees from trading the Company's shares five (5) days before and two (2) 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, Related Party Transactions Policy, Policy on Vendor Selection and Purchase of Goods and Services and the Policy on Accountability, Integrity and Vigilance which is SMIC's whistleblowing policy. For new hires, through OneSM orientation program, the Company provided an overview of the Company's Corporate Governance Framework as part of the topics for discussion.

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 as the need arises and may be accessed via the Company's website.

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. SMIC will continue to support the initiatives of regulators and advocacy groups including sustainability, climate change and monitors the risk associated of these ongoing programs in order 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 10<sup>th</sup> Floor, OneE-com Center, Harbor Drive, Mall of Asia Complex, Pasay City 1300.**



**SM INVESTMENTS**

*Note: Pending stockholders' approval at the 2023 Annual Stockholders' Meeting*

MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS

**SM INVESTMENTS CORPORATION**

On April 27, 2022, 2:30 p.m.  
(via Remote Communication)

PRESENT:

**DIRECTORS**

<b>JOSE T. SIO</b>	Chairman Adviser, Executive Committee Member, Audit Committee Member, Risk Management Committee Member, Compensation Committee Member, Related Party Transaction Committee
<b>TERESITA T. SY</b>	Vice-Chairperson Chairperson, Executive Committee Chairperson, Compensation Committee
<b>HENRY T. SY, JR. HARLEY T. SY</b>	Vice-Chairman Executive Director
<b>FREDERIC C. DYBUNCIO</b>	Member, Executive Committee President and Chief Executive Officer
<b>ALFREDO E. PASCUAL</b>	Member, Executive Committee Lead Independent Director Member, Audit Committee Member, Compensation Committee Chairman, Corporate Governance Committee Chairman, Related Party Transaction Committee
<b>TOMASA H. LIPANA</b>	Member, Risk Management Committee Independent Director Chairperson, Audit Committee
<b>ROBERT G. VERGARA</b>	Member, Corporate Governance Committee Independent Director Member, Corporate Governance Committee Member, Related Party Transaction Committee Chairman, Risk Management Committee

ALSO PRESENT:

<b>ELIZABETH T. SY</b>	Adviser to the Board
<b>HANS T. SY</b>	Adviser to the Board
<b>HERBERT T. SY</b>	Adviser to the Board
<b>GREGORY L. DOMINGO</b>	Adviser to the Board
<b>ROBERTO G. MANABAT</b>	Independent Adviser
<b>FRANKLIN C. GOMEZ</b>	Corporate Information Officer SVP – Finance
<b>ATTY. ELMER B. SERRANO</b>	Corporate Secretary
<b>ATTY. ARTHUR A. SY</b>	Assistant Corporate Secretary SVP – Legal
<b>TIMOTHY DANIELS</b>	Consultant, Investor Relations

Stockholders present via remote attendance or represented by proxy	1,085,118,106 shares (90.08% of Outstanding Shares) (Please see Record of Attendance attached as Annex A)
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## **1. Call to Order**

The meeting opened with the Philippine National Anthem. The host, Mr. Timothy Daniels, then acknowledged the presence of all directors and key officers of SM Investments Corporation (SMIC or the Company), with directors and officers attending the meeting remotely.

Mr. Jose T. Sio, Chairman of the Board, welcomed the stockholders and guests to the virtual Annual Stockholders' Meeting of the Company via Zoom Webinar held for the safety of all people involved. The Chairman thanked the stockholders for registering online, for voting and for joining the meeting.

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 beginning March 1, 2022. The same notice of meeting was published on April 5 and 6, 2022, both in print and online format, in the Business Section of the Manila Times and at the Property & Infrastructure Section of Business World.

The Corporate Secretary also certified that based on the record of attendance, stockholders attending by proxy and stockholders who have registered to remotely join the virtual meeting represent 1,085,113,977 common shares, representing 90.08% of the issued and outstanding capital stock of the Company as of record date of March 28, 2022. 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 is being recorded.

## **3. Approval of Minutes of the Annual Stockholders' Meeting held on April 28, 2021**

The Chairman proceeded to the next item in the agenda, the approval of the minutes of the annual meeting of stockholders held on April 28, 2021. A copy of the minutes was posted on the Company's website soon after last year's annual meeting adjourned. The minutes were also 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:

<b>In Favor</b>	
No. of Shares	Percentage
1,084,986,434	90.07

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 28, 2021 are approved."

#### **4. Approval of 2021 Annual Report and 2021 Audited Financial Statements**

The Chairman then requested Mr. Frederic C. DyBuncio, President, to render his report on the results of operations for 2021.

The President reported that in 2021, the Company created an impact on nationwide vaccination, economic support for the supply chain and MSMEs as well as on disaster response and climate action.

On the Company's economic performance, the President reported that the Company delivered growth of 9% in revenues to Php428.1B and 65% in net income to Php38.5B. He added that the Company's strong financial performance last year was driven by all 3 core businesses—retailing, banking and property—as well as increasing contribution to the consolidated earnings from its portfolio investments. Banking delivered just over half of the Company's net income, property contributed 25%, while retail pitched in 17%. Notably, the Company's portfolio investments contributed 7% collectively.

The Company also continued to build its asset base and maintain a prudent balance sheet, with its assets increasing 10% to 1.34Tr pesos, and its gearing remaining at 38% net debt to 62% total equity.

The President proceeded to discuss the Company's retail footprint, which continued to grow in 2021, with 294 new retail stores opening in 2021 and Alfamart surpassing 1,200 stores. The Company's retail business reported an increase in net income by 133% largely on sustained growth of its department and specialty stores. Food formats meanwhile continued to deliver stable revenues and improved net income of 31% through a tight focus on operating costs and efficiencies. The Company also continued to adopt new online and delivery channels from customers which accounted for 10% of its non-food sales.

In property, the Company launched nearly 12,000 residential units and added over 250,000 sq.m. of new floor areas to its malls, as its net income for the property business grew by 21%. The Company's combined mall business registered 6% growth in revenues to Php30.1B in 2021 as local mobility restrictions eased in the latter part of the year.

SM Prime launched two malls, SM City Daet in Camarines Norte and SM City Grand Central in Caloocan City, and also opened MOA Square, the commercial space beside the SM Mall of Asia which houses the first IKEA store in the Philippines and the biggest IKEA in the world. SM Prime's residential business led by SM Development Corporation recorded Php45.9B in revenues on the back of sales take-up of Php98.9B in 2021.

SMDC launched 8 new high-rise and mid-rise condominiums and house and lot projects, including a new residential office with a "live at work" concept called Ice Tower at the Mall of Asia (MOA) complex and a new mid-rise garden community called Glade Residences in the emerging innovation hub in Iloilo.

The Company's banks also delivered sustained net income growth from their core businesses, which enabled them to report strong balance sheets as well. BDO's net income

was up 51% and returned to pre-pandemic levels. Net interest income was stable despite lower yields due to excess market liquidity, while their non-interest income was up 11%. They remain well positioned against any pandemic losses from borrowers with an NPL coverage ratio at 111%. BDO also made considerable investments in digital technology last year. On the other hand, China Bank similarly shared a strong story with net income up by 25% as they grew core businesses and managed their cost base well. Net interest income was up by 13% and fee income was up 3%. NPL coverage was also at 116%.

The President then discussed the Company's portfolio investments. He stated that the Company increased its ownership in its portfolio companies. Among them, is the bakeshop chain Goldilocks, and 2GO. This group of businesses now accounts for 7% of the Company's consolidated earnings. The Company also plans to acquire control of Philippine Geothermal Production Company which would add significant—and sustainable geothermal steam energy-related assets to the portfolio.

The President proceeded to discuss the Company's pandemic response. As health and safety continues to be a top priority, the Company's health and safety protocols across its malls, stores, bank branches, and operations centers across the group ensure that these were safe locations for all. Over 120,000 of the Company's employees have been fully vaccinated. In partnership with the local government, the Company's malls served as convenient and accessible venues where the community can get vaccinated safely. By the end of 2021, there were over 7.2M vaccine doses delivered to the broader population across 72 SM malls nationwide.

The Company's mall business and retail business continued to provide relief to its tenants and broad support to its many suppliers. The Company offered advice and access to markets for the many thousands of MSMEs in its network, helping them with new channels and ways to deliver their products and services to customers. The Company also continued to enhance its digital and delivery options in all its businesses, ensuring continuity of service.

The President then discussed how the Company further strengthened its environmental action plan and climate change response. The Company joined the Task Force on Climate Related Disclosures, making clear its strong support for private sector action and transparency in its own programs. The Company practices disaster resilience planning across all of its developments, with SM Prime taking a leading role in UN ARISE, the private sector body for disaster planning and resilience.

SM Prime made one of the boldest announcements related to energy usage in the country to date, committing that 50% of its energy will be provided by renewable sources by end-2022. NEO, became the first building development portfolio in the world to be certified as net zero carbon under the EDGE program of the IFC. BDO, continues to lead in financing renewable energy projects nationwide.

For the third time, in September, the Company co-hosted a sustainability conference with the Global Reporting Initiative, bringing together peers and government members across the ASEAN region. As it neared Christmas, the country was faced with the onslaught of Typhoon Odette. As a swift response, various SM companies came together to help provide relief goods and shelter for the impacted communities. In particular, SM Foundation, which distributed over 38,000 Kalinga or relief packs to more than 35 barangays in the affected areas; SM malls, which provided temporary shelter to customers and nearby residents; 2GO, which worked closely with utility companies to bring critical equipment to the region to help restore electricity and basic services; and Airspeed, which offered its air freight forwarding services and trucks to bring tons of essential cargo while its warehouses in Manila and Cebu were used to store relief goods coming from various organizations nationwide for free.

As the year closed, the Company was recognized by leading industry bodies like the ASEAN Corporate Governance Scorecard, The Asset Magazine and Investor Relations Magazine for its responsible business practices and high governance standards. The Company

was also recognized as a leader in sustainability by organizations such as Sustainalytics and FTSE 4 Good.

To close his report, the President recognized and expressed gratitude to the many stakeholders who have helped the Company make a difference during this past year. He thanked the Company's employees for their hard work and dedication to the customers, the business partners for their support and cooperation, the private sector agencies and public sector peers for working with the Company to address its urgent common needs, and, finally, the shareholders for their support toward SM, and their continuing trust in the Company.

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	
No. of Shares	Percentage
1,083,616,242	89.96

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

**"RESOLVED**, that the 2021 Annual Report and the 2021 Audited Financial Statements are approved."

#### **5. Announcement of Cash Dividends**

The Chairman then announced that at the recently adjourned regular meeting of the Directors, the Board approved a cash dividend declaration amounting to approximately P7.5B or P6.25 per share in favor of all stockholders of record as of May 13, 2022, and payable on May 26, 2022.

#### **6. 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 <asm2021@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. Jasper Jimenez which reads, "How is SMIC positioning for the future? Is it making a bid to be a major power player in the country with the acquisition of Philippine Geothermal Production Company (PGPC)?"

The President, Mr. DyBuncio, answered that the Company's acquisition into the PGPC reflects its commitment to sustainability and strong support to promote clean energy, and will further enhance its sustainability portfolio and exposure. It is a one-off transaction even as the Company continue to be cognizant of companies in the Philippines that have the potential for high growth in the country.

The Corporate Secretary then moved to the next question, "Given the economy's reopening, will SM continue to develop online platforms and what opportunities do you see moving forward?"

Mr. DyBuncio answered that in 2021, the Company saw Call to Deliver (CTD) transactions contribute 10% of non-food revenues. This contribution is highly correlated with the prevailing mobility restrictions.

With the reopening of the economy, the Company sees a continued increase in brick-and-mortar visits leading to an increase in mall foot traffic which we already saw in the latter half of the year. The Company, however, continues to invest behind online technology and activity as we see e-commerce growing even more long-term.

The President added that the Company's malls have ventured online as well with the launch of SM Malls Online. This app allows mall tenants to sell their goods digitally, fulfilled via delivery, or in-store pickup. This fuses the Company's strategically located physical assets with digital services, increasing customer convenience by being able to shop however they want. As the Company continues to adapt to its customers' preferences, it will continue to combine its strengths in both the physical and online spaces and innovate further into the future to serve its customers better.

The Chairman thanked the President for answering the questions.

## 7. 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	
No. of Shares	Percentage
1,083,475,011	89.95

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."

## 8. Election of Directors for 2022-2023

The next item in the agenda is the election of directors for the year 2022-2023. The Chairman requested the Mr. Alfredo E. Pascual, Chairman of the Corporate Governance Committee, to present the nominees to the Board.

Mr. Pascual confirmed 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 qualified nominees to the Board for 2022-2023:

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

The Corporate Secretary thereafter presented the percentage of votes garnered by each of the nominees:

Nominee	No. of Votes	Percentage of Votes
Mr. Jose T. Sio	1,062,638,121	88.22
Ms. Teresita T. Sy	1,064,344,718	88.36
Mr. Henry T. Sy, Jr.	1,080,378,349	89.69
Mr. Harley T. Sy	1,081,126,859	89.75
Mr. Frederic C. DyBuncio	1,078,225,666	89.51
Mr. Alfredo E. Pascual	1,071,971,178	88.99
Ms. Tomasa H. Lipana	1,073,669,338	89.13
Mr. Robert G. Vergara	1,075,088,726	89.25

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 2022-2023, to serve as such directors until their successors have been duly qualified and elected:

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

**9. Appointment of External Auditor**

The next item in the agenda is the appointment of the Company's external auditor for 2022. 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 2022.

The Corporate Secretary then announced the results of voting:

In Favor	
No. of Shares	Percentage
1,071,418,804	88.95

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 2022 is approved."

**10. Approval of Merger of SMIC and Allfirst Equity Holdings, Inc., with SMIC as Surviving Entity**

The next item in the agenda is the approval of the merger of SM Investments Corporation and Allfirst Equity Holdings, Inc., with SM Investments Corporation as the surviving entity. The details of the merger are found in the Definitive Information Statement distributed to all stockholders.

The Corporate Secretary presented the tabulation of votes:

In Favor	
No. of Shares	Percentage
1,002,147,352	83.19

With the above votes in favor of approval, the following resolutions were passed and approved:

**“RESOLVED**, that the shareholders of SM Investments Corporation (the **Corporation**) ratify and approve the merger of the Corporation with Allfirst Equity Holdings, Inc. (**Allfirst**), with the Corporation as the surviving entity, subject to valuation confirmation by an independent appraiser and the determination of the final terms of the merger;

**RESOLVED, FURTHER**, that the Chairman, Mr. Jose T. Sio, and President and CEO, Mr. Frederic C. DyBuncio, are the designated signatories of the Corporation, with full power of delegation and authority to sign, execute and deliver and cause the submission of the Plan of Merger, Articles of Merger, and any and all documents necessary for any and all transactions related to the said merger, to the Securities and Exchange Commission, Bureau of Internal Revenue, and other governmental authorities, as well as the filing of the listing application with The Philippine Stock Exchange, Inc. and to do any and all acts, necessary and proper, to give the foregoing resolution force and effect;

**RESOLVED, FINALLY**, that Punongbayan & Araullo Grant Thornton, Multinational Investment Bancorporation, and Serrano Law are appointed and engaged as the Corporation’s main consultants and independent appraiser to the merger.”

**11. 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.

**12. Adjournment**

There being no further business to transact, the Chairman thanked everyone who joined the meeting 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  
April 27, 2022, 2:30 p.m.

**Record of Attendance**

Total number of voting shares outstanding	1,204,582,867
Total number of shares represented by proxy or remote attendance	1,085,118,106
<b>Attendance percentage</b>	<b>90.08%</b>

# Annex B

## SM Investments Corporation and Subsidiaries

Consolidated Financial Statements  
December 31, 2022 and 2021  
and Years Ended December 31, 2022, 2021  
and 2020

and

Independent Auditor's Report

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

						1	6	3	4	2
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**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

A	A	C	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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**COMPANY INFORMATION**

Company's Email Address	Company's Telephone Number	Mobile Number
-	<b>8857-0100</b>	-
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
<b>1,251</b>	<b>04/26</b>	<b>12/31</b>

**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
<b>Mr. Franklin C. Gomez</b>	-	<b>8857-0100</b>	-

**CONTACT PERSON'S ADDRESS**

**10<sup>th</sup> Floor, OneE-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.



**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**INDEX TO THE SUPPLEMENTARY SCHEDULES**  
**DECEMBER 31, 2022**

**Consolidated Financial Statements**

A. Statement of Management’s Responsibility for Financial Statements	Attached
B. Independent Auditor’s Report	Attached
C. Consolidated Balance Sheets as at December 31, 2022, 2021 and 2020	Attached
D. Consolidated Statements of Income For the Years Ended December 31, 2022, 2021 and 2020	Attached
E. Consolidated Statements of Comprehensive Income For the Years Ended December 31, 2022, 2021 and 2020	Attached
F. Consolidated Statements of Changes in Equity For the Years Ended December 31, 2022, 2021 and 2020	Attached
G. Consolidated Statements of Cash Flows For the Years Ended December 31, 2022, 2021 and 2020	Attached
H. Notes to Consolidated Financial Statements	Attached

**Supplementary Schedules**

Independent Auditor’s Report on Supplementary Schedules	Attached
<b>Revised SRC Rule 68 Annex 68-J Schedules</b>	
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**

Independent Auditor’s Report on Components of Financial Soundness Indicators	Attached
Schedule of Financial Soundness 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.*

**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, 2022 and 2021, in accordance with Philippine Financial Reporting Standards and for such internal controls as management determines are necessary, to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management 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 and  
Chief Executive Officer



**ERWIN G. PATO**  
Treasurer and  
Executive Vice President

Signed this 28<sup>th</sup> day of February 2023.

REPUBLIC OF THE PHILIPPINES )  
                    TAGUIG CITY                     )


**SUBSCRIBED AND SWORN** to before this FEB 28 2023 at TAGUIG CITY,  
affiants exhibiting to me their Taxpayer Identification Number ID, as follows:

**NAMES**

**TIN**

JOSE T. SIO  
FREDERIC C. DYBUNCIO  
ERWIN G. PATO

DOC No. 47  
PAGE No. II  
BOOK No. II  
SERIES of 2023

  
**MELISSA JEAN G. HIPOLITO**  
Appointment No. 25 (2022-2023)  
Notary Public for Taguig City  
Until December 31, 2023  
Attorney's Roll No. 70077  
1105 Tower 2 High Street South Corporate Plaza  
26th Street Bonifacio Global City, Taguig City  
PTR No. 5675504; 01.04.23; Taguig City  
IBP Receipt No. 268967; 01.04.23; Pampanga  
MCLE Compliance No. VI-0019878; 4.14.22\*  
\*until April 14, 2023, per Supreme Court En Banc  
Resolution dated February 15, 2022

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
SM Investments Corporation  
10th Floor, OneE-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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 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.



### ***Recoverability of Goodwill***

As at December 31, 2022, the Group reported ₱34,148.5 million goodwill attributable mainly to SM Prime Holdings, Inc., Supervalu, Inc., Super Shopping Market, Inc., Neo Subsidiaries, Waltermart Supermarket, Incorporated, Philippine Geothermal Production Company, Inc. 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 16 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 tested 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. We tested the parameters used in the determination of the discount rate against market data. 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, 2022, the Group's investments in associate companies amounted to ₱318,481.7 million, representing 28.4 % and 21.5% 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 in determining expected credit loss, classification and measurement of financial assets, disposals of investment securities classified under the hold-to-collect business model, 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 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 rates used for each CGU. We tested the parameters used in the determination of the discount rates against market data. 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, 2022. We reviewed the working papers of the other auditor and obtained relevant conclusion statements related to their audit procedures. We focused on the other auditor's procedures on the review of the testing of the expected credit loss model updated for the impact of the coronavirus pandemic, classification and measurement of financial assets, disposals of investment securities classified under the hold-to-collect business model, and valuation of financial instruments.

### ***Real Estate Revenue and Cost 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 cost to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as 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 buyer's equity before commencing revenue recognition.



In determining the transaction price, the Group considers whether the selling price of the real estate property includes significant financing component.

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

In determining the 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 cost of obtaining a contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commissions due to sales agent as cost 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 and cost 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 cancellations 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. We traced the analysis to supporting documents such as notice of sales cancellation.

For the determination of the transaction price, we obtained an understanding of the Group's process in the determination of the population of contracts with customers related to real estate sale and election of available practical expedient. We selected sample contracts from the sales contract database and identified their payment terms. We traced these selected contracts to the financing component calculation prepared by management, which covers the calculation on whether the financing component of the Group's contract with customers is significant. For selected contracts, we traced the underlying data and assumptions used in the financing component calculation such as transaction price, cash discount, payment scheme, payment amortization table, percentage of completion to the contract provision and projected percentage of completion schedule. We evaluated the Group's application of portfolio approach in the financing component calculation by understanding the rationale and basis of the parameters used (i.e., grouping of performance obligation based on percentage of completion, grouping of contracts based on payment scheme). We test computed the financing component of each portfolio as prepared by management.



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 and accomplishment reports, 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 commissions 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, 2022, the merchandise inventories of the Group amounted to ₱34,653.1 million, representing 9.6% 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, and transfers which were obtained during the inventory count observation to the accounting records of sales and purchases. We obtained 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, 2022, 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, 2022 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.

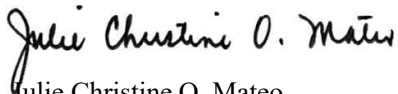
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Tax Identification No. 198-819-116

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 93542-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

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

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-068-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9564675, January 3, 2023, Makati City

February 28, 2023



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
SM Investments Corporation

### Opinion

We have audited the consolidated financial statements of SM Investments Corporation and Subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 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.



### ***Recoverability of Goodwill***

As at December 31, 2022, the Group reported ₱34,148.5 million goodwill attributable mainly to SM Prime Holdings, Inc., Supervalu, Inc., Super Shopping Market, Inc., Neo Subsidiaries, Waltermart Supermarket, Incorporated, Philippine Geothermal Production Company, Inc. 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 16 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 tested 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. We tested the parameters used in the determination of the discount rate against market data. 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, 2022, the Group's investments in associate companies amounted to ₱318,481.7 million, representing 28.4 % and 21.5% 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 in determining expected credit loss, classification and measurement of financial assets, disposals of investment securities classified under the hold-to-collect business model, 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 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 rates used for each CGU. We tested the parameters used in the determination of the discount rates against market data. 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, 2022. We reviewed the working papers of the other auditor and obtained relevant conclusion statements related to their audit procedures. We focused on the other auditor's procedures on the review of the testing of the expected credit loss model updated for the impact of the coronavirus pandemic, classification and measurement of financial assets, disposals of investment securities classified under the hold-to-collect business model, and valuation of financial instruments.

### ***Real Estate Revenue and Cost 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 cost to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as 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 buyer's equity before commencing revenue recognition.



In determining the transaction price, the Group considers whether the selling price of the real estate property includes significant financing component.

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

In determining the 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 cost of obtaining a contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commissions due to sales agent as cost 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 and cost 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 cancellations 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. We traced the analysis to supporting documents such as notice of sales cancellation.

For the determination of the transaction price, we obtained an understanding of the Group's process in the determination of the population of contracts with customers related to real estate sale and election of available practical expedient. We selected sample contracts from the sales contract database and identified their payment terms. We traced these selected contracts to the financing component calculation prepared by management, which covers the calculation on whether the financing component of the Group's contract with customers is significant. For selected contracts, we traced the underlying data and assumptions used in the financing component calculation such as transaction price, cash discount, payment scheme, payment amortization table, percentage of completion to the contract provision and projected percentage of completion schedule. We evaluated the Group's application of portfolio approach in the financing component calculation by understanding the rationale and basis of the parameters used (i.e., grouping of performance obligation based on percentage of completion, grouping of contracts based on payment scheme). We test computed the financing component of each portfolio as prepared by management.



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 and accomplishment reports, 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 commissions 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, 2022, the merchandise inventories of the Group amounted to ₱34,653.1 million, representing 9.6% 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, and transfers which were obtained during the inventory count observation to the accounting records of sales and purchases. We obtained 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, 2022, 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, 2022 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.

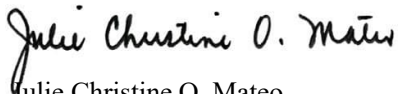
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The engagement partner on the audit resulting in this independent auditor's report is Julie Christine O. Mateo.

SYCIP GORRES VELAYO & CO.



Julie Christine O. Mateo

Partner

CPA Certificate No. 93542

Tax Identification No. 198-819-116

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BIR Accreditation No. 08-001998-068-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9564675, January 3, 2023, Makati City

February 28, 2023



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

	<b>December 31</b>		<b>January 1</b>
	2021	2021	2021
	(As Restated -	(As Restated -	(As Restated -
	Note 5)	Note 5)	Note 5)
	<b>2022</b>		
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Notes 7, 21 and 28)	<b>₱106,561,072</b>	₱89,352,634	₱78,660,566
Time deposits (Notes 8, 21 and 28)	<b>8,788,848</b>	311,233	31,012
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 9, 28 and 29)	<b>534,865</b>	547,041	568,146
Receivables and contract assets (Notes 10, 21 and 28)	<b>84,497,395</b>	76,535,392	62,279,160
Inventories (Note 11)	<b>106,368,038</b>	86,767,188	72,056,045
Other current assets (Notes 12, 21 and 28)	<b>54,799,192</b>	52,854,042	43,721,691
<b>Total Current Assets</b>	<b>361,549,410</b>	306,367,530	257,316,620
<b>Noncurrent Assets</b>			
Financial assets at FVOCI - net of current portion (Notes 9 and 28)	<b>25,369,850</b>	27,129,956	26,616,338
Investments in associate companies and joint ventures (Note 13)	<b>328,271,536</b>	305,072,026	297,433,006
Time deposits - net of current portion (Notes 8, 21, 28 and 29)	<b>24,130,581</b>	3,905,618	1,356,442
Property and equipment (Note 14)	<b>47,881,014</b>	45,411,523	30,256,611
Investment properties (Note 15)	<b>485,982,301</b>	463,765,374	435,466,724
Right-of-use assets (Note 27)	<b>44,138,808</b>	44,839,678	42,082,575
Intangibles (Note 16)	<b>40,277,349</b>	40,759,877	33,732,613
Other noncurrent assets (Notes 16, 21 and 28)	<b>124,283,717</b>	125,555,398	118,638,088
<b>Total Noncurrent Assets</b>	<b>1,120,335,156</b>	1,056,439,450	985,582,397
	<b>₱1,481,884,566</b>	₱1,362,806,980	₱1,242,899,017
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Bank loans (Notes 17, 21, 28 and 31)	<b>₱20,811,524</b>	₱27,167,173	₱24,126,000
Accounts payable and other current liabilities (Notes 18, 21, 27 and 28)	<b>181,961,708</b>	168,444,060	154,638,968
Income tax payable	<b>3,204,714</b>	2,310,912	2,649,041
Current portion of long-term debt (Notes 19, 21, 28 and 31)	<b>87,047,213</b>	63,706,559	60,121,438
<b>Total Current Liabilities</b>	<b>293,025,159</b>	261,628,704	241,535,447
<b>Noncurrent Liabilities</b>			
Long-term debt - net of current portion (Notes 19, 21, 28, 29 and 31)	<b>397,849,704</b>	381,618,880	338,194,798
Lease liabilities - net of current portion (Notes 27 and 31)	<b>32,236,621</b>	31,101,003	28,944,979
Deferred tax liabilities (Note 26)	<b>16,797,862</b>	15,675,739	12,518,760
Tenants' deposits and others (Notes 25, 27, 28 and 29)	<b>49,785,209</b>	49,174,469	48,357,079
<b>Total Noncurrent Liabilities</b>	<b>496,669,396</b>	477,570,091	428,015,616
<b>Total Liabilities</b>	<b>789,694,555</b>	739,198,795	669,551,063

(Forward)



	<b>December 31</b>	<b>2021</b>	<b>January 1</b>
	<b>2022</b>	(As Restated - Note 5)	(As Restated - Note 5)
<b>Equity Attributable to Owners of the Parent</b>			
Capital stock (Note 20)	<b>₱12,261,146</b>	₱12,045,829	₱12,045,829
Additional paid-in capital	<b>75,839,217</b>	75,827,181	75,823,506
Treasury stock	<b>(40,912)</b>	-	-
Equity adjustments from common control transactions (Note 20)	<b>(6,660,472)</b>	(6,298,551)	(6,299,797)
Cost of Parent common shares held by subsidiaries	<b>(25,386)</b>	(25,386)	(25,386)
Cumulative translation adjustment	<b>2,102,782</b>	2,253,475	876,050
Fair value changes on cash flow hedges	<b>1,610,364</b>	(1,201,352)	(2,623,849)
Unrealized gain on financial assets at FVOCI (Note 9)	<b>11,823,413</b>	14,289,319	13,627,808
Remeasurement loss on defined benefit asset/obligation (Note 25)	<b>(1,721,868)</b>	(1,026,650)	(1,639,759)
Share in other comprehensive loss of associates – net	<b>(10,763,209)</b>	(6,597,174)	(2,629,722)
Retained earnings (Note 20):			
Appropriated	<b>37,000,000</b>	37,000,000	37,000,000
Unappropriated	<b>375,463,837</b>	321,337,891	286,298,019
Total Equity Attributable to Owners of the Parent	<b>496,888,912</b>	447,604,582	412,452,699
<b>Non-controlling Interests</b>	<b>195,301,099</b>	176,003,603	160,895,255
Total Equity	<b>692,190,011</b>	623,608,185	573,347,954
	<b>₱1,481,884,566</b>	₱1,362,806,980	₱1,242,899,017

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		
	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
<b>REVENUES</b>			
Sales:			
Merchandise	<b>₱367,318,577</b>	₱294,694,316	₱289,726,442
Real estate	<b>39,046,514</b>	45,116,570	47,023,795
Rent (Notes 15, 21 and 27)	<b>49,167,565</b>	29,642,244	26,904,979
Equity in net earnings of associate companies and joint ventures (Note 13)	<b>35,825,734</b>	26,768,811	16,972,269
Others (Note 22)	<b>62,412,725</b>	36,137,527	16,458,704
	<b>553,771,115</b>	432,359,468	397,086,189
<b>COST AND EXPENSES</b>			
Cost of sales and services (Note 11)	<b>315,651,763</b>	255,252,148	242,471,141
Selling, general and administrative expenses (Note 23)	<b>120,551,701</b>	98,186,733	95,721,492
	<b>436,203,464</b>	353,438,881	338,192,633
<b>OTHER INCOME (CHARGES)</b>			
Interest expense (Notes 21 and 24)	<b>(21,547,070)</b>	(19,138,771)	(18,415,355)
Interest income (Notes 21 and 24)	<b>3,042,370</b>	2,203,351	2,452,647
Impairment loss on investment (Note 13)	<b>(787,166)</b>	-	(1,000,000)
Gain (loss) from fair value changes on derivatives - net	<b>866,500</b>	317,743	(6,503)
Foreign exchange gain (loss) - net and others (Note 28)	<b>(2,092)</b>	1,347,350	102,067
	<b>(18,427,458)</b>	(15,270,327)	(16,867,144)
<b>INCOME BEFORE INCOME TAX</b>	<b>99,140,193</b>	63,650,260	42,026,412
<b>PROVISION FOR INCOME TAX (Note 26)</b>			
Current	<b>14,248,182</b>	7,224,482	6,516,103
Deferred	<b>546,638</b>	1,782,037	685,206
	<b>14,794,820</b>	9,006,519	7,201,309
<b>NET INCOME</b>	<b>₱84,345,373</b>	₱54,643,741	₱34,825,103
<b>Attributable to</b>			
Owners of the Parent (Note 30)	<b>₱61,653,665</b>	₱40,411,896	₱23,889,971
Non-controlling interests	<b>22,691,708</b>	14,231,845	10,935,132
	<b>₱84,345,373</b>	₱54,643,741	₱34,825,103
<b>Basic/Diluted Earnings Per Common Share</b>			
<b>Attributable to Owners of the Parent (Note 30)</b>	<b>₱50.88</b>	₱33.55	₱19.83

See accompanying Notes to Consolidated Financial Statements.



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

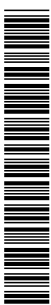
	Years Ended December 31		
	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
<b>NET INCOME</b>	<b>₱84,345,373</b>	₱54,643,741	₱34,825,103
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Items that will be reclassified to profit or loss in subsequent periods</b>			
Cumulative translation adjustment	27,928	2,166,840	(147,778)
Fair value changes on cash flow hedges	4,608,383	2,014,960	(1,439,396)
	<b>4,636,311</b>	4,181,800	(1,587,174)
<b>Items not to be reclassified to profit or loss in subsequent periods</b>			
Remeasurement gain (loss) on defined benefit obligation (Note 25)	(1,274,242)	593,126	2,418,842
Net unrealized gain (loss) on financial assets at FVOCI (Notes 9)	(2,478,988)	391,870	64,917
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	(269,602)	(178,295)	(529,945)
	<b>(4,022,832)</b>	806,701	1,953,814
Share in other comprehensive gain (loss) of associates - net (Note 13)	(4,336,268)	(4,184,715)	3,262,825
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱80,622,584</b>	₱55,447,527	₱38,454,568
<b>Attributable to</b>			
Owners of the Parent	₱56,987,529	₱40,265,811	₱26,342,948
Non-controlling interests	23,635,055	15,181,716	12,111,620
	<b>₱80,622,584</b>	₱55,447,527	₱38,454,568

*See accompanying Notes to Consolidated Financial Statements.*



**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 and 2020**  
**(Amounts in Thousands Except Per Share Data)**

	Equity			Equity Attributable to Owners of the Parent											
	Capital Stock	Additional Paid-in Capital	Treasury Stock	Adjustments from Common Share Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment	Fair Value Changes on Cash Flow Hedges	Unrealized Gain (Loss) on Financial Assets at FVOCI	Remeasurement Loss on Defined Benefit Asset Obligation	Share in Other Comprehensive Loss of Associates - VIE	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2022 (As Reported)	P12,045,829	P75,827,181	P-	(P5,424,485)	(P25,386)	P1,512,270	(P1,201,352)	P15,129,991	(P775,294)	(P6,598,065)	P37,000,000	P308,946,422	P436,436,741	P176,005,184	P612,439,925
Effect of merger (Note 5)	-	-	-	(P7,420,961)	(P25,386)	P1,748,905	-	(P40,672)	(P20,650)	891	-	12,291,469	11,167,841	419	11,168,260
As at January 1, 2022 (As Restated)	12,045,829	75,827,181	-	(6,298,551)	(25,386)	2,253,475	(1,201,352)	14,299,319	(1,076,550)	(6,597,174)	37,000,000	321,337,891	447,604,582	176,005,184	623,608,185
Net income	-	-	-	-	-	(150,693)	-	(2,465,906)	(695,218)	(4,166,035)	-	61,653,665	61,653,665	22,691,708	84,345,373
Other comprehensive income	-	-	-	-	-	(150,693)	-	(2,465,906)	(695,218)	(4,166,035)	-	(4,666,136)	943,347	2,365,055	80,622,584
Total comprehensive income	-	-	-	-	-	(301,386)	-	(4,931,812)	(1,390,436)	(8,332,070)	-	56,987,529	(187,516)	239,695	52,179
Effect of business combination (Note 5)	215,317	-	(40,912)	(361,921)	-	-	-	-	-	-	-	-	12,036	21,245	33,281
Transactions with non-controlling interests	-	12,036	-	-	-	-	-	-	-	-	-	(7,527,719)	(7,527,719)	-	(7,527,719)
Cash dividends - P6.25 per share (Note 20)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,273,377)	(5,273,377)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	674,878	674,878
As at December 31, 2022	P12,261,146	P75,839,217	(P40,912)	(P6,660,472)	(P25,386)	P2,102,782	P1,610,364	P11,823,413	(P1,771,868)	(P10,763,209)	P37,000,000	P375,463,837	P496,888,912	P195,301,099	P692,190,011
As at January 1, 2021 (As Reported)	P12,045,829	P75,823,506	P-	(P5,424,485)	(P25,386)	P628,023	(P2,623,849)	P14,336,615	(P1,116,438)	(P2,629,566)	P37,000,000	P275,818,556	P403,832,945	P160,984,953	P564,727,898
Effect of merger (Note 5)	-	-	-	(P75,342)	-	248,027	-	(P708,802)	(P53,431)	(156)	-	10,479,463	8,619,754	302	8,620,056
As at January 1, 2021 (As Restated)	12,045,829	75,823,506	-	(6,299,797)	(25,386)	876,050	(2,623,849)	13,627,813	(1,639,750)	(2,629,722)	37,000,000	286,298,019	412,452,699	160,985,255	573,437,954
Net income	-	-	-	-	-	1,377,425	1,422,497	408,336	613,109	(3,967,452)	-	40,411,896	40,411,896	14,231,845	54,643,741
Other comprehensive income	-	-	-	-	-	1,377,425	1,422,497	408,336	613,109	(3,967,452)	-	(4,118,896)	(4,118,896)	2,365,055	80,622,584
Total comprehensive income	-	-	-	-	-	2,754,850	2,844,994	816,672	1,226,218	(7,934,904)	-	36,293,000	36,293,000	16,596,899	63,266,325
Effect of business combination (Note 5)	-	-	-	1,246	-	-	-	408,336	613,109	(3,967,452)	-	40,411,896	40,265,811	15,181,716	55,447,527
Realized loss on sale of financial assets at FVOCI (Note 9)	-	-	-	-	-	-	-	-	-	-	-	-	1,246	3,073,712	
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	25,466	29,141
Cash dividends - P4.25 per share (Note 20)	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,118,849)	(5,118,849)
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,816,245)	(3,816,245)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	643,699	643,699
As at December 31, 2021 (As Restated - Note 5)	P12,045,829	P75,827,181	P-	(P6,298,551)	(P25,386)	P2,253,475	(P1,201,352)	P14,299,319	(P1,076,550)	(P6,597,174)	P37,000,000	P321,337,891	P447,604,582	P176,005,184	P623,608,185



Equity Attributable to Owners of the Parent

	Capital Stock	Additional Paid-in Capital	Treasury Stock	Adjustments from Common Transac-tions	Cost of Parent Shares Held by Subsidiaries	Cumulative Transi-tion Ad-ditions	Fair Value Changes From Hold-ings	Unrealized Gain on Financial Assets at FVOCI	Remeasure-ment Loss on Defined Benefit Assets	Share in Other Comprehensive Income of Associates - Net	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2020 (As Reported)	P12,045,829	P75,815,923	P-	(P5,424,435)	(P25,386)	P640,061	(P1,406,026)	P14,430,346	(P22,294,521)	(P5,761,477)	P37,000,000	P257,546,391	P382,627,075	P153,524,403	P536,151,478
Effect of Interest (Note 5)	-	-	-	(6,299,797)	(25,386)	473,461	(1,406,026)	(629,231)	(3,584,328)	(5,761,477)	37,000,000	267,526,053	8,395,942	154	8,394,096
Net income	-	-	-	-	-	(237,462)	-	(172,383)	948,890	-	-	23,889,971	23,889,971	10,935,132	34,825,103
Other comprehensive income	-	-	-	-	-	(237,462)	-	(172,383)	948,890	3,131,755	-	23,889,971	26,342,948	1,176,488	38,454,468
Total comprehensive income	-	-	-	-	-	(237,462)	-	(172,383)	948,890	3,131,755	-	23,889,971	26,342,948	1,176,488	38,454,468
Effect of business combination (Note 5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Realized gain on sale of financial assets at FVOCI (Note 9)	-	-	-	-	-	-	-	(864)	-	-	-	864	-	(7,583)	-
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends - P4.25 per share	-	-	-	-	-	-	-	-	-	-	-	(5,118,849)	(5,118,849)	-	(5,118,849)
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,664,320)	(4,664,320)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(69,019)	(69,019)
As at December 31, 2020 (As Restated - Note 5)	P12,045,829	P75,823,306	P-	(P6,299,797)	(P25,386)	P876,050	(P2,623,849)	P13,627,808	(P1,639,759)	(P2,629,722)	P37,000,000	P286,298,019	P412,452,699	P160,895,255	P573,347,954

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱99,140,193</b>	₱63,650,260	₱42,026,412
Adjustments for:			
Equity in net earnings of associate companies and joint ventures (Note 13)	<b>(35,825,734)</b>	(26,768,811)	(16,972,269)
Depreciation and amortization (Notes 14, 15, 16, 23 and 27)	<b>23,653,863</b>	20,936,405	18,994,822
Interest expense (Note 24)	<b>21,547,070</b>	19,138,771	18,415,355
Provisions (reversal of provisions) - net (Notes 10 and 23)	<b>5,099,217</b>	(3,982,227)	1,620,430
Interest income (Note 24)	<b>(3,042,370)</b>	(2,203,351)	(2,452,647)
Loss (gain) on disposal of investments and properties - net	<b>(209,206)</b>	(579,680)	19,373
Dividend income (Note 21)	<b>(1,177,340)</b>	(586,703)	(430,697)
Unrealized foreign exchange loss (gain) - net	<b>1,132,078</b>	(484,756)	(130,347)
Loss (gain) on fair value changes on derivatives - net	<b>(866,500)</b>	(317,743)	6,503
Impairment loss on investment (Note 13)	<b>787,166</b>	-	1,000,000
Income before working capital changes	<b>110,238,437</b>	68,802,165	62,096,935
Increase in:			
Receivables and contract assets	<b>(7,825,374)</b>	(2,971,376)	(6,223,970)
Inventories	<b>(40,685,904)</b>	(37,303,043)	(16,077,988)
Other current assets	<b>(901,855)</b>	(8,023,091)	(2,573,504)
Increase (decrease) in:			
Accounts payable and other current liabilities	<b>34,081,718</b>	36,569,883	10,116,698
Tenants' deposits and others	<b>2,678,385</b>	1,162,254	(303,716)
Net cash generated from operations	<b>97,585,407</b>	58,236,792	47,034,455
Income tax paid	<b>(13,356,765)</b>	(7,583,481)	(7,156,462)
Net cash provided by operating activities	<b>84,228,642</b>	50,653,311	39,877,993
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of:			
Property and equipment	<b>241,913</b>	365,861	58,896
Investment properties	<b>84,863</b>	914,962	3,197
Investment in associate companies and joint ventures	<b>50,000</b>	-	-
Additions to:			
Investment properties (Note 15)	<b>(33,990,435)</b>	(42,155,574)	(38,415,299)
Property and equipment (Note 14)	<b>(9,678,003)</b>	(13,286,055)	(7,587,735)
Investments in associate companies and joint ventures (Note 13)	<b>(73,500)</b>	(358,120)	(390,350)
Financial assets at FVOCI	<b>-</b>	(1,427)	(3,124,660)
Decrease (increase) in:			
Time deposits	<b>(27,518,818)</b>	(2,829,397)	1,056,006
Other noncurrent assets	<b>9,250,669</b>	12,020,789	(11,420,880)
Dividends received	<b>8,136,996</b>	5,180,690	4,751,956
Interest received	<b>2,846,341</b>	2,021,177	2,456,376
Purchase consideration, net of cash from acquisition of subsidiaries (Note 5)	<b>(88,608)</b>	(5,684,648)	-
Net cash used in investing activities	<b>(50,738,582)</b>	(43,811,742)	(52,612,493)

(Forward)



	<b>Years Ended December 31</b>		
	<b>2022</b>	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Availments of:			
Bank loans	<b>₱66,878,421</b>	₱53,296,257	₱82,880,520
Long-term debt	<b>100,256,801</b>	129,529,420	75,253,912
Payments of:			
Bank loans	<b>(73,264,105)</b>	(53,509,929)	(77,464,985)
Long-term debt	<b>(72,630,533)</b>	(92,624,775)	(36,158,696)
Interest	<b>(19,909,588)</b>	(18,412,696)	(17,539,474)
Dividends	<b>(12,714,420)</b>	(9,653,454)	(10,158,925)
Lease liabilities	<b>(4,853,925)</b>	(4,692,207)	(3,884,069)
Net cash provided by (used in) financing activities	<b>(16,237,349)</b>	3,932,616	12,928,283
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>17,252,711</b>	10,774,185	193,783
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(44,273)</b>	(82,117)	205,634
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 7)</b>	<b>89,352,634</b>	78,660,566	78,261,149
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)</b>	<b>₱106,561,072</b>	₱89,352,634	₱78,660,566

*See accompanying Notes to Consolidated Financial Statements.*



# **SM INVESTMENTS CORPORATION AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **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, OneE-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 28, 2023.

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### **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) 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.

#### 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			
		2022		2021	
		Direct	Indirect	Direct	Indirect
<b>Property</b>					
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
Springfield Global Enterprises Limited *[BVI]	Real estate development	–	100	–	100

(Forward)



Company	Principal Activities	Percentage of Ownership			
		2022		2021	
		Direct	Indirect	Direct	Indirect
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	–	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 <sup>(a)</sup>	Real estate development	95	–	95	–
Nagtahan Property Holdings, Inc.	Real estate development	100	–	100	–
Philippines Urban Living Solutions, Inc. (PULSI)	Real estate development	71	–	71	–
<b>Retail</b>					
SM Retail Inc. (SM Retail) and Subsidiaries	Retail	77	–	77	–
<b>Others</b>					
Primebridge Holdings, Inc.	Investment	100	–	100	–
Multi-Realty Development Corporation	Investment	91	–	91	–
Henfels Investments Corporation	Investment	99	–	99	–
Belleshare Holdings, Inc.	Investment	99	–	99	–
Digital Advantage Corp.	Investment	–	–	94	–
2GO Group, Inc. (Note 5)	Integrated Supply Chain	53	–	53	–
Goldilocks Bakeshop, Inc. (Note 5)	Bakery products and other food items	74	–	74	–
Globalfund Holdings, Inc.	Investment	100	–	98	2
Katimak Holdings, Inc. (Note 5)	Investment	100	–	100	–
Allfirst Renewables Holdings, Inc. (Note 5)	Investment	89	11	89	11
Philippine Geothermal Production Company, Inc. (PGPC) (Note 5)	Development and utilization of minerals, geothermal and other products	60	40	60	40
AIC Group of Companies Holding Corp. (Airspeed) (Note 5)	Integrated Supply Chain	51	–	35	–

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, 2022 and 2021.



The summarized financial information of SM Prime follows:

*Financial Position*

	<b>December 31</b>	
	<b>2022</b>	2021
	<i>(In Thousands)</i>	
Current assets	<b>P222,008,236</b>	P195,664,769
Noncurrent assets	<b>652,206,416</b>	608,738,511
<b>Total assets</b>	<b>P874,214,652</b>	<b>P804,403,280</b>
Current liabilities	<b>P145,170,302</b>	P141,025,499
Noncurrent liabilities	<b>363,892,744</b>	329,017,008
<b>Total liabilities</b>	<b>P509,063,046</b>	<b>P470,042,507</b>
<b>Total equity</b>	<b>P365,151,606</b>	<b>P334,360,773</b>
Attributable to:		
Owners of the Parent	<b>P363,201,490</b>	P332,919,204
Non-controlling interests	<b>1,950,116</b>	1,441,569
	<b>P365,151,606</b>	<b>P334,360,773</b>

*Statements of Income*

	<b>Years Ended December 31</b>		
	<b>2022</b>	2021	2020
	<i>(In Thousands)</i>		
Revenues	<b>P105,785,635</b>	P82,315,484	P81,899,298
Costs and expenses	<b>56,542,322</b>	49,900,933	52,825,112
Other charges	<b>(10,529,309)</b>	(4,681,026)	(6,610,445)
Income before income tax	<b>38,714,004</b>	27,733,525	22,463,741
Provision for income tax	<b>7,970,875</b>	5,822,122	4,324,004
Net income after tax	<b>30,743,129</b>	21,911,403	18,139,737
Other comprehensive income (loss)	<b>2,910,173</b>	4,180,611	(4,311,847)
<b>Total comprehensive income</b>	<b>P33,653,302</b>	<b>P26,092,014</b>	<b>P13,827,890</b>
Attributable to:			
Owners of the Parent	<b>P30,099,799</b>	P21,786,516	P18,006,512
Non-controlling interests	<b>643,330</b>	124,887	133,225
<b>Net income</b>	<b>P30,743,129</b>	<b>P21,911,403</b>	<b>P18,139,737</b>
Attributable to:			
Owners of the Parent	<b>P33,013,181</b>	P25,968,260	P13,688,396
Non-controlling interests	<b>640,121</b>	123,754	139,494
<b>Total comprehensive income</b>	<b>P33,653,302</b>	<b>P26,092,014</b>	<b>P13,827,890</b>
Dividends paid to non-controlling interests	<b>P144,050</b>	P129,050	P288,100



*Cash Flows*

	Years Ended December 31		
	2022	2021	2020
	<i>(In Thousands)</i>		
Net cash provided by operating activities	<b>₱34,933,212</b>	₱30,667,161	₱17,190,284
Net cash used in investing activities	<b>(52,244,301)</b>	(44,113,678)	(43,943,981)
Net cash provided by financing activities	<b>19,685,743</b>	22,623,545	22,817,505
Effect of exchange rate changes on cash and cash equivalents	<b>(90,424)</b>	(62,790)	(2,153)
Net increase (decrease) in cash and cash equivalents	<b>₱2,284,230</b>	₱9,114,238	(₱3,938,345)

### 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 are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.



Assets and liabilities for which fair value is measured based on the lowest level 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 and the fair value hierarchy.

*“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, 2022 and 2021, 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 at FVOCI" 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 expected credit loss (ECL) measurement purposes, unless the new financial asset is deemed to be originated as credit impaired.

#### *Impairment*

The Group recognizes an allowance for ECLs for all debt instruments not held at 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 are not tracked, instead, a loss allowance based on lifetime ECLs adjusted for forward-looking factors specific to the debtors and the economic environment is recognized.

Under the vintage approach, ECLs are calculated based on the cumulative loss rates of 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.

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

#### *Derivative Financial Instruments and Hedge Accounting*

##### Initial Recognition and Subsequent Measurement

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



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

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

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

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

The 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. The current portion of land and development and condominium and residential units for sale includes properties that are constructed for sale in the ordinary course of business, rather than for rental or capital appreciation.

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

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

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

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period. The carrying 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 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	5–40 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. Trademarks and brand names with finite useful lives are amortized on a straight-line basis over the estimated useful lives of the assets. 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.

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

*Sale of Merchandise Inventories.* Revenue from sale of goods is recognized when the transfer of control is turned over to the buyer and the performance obligation is satisfied. The performance obligation is generally satisfied when customers purchase the goods. Payment of the transaction price is due immediately at the point of sale.

*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 percentage of completion (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.

*Sales - Processed Food and Others.* Revenue from sales of processed food and others is recognized when the transfer of control is turned over to the buyer and the performance obligation is satisfied. The performance obligation is generally satisfied when customers purchase the goods and/or delivery is made to customers, as in the case of steam and processed food. Payment of the transaction price is due immediately at the point of sale and/or within 15 to 30 days.

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

*Rent.* 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 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.

*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.

#### 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. Any subsequent reversal of the provision is recognized in the same line item in profit or loss where the expense was initially recognized.

#### 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 financial year, except for the adoption of new standards effective in 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, the adoption of these new standards did not have a significant impact on the consolidated financial statements.

- 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 from liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine IFRIC 21, *Levies*, if incurred separately.

The amendments also clarified that contingent assets do not qualify for recognition as at the acquisition date.



- Amendments to PAS 16, *Property, 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 shall be recognized in profit or loss.

- 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 they are explicitly chargeable to the counterparty under the contract.

- *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.

- 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.

- 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.

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and



- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. The amendments are effective on or after January 1, 2023, with early adoption permitted.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify that the effects on an accounting estimate of a change in input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

These amendments are effective on or after January 1, 2023 with early adoption permitted.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

These amendments are effective on or after January 1, 2023.

*Effective beginning on or after January 1, 2024*

- 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 on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.



- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction such that the gain or loss that relates to the right of use retained is not recognized.

The amendments are effective on or after January 1, 2024 and must be applied retrospectively, with early adoption permitted.

*Effective beginning on or after January 1, 2025*

- 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

On December 15, 2021, the Financial Reporting Standards Council (FRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 for two (2) years after its effective date as decided by the IASB. PFRS 17 is effective on or after January 1, 2025, 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 and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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#### 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.

*Determining the Transaction Price for Sales of Real Estate.* The Group determines whether a contract contains a significant financing component using the portfolio approach by considering (1) the difference between the amount of promised consideration and the cash selling price of the promised goods or services; and (2) the expected length of time from when the entity transfers the promised goods or services to the time the customer pays for those goods or services at the prevailing effective interest rate. The Group applied the practical expedient and did not adjust for the effect of financing component when the difference between the time of transfer of the promised goods or services to the time the customer pays for these goods or services is one year or less. The Group determined that its contracts for the sale of real estate do not contain a significant financing component.

*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.* 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.

*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).

*Determining Taxable Profit, Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates.* Upon adoption of the Philippine Interpretation on IFRIC-23, *Uncertainty over Income Tax Treatments*, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgment in identifying uncertainties over its income tax treatments. The Group determined based on its assessment, in consultation with its tax counsel, that it is probable that its income tax treatments (including those for its subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

#### 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 ECL of Receivables and Contract Assets (referred also in the consolidated financial statements as "Unbilled revenue from sales 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 2022, 2021 and 2020, 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 using key assumptions 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 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, Brand Names and Copyright 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 16 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, 2022. 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. In estimating the fair value of the acquiree's identifiable assets and liabilities, the Group used judgments, valuation methods and key assumptions such as the list prices, current replacement and reproduction cost and adjustment factors by reference to relevant market data. See Note 5 for related balances.

*Fair Value of Previously Held Interest in an Acquiree.* A business combination that is achieved in stages requires the Group to remeasure its previously held interest in the acquiree at its fair value at acquisition date and recognize any resulting gain or loss in profit or loss. The determination of fair value of the previously held interest involves judgment, estimations and assumptions. See Note 5 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.

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## 5. Business Combination

*Allfirst Equity Holdings, Inc. (Allfirst).* In April 2022, the BOD and stockholders of the Parent Company approved its merger with Allfirst, a related party, with the Parent Company as the surviving entity. Allfirst is the holding company for Philippine Geothermal Production Company, Inc. (PGPC).

PGPC operates the Tiwi and Mak-Ban steam fields. Tiwi is the first commercial-scale geothermal steam field development in Southeast Asia, followed by Mak-Ban, both in operation since 1979. These two steam fields generate geothermal steam sufficient to produce approximately 300 MW of electricity. In addition to its two producing steam fields, PGPC has several other greenfield concession areas for geothermal steam production which it will develop moving forward.

In August 2022, SMIC received approval from the SEC for its acquisition of 81% stake of related parties in Allfirst. This transaction brings SMIC's ownership in PGPC to 100%. The Parent Company and Allfirst are under the common control of the Sy Family before and after the merger. Thus, the merger was considered as a combination of businesses under common control for which the pooling of interests method was applied in the preparation of the financial statements.



Under the pooling of interests method:

- The assets and liabilities of the combining entities are reflected at their carrying amounts;
- No adjustments are made to reflect fair values, or recognize any new assets or liabilities at the date of the combination except those necessary to harmonize accounting policies between the combining entities;
- No 'new' goodwill is recognized as a result of the business combination;
- Any difference between the consideration transferred and the net assets acquired is reflected within equity;
- The consolidated statement of income in the year of acquisition reflects the results of the combining entities for the full year, irrespective of when the combination took place; and
- Comparatives are presented as if the entities had always been combined only for the period that the entities were under common control.

*AIC Group of Companies Holding Corp. (Airspeed).* In August 2022, the Parent Company acquired additional 10.0 million common shares of Airspeed increasing its equity interest in Airspeed to 51.0% from 35.0% previously. Airspeed is primarily engaged in international and domestic freight forwarding, port to port and cargo handling, packing and crafting, and warehousing services.

Beginning September 1, 2022, Airspeed became a subsidiary of SMIC in accordance with PFRS 3, *Business Combinations*. The transaction was accounted for as a step acquisition.

The fair value of the net identifiable assets acquired amounted to ₱645.1 million. The cash flows from this acquisition follow:

Cash acquired	₱317,280
Purchase consideration transferred	(405,888)
<u>Net</u>	<u>(₱88,608)</u>

Goodwill of ₱302.7 million was recognized for this acquisition, representing the value of synergies expected to arise from the business combination.

From the date of acquisition, Airspeed's revenues and net income amounting to ₱461.7 million and ₱34.9 million, respectively, formed part of the consolidated statements of income. If the combination had taken place at the beginning of the year, the Group's consolidated revenues and net income attributable to parent would have been ₱554.8 billion and ₱61.7 billion, respectively.

*2GO Group, Inc. (2GO).* In April and June 2021, the Parent Company acquired additional 551.4 million common shares of 2GO increasing its equity interest in 2GO to 52.9% from 30.5% previously. 2GO is the largest integrated supply chain operator in the Philippines offering shipping, freight forwarding, warehousing, and express delivery services.



Beginning June 1, 2021, 2GO became a subsidiary of SMIC in accordance with PFRS 3, *Business Combinations*. The transaction was accounted for as a step acquisition. 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	₱2,101,999
Receivables and contract assets	4,192,282
Merchandise inventories (Note 11)	516,155
Other current assets	2,699,758
Investments in associate companies and joint ventures (Note 13)	260,037
Property and equipment (Note 14)	9,919,064
Right-of-use assets (Note 27)	786,597
Other noncurrent assets	1,008,558
<b>Total identifiable assets</b>	<b>21,484,450</b>
Bank loans	3,036,500
Accrued payable and other current liabilities	7,206,250
Long-term debt - net of current portion	3,984,077
Deferred tax liabilities	1,257,749
Other noncurrent liabilities	1,071,851
<b>Total identifiable liabilities</b>	<b>16,556,427</b>
Net identifiable assets	4,928,023
Non-controlling interests (proportionate share in 2GO's net identifiable assets)	(2,352,991)
Fair value of previously held interest	(1,484,612)
Goodwill arising from the acquisition (Note 16)	3,602,620
<b>Purchase consideration transferred</b>	<b>₱4,693,040</b>

The cash flows from this acquisition follow:

Cash acquired	₱2,101,999
Purchase consideration transferred	(4,693,040)
<b>Net</b>	<b>(₱2,591,041)</b>

At the date of the acquisition, the fair value of 2GO's receivables approximates its carrying amount. The receivables comprise mainly of trade and nontrade receivables carried at cost. These are noninterest-bearing with trade receivables generally on 30- to 60-day terms while nontrade receivables are collectible on demand. The fair value of the property and equipment was determined using the current replacement cost. The fair value measurement is classified as level 3 with unobservable inputs.

The goodwill of ₱3.6 billion represents the value of synergies expected to arise from the business combination.

From the date of acquisition, 2GO's revenues and net loss amounting to ₱8.8 billion and ₱962.7 million, respectively, formed part of the consolidated statements of income. If the combination had taken place at the beginning of the year, the Group's consolidated revenues and net income attributable to parent would have been ₱434.8 billion and ₱38.4 billion, respectively.



*Goldilocks Bakeshop, Inc. (GBI)*. In August 2021, the Parent Company acquired additional 224.5 million common shares of GBI increasing its equity interest in GBI to 74.1% from 34.1% previously. GBI is primarily engaged in the purchase and sale, manufacture and production, import and export, and distribution of food items such as cakes, pastries, bread and candies on wholesale, retail or franchising; operation of restaurants, refreshment parlors or food outlets; and serving, arranging and catering food, drinks and refreshments.

Beginning August 1, 2021, GBI became a subsidiary of SMIC in accordance with PFRS 3, *Business Combinations*. The transaction was accounted for as a step acquisition. 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	P945,964
Time deposits	210,925
Receivables and contract assets	330,036
Merchandise inventories (Note 11)	564,858
Other current assets	502,915
Financial assets	1,406
Investments in associate companies and joint ventures (Note 13)	249,157
Property and equipment (Note 14)	2,563,094
Right-of-use assets (Note 27)	912,876
Other noncurrent assets	471,983
<b>Total identifiable assets</b>	<b>6,753,214</b>
Accrued payable and other current liabilities	2,233,095
Deferred tax liabilities	338,599
Other noncurrent liabilities	1,435,383
<b>Total identifiable liabilities</b>	<b>4,007,077</b>
Net identifiable assets	2,746,137
Non-controlling interests (proportionate share in GBI's net identifiable assets)	(720,721)
Fair value of previously held interest	(931,874)
Goodwill arising from the acquisition (Note 16)	2,946,029
<b>Purchase consideration transferred</b>	<b>P4,039,571</b>

The cash flows from this acquisition follow:

Cash acquired	P945,964
Purchase consideration transferred	(4,039,571)
<b>Net</b>	<b>(P3,093,607)</b>

At the date of the acquisition, the fair value of GBI's receivables approximates its carrying amount. GBI's receivables comprise mainly of trade and nontrade receivables, royalties and advances carried at cost. These are noninterest-bearing with trade receivables generally on 15- to 30- day terms while nontrade receivables and royalties are collectible on demand. Advances consist of salary loans due within 1 year and other cash advances that are subject to liquidation within 1 to 2 weeks. The fair value of the property and equipment was determined using the market approach and current replacement cost. The fair value measurement is classified as level 3 with unobservable inputs.



The goodwill of ₱2.9 billion represents the value of synergies expected to arise from the business combination.

From the date of acquisition, GBI's revenues and net income amounting to ₱5.0 billion and ₱114.8 million, respectively, formed part of the consolidated statements of income. If the combination had taken place at the beginning of the year, the Group's consolidated revenues and net income attributable to parent would have been ₱433.9 billion and ₱38.6 billion, respectively.

The Group remeasured its previously held interest in AIC, 2GO and GBI at acquisition-date fair value. The key assumptions used in determining the acquisition-date fair value of the property and equipment of GBI include list prices, current replacement cost and reproduction cost. Included in Selling, general and administrative expenses is the remeasurement loss recognized for AIC at ₱310.2 million in 2022 and 2GO at ₱4.9 billion and GBI at ₱2.4 billion in 2021, representing the loss from remeasuring the Group's equity interest in AIC, 2GO and GBI before the business combination to fair value, in accordance with PFRS 3, *Business Combinations*.

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## 6. Segment Information

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

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 segment includes the Group's equity in net earnings in BDO and China Banking Corporation (China Bank).

The portfolio investments segment includes 2GO, PGPC, Neo subsidiaries and associates, Atlas Consolidated Mining and Development Corporation (Atlas), Belle, GBI and others.

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 Results by Segment

Year Ended December 31, 2022							
	Property	Retail	Banking	Portfolio Investments	Others	Eliminations	Consolidated
<i>(In Thousands)</i>							
<b>Revenues:</b>							
External customers	<b>₱99,017,329</b>	<b>₱377,327,567</b>	<b>₱30,984,018</b>	<b>₱43,677,737</b>	<b>₱2,764,464</b>		<b>₱- ₱553,771,115</b>
Revenues from contracts with customers	39,046,514	367,318,577	-	-	-	-	- 406,365,091
Merchandise sales	-	367,318,577	-	-	-	-	- 367,318,577
Real estate sales	39,046,514	-	-	-	-	-	- 39,046,514
Rent	45,918,158	1,146,228	-	2,103,179	-	-	- 49,167,565
Equity in net earnings of associate companies and joint ventures	1,720,116	1,224,260	30,984,018	1,866,350	30,990	-	- 35,825,734
Others	12,332,541	7,638,502	-	39,708,208	2,733,474	-	- 62,412,725
Inter-segment	13,611,294	483,551	-	634,029	3,999,125	(18,727,999)	-
	<b>₱112,628,623</b>	<b>₱377,811,118</b>	<b>₱30,984,018</b>	<b>₱44,311,766</b>	<b>₱6,763,589</b>	<b>(₱18,727,999)</b>	<b>₱553,771,115</b>
<b>Segment results:</b>							
Income before income tax	<b>₱39,061,734</b>	<b>₱25,928,619</b>	<b>₱30,984,018</b>	<b>₱8,218,200</b>	<b>(₱5,052,378)</b>		<b>₱- ₱99,140,193</b>
Provision for income tax	<b>8,001,682</b>	<b>6,006,064</b>	<b>-</b>	<b>681,419</b>	<b>105,655</b>		<b>- 14,794,820</b>
Net income after tax	<b>₱31,060,052</b>	<b>₱19,922,555</b>	<b>₱30,984,018</b>	<b>₱7,536,781</b>	<b>(₱5,158,033)</b>		<b>₱- ₱84,345,373</b>
<b>Net income attributable to:</b>							
Owners of the Parent	<b>₱15,372,433</b>	<b>₱13,937,923</b>	<b>₱30,148,855</b>	<b>₱7,345,911</b>	<b>(₱5,151,457)</b>		<b>₱- ₱61,653,665</b>
Non-controlling interests	<b>15,687,619</b>	<b>5,984,632</b>	<b>835,163</b>	<b>190,870</b>	<b>(6,576)</b>		<b>- 22,691,708</b>
Year Ended December 31, 2021 (As Restated - Note 5)							
	Property	Retail	Banking	Portfolio Investments	Others	Eliminations	Consolidated
<i>(In Thousands)</i>							
<b>Revenues:</b>							
External customers	<b>₱80,178,590</b>	<b>₱303,188,794</b>	<b>₱23,395,467</b>	<b>₱23,167,504</b>	<b>₱2,429,113</b>		<b>₱- ₱432,359,468</b>
Revenues from contracts with customers	45,116,570	294,694,316	-	-	-	-	- 339,810,886
Merchandise sales	-	294,694,316	-	-	-	-	- 294,694,316
Real estate sales	45,116,570	-	-	-	-	-	- 45,116,570
Rent	26,218,182	1,093,378	-	2,327,765	2,919	-	- 29,642,244
Equity in net earnings of associate companies and joint ventures	1,187,419	527,733	23,395,467	1,757,788	(99,596)	-	- 26,768,811
Others	7,656,419	6,873,367	-	19,081,951	2,525,790	-	- 36,137,527
Inter-segment	9,423,189	2,108	-	-	2,384,449	(11,809,746)	-
	<b>₱89,601,779</b>	<b>₱303,190,902</b>	<b>₱23,395,467</b>	<b>₱23,167,504</b>	<b>₱4,813,562</b>	<b>(₱11,809,746)</b>	<b>₱432,359,468</b>
<b>Segment results:</b>							
Income before income tax	<b>₱28,165,056</b>	<b>₱14,180,061</b>	<b>₱23,395,467</b>	<b>₱4,662,195</b>	<b>(₱6,752,519)</b>		<b>₱- ₱63,650,260</b>
Provision for income tax	<b>5,942,800</b>	<b>3,261,945</b>	<b>-</b>	<b>(165,445)</b>	<b>(32,781)</b>		<b>- 9,006,519</b>
Net income after tax	<b>₱22,222,256</b>	<b>₱10,918,116</b>	<b>₱23,395,467</b>	<b>₱4,827,640</b>	<b>(₱6,719,738)</b>		<b>₱- ₱54,643,741</b>
<b>Net income attributable to:</b>							
Owners of the Parent	<b>₱11,317,533</b>	<b>₱7,697,477</b>	<b>₱22,768,902</b>	<b>₱5,366,643</b>	<b>(₱6,738,659)</b>		<b>₱- ₱40,411,896</b>
Non-controlling interests	<b>10,904,723</b>	<b>3,220,639</b>	<b>626,565</b>	<b>(539,003)</b>	<b>18,921</b>		<b>- 14,231,845</b>
Year Ended December 31, 2020 (As Restated - Note 5)							
	Property	Retail	Banking	Portfolio Investments	Others	Eliminations	Consolidated
<i>(In Thousands)</i>							
<b>Revenues:</b>							
External customers	<b>₱76,881,025</b>	<b>₱296,637,375</b>	<b>₱15,938,345</b>	<b>₱5,832,306</b>	<b>₱1,797,138</b>		<b>₱- ₱397,086,189</b>
Revenues from contracts with customers	47,023,795	289,726,442	-	-	-	-	- 336,750,237
Merchandise sales	-	289,726,442	-	-	-	-	- 289,726,442
Real estate sales	47,023,795	-	-	-	-	-	- 47,023,795
Rent	23,481,703	1,061,700	-	2,358,891	2,685	-	- 26,904,979
Equity in net earnings of associate companies and joint ventures	694,473	313,554	15,938,345	175,125	(149,228)	-	- 16,972,269
Others	5,681,054	5,535,679	-	3,298,290	1,943,681	-	- 16,458,704
Inter-segment	9,695,786	151,810	-	-	2,562,464	(12,410,060)	-
	<b>₱86,576,811</b>	<b>₱296,789,185</b>	<b>₱15,938,345</b>	<b>₱5,832,306</b>	<b>₱4,359,602</b>	<b>(₱12,410,060)</b>	<b>₱397,086,189</b>
<b>Segment results:</b>							
Income before income tax	<b>₱22,923,446</b>	<b>₱7,200,165</b>	<b>₱15,938,345</b>	<b>₱2,760,335</b>	<b>(₱6,795,879)</b>		<b>₱- ₱42,026,412</b>
Provision for income tax	<b>4,349,645</b>	<b>2,509,821</b>	<b>-</b>	<b>247,392</b>	<b>94,451</b>		<b>- 7,201,309</b>
Net income after tax	<b>₱18,573,801</b>	<b>₱4,690,344</b>	<b>₱15,938,345</b>	<b>₱2,512,943</b>	<b>(₱6,890,330)</b>		<b>₱- ₱34,825,103</b>
<b>Net income attributable to:</b>							
Owners of the Parent	<b>₱9,412,627</b>	<b>₱3,375,743</b>	<b>₱15,524,636</b>	<b>₱2,455,719</b>	<b>(₱6,878,754)</b>		<b>₱- ₱23,889,971</b>
Non-controlling interests	<b>9,161,174</b>	<b>1,314,601</b>	<b>413,709</b>	<b>57,224</b>	<b>(11,576)</b>		<b>- 10,935,132</b>



In 2022, 2021 and 2020, 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 results by segment report above.

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## 7. Cash and Cash Equivalents

This account consists of:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Cash on hand and in banks (Note 21)	<b>₱26,887,562</b>	₱29,164,008
Temporary investments (Note 21)	<b>79,673,510</b>	60,188,626
	<b>₱106,561,072</b>	₱89,352,634

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).

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## 8. Time Deposits

This account consists of time deposits as follows:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Current	<b>₱8,788,848</b>	₱311,233
Noncurrent	<b>24,130,581</b>	3,905,618
	<b>₱32,919,429</b>	₱4,216,851

The time deposits bear interest ranging from 1.3% to 4.5% in 2022 and 0.4% to 3.8% in 2021.

Time deposits with various maturities within one year were used as collateral for some credit lines in 2021.

Interest earned from time deposits is disclosed in Note 24.



## 9. Financial Assets at FVOCI

This account consists of:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Shares of stock		
Listed	<b>₱25,146,102</b>	₱26,764,759
Unlisted	<b>736,813</b>	897,688
Club shares	<b>21,800</b>	14,550
	<b>25,904,715</b>	27,676,997
Less current portion	<b>534,865</b>	547,041
Noncurrent portion	<b>₱25,369,850</b>	₱27,129,956

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 as financial assets at FVOCI, as the Group considers these investments to be strategic in nature.

## 10. Receivables and Contract Assets

This account consists of:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Trade:		
Real estate buyers*	<b>₱114,017,297</b>	₱110,932,754
Third-party tenants	<b>11,254,451</b>	7,473,461
Shipping and logistics**	<b>4,212,664</b>	3,111,428
Related-party tenants (Note 21)	<b>511,274</b>	380,963
Others	<b>3,299,623</b>	3,390,791
Royalty and service fees (Note 21)	<b>2,277,578</b>	1,980,327
Dividends (Note 21)	<b>708,809</b>	579,053
Due from related parties (Note 21)	<b>176,806</b>	442,712
	<b>136,458,502</b>	128,291,489
Less allowance for ECL	<b>3,031,584</b>	2,237,119
	<b>133,426,918</b>	126,054,370
Less noncurrent portion of receivables from real estate buyers (Note 16)	<b>48,929,523</b>	49,518,978
Current portion	<b>₱84,497,395</b>	₱76,535,392

\* Includes unbilled revenue from sales of real estate of ₱100.2 billion and ₱98.6 billion as at December 31, 2022 and 2021, respectively.

\*\* Includes contract assets representing shipping and logistics services delivered but not yet invoiced of ₱730.1 million and ₱822.8 million as at December 31, 2022 and 2021, respectively.



The terms and conditions of these receivables follow:

- Receivables from real estate buyers pertain mainly to sales 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, nil and P358.9 million as at December 31, 2022 and 2021, respectively, and, on with recourse basis, P1.2 billion and P324.2 million as at December 31, 2022 and 2021, respectively (see Note 21). The corresponding liability from the assignment of receivables on with recourse basis bears interest at 3.8% to 5.0% in 2022 and 4.5% in 2021. The fair value of these assigned receivables and liability approximates cost.

The transaction price allocated to the remaining performance obligations totaling P25.4 billion and P34.3 billion as at December 31, 2022 and 2021, respectively, are expected to be recognized over the construction period ranging from one to five years.

- Trade receivables from tenants, shipping and logistics, royalty 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 21.

Allowance for ECL is provided for receivables from sales of real estate, receivables from tenants, shipping and logistics, and other receivables which were identified to be impaired based on specific and collective assessment. The movements in this account follow:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>P2,237,119</b>	P1,642,562
Provisions - net of writeoff (Note 23)	<b>794,465</b>	594,557
Balance at end of year	<b>P3,031,584</b>	P2,237,119

The aging of receivables follow:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Neither past due nor impaired	<b>P121,722,952</b>	P113,408,616
Past due but not impaired:		
Less than 30 days	<b>4,199,730</b>	2,896,901
31-90 days	<b>2,327,871</b>	2,094,140
91-120 days	<b>1,707,216</b>	955,920
Over 120 days	<b>3,469,149</b>	6,698,793
Impaired	<b>3,031,584</b>	2,237,119
	<b>P136,458,502</b>	P128,291,489

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



## 11. Inventories

This account consists of:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Real estate inventories	<b>₱70,506,503</b>	₱56,581,526
Merchandise inventories	<b>34,653,094</b>	29,026,924
Processed food and others	<b>1,208,441</b>	1,158,738
	<b>₱106,368,038</b>	₱86,767,188

Inventories are stated at cost as at December 31, 2022 and 2021.

### Merchandise Inventories

The movements in this account follow:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱29,026,924</b>	₱28,352,565
Purchases	<b>276,234,410</b>	222,974,743
Total goods available for sale	<b>305,261,334</b>	251,327,308
Less cost of merchandise sales	<b>270,608,240</b>	222,300,384
Balance at end of year	<b>₱34,653,094</b>	₱29,026,924

### Real Estate Inventories

The movements in this account follow:

	Land and Development	Condominium, Residential Units and Subdivision Lots for Sale	Total
	<i>(In Thousands)</i>		
Balance as at December 31, 2020 (As Restated)	₱34,933,442	₱8,770,039	₱43,703,481
Development cost incurred	25,409,833	-	25,409,833
Cost of real estate sold	(16,867,820)	(1,819,337)	(18,687,157)
Transfers	(12,318,589)	12,318,589	-
Reclassifications (Notes 15 and 27)	5,448,333	-	5,448,333
Translation adjustment and others	624,328	82,708	707,036
Balance as at December 31, 2021 (As Restated)	37,229,527	19,351,999	56,581,526

*(Forward)*



	Land and Development	Condominium, Residential Units and Subdivision Lots for Sale	Total
<i>(In Thousands)</i>			
Development cost incurred	<b>₱27,956,439</b>	<b>₱-</b>	<b>₱27,956,439</b>
Cost of real estate sold	<b>(11,153,550)</b>	<b>(5,745,018)</b>	<b>(16,898,568)</b>
Transfers	<b>(12,643,521)</b>	<b>12,643,521</b>	<b>-</b>
Reclassifications (Notes 15 and 27)	<b>2,204,897</b>	<b>-</b>	<b>2,204,897</b>
Translation adjustment and others	<b>187,069</b>	<b>475,140</b>	<b>662,209</b>
<b>Balance as at December 31, 2022</b>	<b>₱43,780,861</b>	<b>₱26,725,642</b>	<b>₱70,506,503</b>

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

Contract fulfillment assets included in land and development represent the unamortized portion of land cost of ₱1.0 billion and ₱1.8 billion as at December 31, 2022 and 2021, respectively.

The estimated cost to complete the projects amounted to ₱106.9 billion and ₱111.5 billion as at December 31, 2022 and 2021, respectively.

There is no allowance for inventory writedown as at December 31, 2022 and 2021.

The details of cost of sales and services follow:

	<b>2022</b>	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
<i>(In Thousands)</i>			
Cost of sales:			
Merchandise	<b>₱270,608,240</b>	₱222,300,384	₱220,245,198
Real estate	<b>16,898,568</b>	18,687,157	20,583,982
Processed food and others	<b>15,401,706</b>	7,993,598	1,641,961
Cost of shipping, logistics and other services	<b>12,743,249</b>	6,271,009	-
	<b>₱315,651,763</b>	₱255,252,148	₱242,471,141



## 12. Other Current Assets

This account consists of:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Prepaid taxes and other prepayments	<b>₱19,881,090</b>	₱18,481,894
Bonds and deposits	<b>11,143,581</b>	9,963,823
Non-trade receivables	<b>8,119,558</b>	9,865,867
Input tax	<b>5,846,949</b>	4,162,222
Receivables from banks	<b>5,732,802</b>	5,406,748
Derivative assets (Note 29)	<b>1,617,864</b>	781,955
Uniform and supplies inventory	<b>1,573,029</b>	1,032,107
Accrued interest receivable (Note 21)	<b>566,974</b>	370,945
Escrow fund (Notes 16 and 21)	-	335,583
Others	<b>317,345</b>	2,452,898
	<b>₱54,799,192</b>	₱52,854,042

- 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.
- Non-trade receivables include interest-bearing advances to third parties which are normally collectible within the next financial year (see Note 24).
- Receivables from banks are noninterest-bearing and are normally collectible on 30- to 90-day terms.
- 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:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱305,072,026</b>	₱297,433,006
Additions	<b>73,500</b>	358,120
Business combination (Note 5)	<b>(535,945)</b>	(9,265,436)
Reclassifications	-	(12,427)
Equity in net earnings	<b>35,825,734</b>	26,768,811
Dividends received and others	<b>(7,103,684)</b>	(6,142,209)
Share in other comprehensive loss of associate companies	<b>(4,336,268)</b>	(4,184,715)
Allowance for impairment loss	<b>(740,000)</b>	-
Translation adjustment	<b>16,173</b>	116,876
<b>Balance at end of year</b>	<b>₱328,271,536</b>	₱305,072,026

\* Investment in associate companies amounted to ₱318.5 billion and ₱295.7 billion as at December 31, 2022 and 2021, respectively.

The Group regularly tests for impairment of its investments comparing the expected cash flows against the carrying values. The Group recognized impairment losses of ₱740.0 million in 2022, nil in 2021 and ₱1.0 billion in 2020.

The recoverable amount of investments in associate companies is determined based on the fair value less costs of disposal and/or value-in-use calculations using the cash flow projections from the financial budgets approved by senior management.

The calculation of value-in-use is sensitive to the following assumptions:

- a. *Revenues.* Revenue forecasts are management's best estimates considering factors such as index growth to market, customer projections and economic factors. The revenue growth rates used in the cash flow projections ranged from 2.3% to 5.7%.
- b. *Pre-tax discount rates.* Discount rates reflect the current market assessment of the risks 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 entity for which future estimates of cash flows have not been adjusted. Pre-tax discount rates applied to cash flow projections ranged from 9.9% to 12.2% and 10.5% to 12.6% as at December 31, 2022 and 2021, respectively.



The associate companies and joint ventures of the Group follow:

Company	Percentage of Ownership				Principal Activities
	2022		2021		
	Gross	Effective	Gross	Effective	
<b>Associates</b>					
BDO	47	45	47	45	Financial services
China Bank	23	23	23	23	Financial services
Belle	27	26	27	26	Real estate development and tourism
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	33	13	Retail
CityMall Commercial Centers, Inc.	34	34	34	34	Real estate development and tourism
PLC	5	5	5	5	Gaming
Ortigas Land Corporation (formerly OCLP Holdings, Incorporated)	40	20	40	20	Real estate development
Feihua Real Estate (Chongqing) Company Ltd. (FREC)	50	25	50	25	Real estate development
Fitness Health & Beauty Holdings Corp.	40	31	40	31	Retail
Premier Shoes Distribution Corp.	49	38	49	38	Retail
Ecco Philippines, Inc.	50	39	50	39	Retail
Andwil Corporation	50	20	50	20	Retail
Neo Associates <sup>(a)</sup>	34	34	34	34	Real estate development
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. (Note 5)	-	-	35	35	Investment
MCCP Transport Philippines, Inc.	33	18	33	18	Integrated supply chain
Mober Technology PTE Inc.	-	-	50	26	Integrated supply chain
Clarmil Manufacturing Incorporated	42	31	42	31	Bakery products and other food items
Three Bears Group Holdings Corporation	35	26	35	26	Bakery products and other food items
<b>Joint Ventures</b>					
Waltermart Mall <sup>(b)</sup>	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
Kerry Logistics (Phils), Inc.	49	26	49	26	Integrated supply chain

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

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

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

## BDO

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

	2022	2021
	<i>(In Millions)</i>	
Total assets	<b>₱4,074,708</b>	₱3,623,749
Total liabilities	<b>3,613,251</b>	3,199,201
Total equity	<b>461,457</b>	424,548
Proportion of the Group's ownership	<b>45%</b>	45%
	<b>209,046</b>	192,403
Goodwill and others	<b>26,800</b>	27,341
Carrying amount of the Group's investment	<b>₱235,846</b>	₱219,744



	2022	2021	2020
	<i>(In Millions)</i>		
Interest income	<b>₱169,071</b>	₱144,879	₱157,031
Interest expense	<b>(19,839)</b>	(13,533)	(23,331)
Other expenses - net	<b>(91,998)</b>	(88,491)	(105,446)
Net income after tax	<b>57,234</b>	42,855	28,254
Other comprehensive loss	<b>(9,861)</b>	(5,810)	(725)
<b>Total comprehensive income</b>	<b>₱47,373</b>	₱37,045	₱27,529
<b>Group's share in net income</b>	<b>₱26,684</b>	₱20,019	₱13,208
<b>Group's share in other comprehensive income (loss)</b>	<b>(₱5,599)</b>	(₱5,405)	₱4,325

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

	2022	2021	2020
	<i>(In Millions)</i>		
Share in net income	<b>₱9,142</b>	₱6,750	₱3,828
Share in other comprehensive income (loss)	<b>1,263</b>	1,220	(1,062)
<b>Share in total comprehensive income</b>	<b>₱10,405</b>	₱7,970	₱2,766

The fair value of investments in associate companies which are listed in the PSE follows:

	2022	2021
	<i>(In Thousands)</i>	
BDO	<b>₱278,929,105</b>	₱263,000,272
China Bank	<b>16,626,418</b>	15,748,155
Belle	<b>3,177,784</b>	3,516,400
Atlas	<b>4,412,417</b>	7,479,289
PLC	<b>12,568,534</b>	11,377,831

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



14. Property and Equipment

The movements in this account follow:

Cost	Land	Buildings and Improvements	Store Equipment and Improvements	Data Processing Equipment	Furniture, Fixtures and Office Equipment	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Vessels in Operation	Containers and Reefer Vans	Construction in Progress	Total
As at December 31, 2020 (As Restated)	P-	P15,403,136	P4,173,568	P8,908,732	P11,050,626	P13,225,019	P21,088,146	P1,055,873	P-	P-	P7,251,222	P82,156,322
Additions	73,712	3,778,529	273,618	1,126,989	760,423	1,065,265	1,331,713	50,369	516,381	26,093	4,282,963	13,286,055
Effect of business combination (Note 5)	1,655,830	581,758	195,673	15,569	255,995	565,060	314,384	119,112	8,292,637	345,843	140,097	12,482,158
Reclassifications	-	58,852	(1,966,055)	45,010	(167,670)	2,379,115	2,589,222	(20,317)	-	-	(6,610,870)	(3,692,713)
Translation adjustment	-	-	-	-	-	112,869	-	-	-	-	156,253	269,122
Disposals/retirements	(77)	(77)	(15,861)	(65,324)	(114,689)	(45,846)	(352,804)	(8,100)	(305,905)	(251,286)	(251,286)	(1,159,892)
As at December 31, 2021 (As Restated)	1,729,542	19,822,198	2,660,943	10,030,976	11,784,685	17,301,482	24,970,861	1,196,937	8,503,113	371,936	4,968,379	103,341,052
Additions	-	677,187	266,706	933,079	717,278	860,925	1,574,090	51,805	464,728	915	4,131,290	9,678,005
Effect of business combination (Note 5)	-	21,616	-	16,984	38,000	12	140	54,148	-	-	-	130,900
Reclassifications	(9,948)	(504,734)	745,623	216,471	579,419	3,855,706	4,964,147	443,187	7,027,236	1,253,911	(4,276,055)	14,294,963
Translation adjustment	-	-	-	-	-	(160,203)	-	-	-	-	(52,448)	(212,651)
Disposals/retirements	(800)	(123,520)	(323,995)	(574,911)	(508,219)	(401,475)	(1,202,034)	(88,822)	(1,287,520)	(1,727)	(4,513,023)	(4,513,023)
As at December 31, 2022	P1,718,794	P19,892,747	P3,349,277	P10,622,599	P12,611,163	P21,456,447	P30,307,204	P1,657,255	P14,707,557	P1,625,035	P4,771,166	P122,219,244

(In Thousands)

Accumulated Depreciation and Amortization	Land	Buildings and Improvements	Store Equipment and Improvements	Data Processing Equipment	Furniture, Fixtures and Office Equipment	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Vessels in Operation	Containers and Reefer Vans	Construction in Progress	Total
As at December 31, 2020 (As Restated)	P-	P7,211,624	P3,201,690	P7,430,359	P9,650,337	P8,709,940	P15,061,073	P654,688	P-	P-	P-	P51,899,711
Depreciation and amortization	-	588,297	218,853	756,204	808,175	1,216,137	1,577,809	100,782	1,077,060	44,531	-	6,387,848
Reclassifications	-	(8,879)	(1,507,780)	(2,947)	(5,488)	(26,363)	1,711,919	(13,003)	-	-	-	1,47,459
Translation adjustment	-	-	-	-	-	36,137	-	-	-	-	-	36,137
Disposals/retirements	(77)	(77)	(9,724)	(62,809)	(95,174)	(39,065)	(329,950)	(4,827)	-	-	-	(541,626)
As at December 31, 2021 (As Restated)	-	7,790,965	1,903,039	8,120,807	10,337,850	9,896,786	18,020,851	737,640	1,077,060	44,531	-	57,929,529
Depreciation and amortization	-	787,373	233,359	726,437	785,672	1,374,376	1,471,704	112,868	1,010,940	59,037	-	6,561,766
Reclassifications	-	(698,684)	802,480	106,132	(642,658)	1,434,083	4,941,874	453,730	7,020,331	1,308,505	-	14,725,793
Translation adjustment	-	-	-	-	-	(34,499)	-	-	-	-	-	(34,499)
Disposals/retirements	-	(122,875)	(315,148)	(565,611)	(480,809)	(11,110,122)	-	(84,699)	(1,245,888)	(2,181)	-	(4,324,359)
As at December 31, 2022	P-	P7,756,779	P2,623,730	P8,387,765	P10,000,055	P12,253,720	P23,324,307	P1,219,539	P7,862,443	P1,409,892	P-	P74,838,230

As at December 31, 2022 and 2021, a passenger cargo-ship was used as collateral for a subsidiary's long-term debt (see Note 19).



Net Book Value	As at December 31, 2022	As at December 31, 2021 (As Restated)
	P1,718,794	P12,135,968
	1,729,542	12,031,233
	P725,547	P757,904
	P2,234,834	1,910,169
	P2,611,108	1,446,835
	P9,202,727	7,404,696
	P6,982,897	6,950,010
	P437,716	439,297
	P6,845,114	7,426,053
	P215,143	327,405
	P4,771,166	4,968,379
	P47,881,014	45,411,523

## 15. Investment Properties

The movements in this account follow:

	Land Held for Future Development	Land and Improvements	Buildings and Leasehold Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
<i>(In Thousands)</i>						
<b>Cost</b>						
As at December 31, 2020 (As Restated)	₱75,622,199	₱77,902,299	₱266,107,008	₱44,970,427	₱70,960,934	₱535,562,867
Additions	10,389,753	6,248,816	2,076,809	1,868,856	21,571,340	42,155,574
Reclassifications (Note 11)	(3,703,930)	(937,539)	12,948,381	1,480,656	(16,339,759)	(6,552,191)
Translation adjustment	–	151,173	3,718,179	292,203	617,031	4,778,586
Disposals	(189,848)	(139,625)	(236)	(310,873)	–	(640,582)
As at December 31, 2021 (As Restated)	82,118,174	83,225,124	284,850,141	48,301,269	76,809,546	575,304,254
Additions	3,207,518	2,382,608	2,360,096	2,389,145	23,651,068	33,990,435
Effect of business combination	–	168,530	15,912	639,737	528,338	1,352,517
Reclassifications (Note 11)	(1,461,375)	2,221,280	26,542,114	4,033,427	(32,511,422)	(1,175,976)
Translation adjustment	–	14,239	344,383	27,723	84,967	471,312
Disposals	(17,590)	(299,145)	(156,421)	(46,618)	–	(519,774)
<b>As at December 31, 2022</b>	<b>₱83,846,727</b>	<b>₱87,712,636</b>	<b>₱313,956,225</b>	<b>₱55,344,683</b>	<b>₱68,562,497</b>	<b>₱609,422,768</b>
<b>Accumulated Depreciation, Amortization and Impairment Loss</b>						
As at December 31, 2020 (As Restated)	₱–	₱2,603,882	₱68,028,828	₱29,463,433	₱–	₱100,096,143
Depreciation and amortization	–	281,520	7,695,570	2,589,460	–	10,566,550
Reclassifications	–	–	9,384	(9,728)	–	(344)
Translation adjustment	–	90,772	837,982	183,511	–	1,112,265
Disposals	–	(59,694)	(167)	(175,873)	–	(235,734)
As at December 31, 2021 (As Restated)	–	2,916,480	76,571,597	32,050,803	–	111,538,880
Depreciation and amortization	–	364,563	8,386,686	3,386,346	–	12,137,595
Reclassifications	–	(560)	(41,940)	(26,795)	–	(69,295)
Translation adjustment	–	7,652	71,693	15,935	–	95,280
Disposals	–	(161,310)	(60,358)	(40,325)	–	(261,993)
<b>As at December 31, 2022</b>	<b>₱–</b>	<b>₱3,126,825</b>	<b>₱84,927,678</b>	<b>₱35,385,964</b>	<b>₱–</b>	<b>₱123,440,467</b>
<b>Net Book Value</b>						
As at December 31, 2022	₱83,846,727	₱84,585,811	₱229,028,547	₱19,958,719	₱68,562,497	₱485,982,301
As at December 31, 2021 (As Restated)	82,118,174	80,308,644	208,278,544	16,250,466	76,809,546	463,765,374

Rent income from investment properties, which is primarily attributable to SM Prime, amounted to ₱47.9 billion, ₱28.5 billion and ₱25.8 billion in 2022, 2021 and 2020, respectively. The corresponding direct operating expenses amounted to ₱25.3 billion, ₱18.9 billion and ₱19.6 billion in 2022, 2021 and 2020, respectively.

Construction in progress includes construction costs incurred for new shopping malls, commercial building and redevelopment of existing malls amounting to ₱67.1 billion and ₱74.5 billion as at December 31, 2022 and 2021, respectively.

Portions of investment properties located in China amounting to ₱1.6 billion and ₱1.9 billion as at December 31, 2022 and 2021, respectively, are used as collateral to secure domestic borrowings (see Note 19).

The outstanding construction contracts with various contractors amounted to ₱18.5 billion and ₱18.7 billion as at December 31, 2022 and 2021, respectively, inclusive of overhead, cost of labor and materials and all other costs necessary for the proper execution of works.

Interest capitalized to the construction of investment properties amounted to ₱4.8 billion and ₱4.0 billion as at December 31, 2022 and 2021, respectively. Capitalization rates used range from 2.4% to 5.2% in 2022 and 2.4% to 4.6% in 2021.



As at December 31, 2022, the fair value of substantially all investment properties amounting to P2.1 trillion 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 Market Approach and 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 8.0% to 9.0% with an average growth of 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.

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## 16. Intangibles and Other Noncurrent Assets

### Intangible Assets

This account consists of:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Goodwill	<b>P34,320,712</b>	P33,910,173
Less accumulated impairment loss	<b>172,213</b>	138,787
Net book value	<b>34,148,499</b>	33,771,386
Trademarks, brand names and copyright	<b>6,128,850</b>	6,988,491
	<b>P40,277,349</b>	P40,759,877

Goodwill is attributable mainly to SM Prime, Supervalu, Inc., Neo Subsidiaries, Waltermart Supermarket, Incorporated, PULSI, 2GO, GBI and PGPC (see Note 5).

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 2022, the carrying amount of P857.8 million has been fully amortized and 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 3.0% to 4.0%.
- 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 12.1% to 18.4% and 8.2% to 12.9% as at December 31, 2022 and 2021, respectively.

*Fair value less cost of disposal.* The fair value of the CGUs were in reference to the available market price for quoted instruments less cost of disposal.

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 2022 and 2021 to materially exceed its recoverable amount.

Other Noncurrent Assets

This account consists of:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Bonds and deposits	<b>₱56,129,963</b>	₱59,650,665
Receivables from real estate buyers* (Note 10)	<b>48,929,523</b>	49,518,978
Derivative assets (Note 29)	<b>8,508,965</b>	965,006
Deferred tax assets (Note 26)	<b>5,209,746</b>	4,876,528
Deferred input VAT	<b>1,941,985</b>	2,301,570
Escrow fund (Notes 12 and 21)	<b>621,490</b>	132,460
Land use rights	<b>324,770</b>	353,626
Defined benefit asset (Note 25)	<b>129,034</b>	753,637
Long-term notes (Notes 21 and 29)	-	5,371,668
Others	<b>2,488,241</b>	1,631,260
	<b>₱124,283,717</b>	₱125,555,398

\* 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 loan has been collected in full as of December 31, 2022.



- 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.

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## 17. Bank Loans

This account consists of:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Parent Company -		
Peso-denominated loans	<b>₱9,995,000</b>	₱13,015,000
Subsidiaries:		
Peso-denominated loans	<b>8,394,000</b>	10,269,746
China Yuan renminbi-denominated loans	<b>2,422,524</b>	3,882,427
	<b>₱20,811,524</b>	₱27,167,173

These unsecured loans bear interest ranging from 1.4% to 7.9% in 2022 and 1.0% to 4.5% in 2021.

These loans have maturities of less than one year. Interest on bank loans is disclosed in Note 24.

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## 18. Accounts Payable and Other Current Liabilities

This account consists of:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Trade	<b>₱100,815,157</b>	₱88,828,008
Accrued expenses	<b>22,405,137</b>	18,883,648
Nontrade	<b>13,825,974</b>	10,834,553
Tenants and customers’ deposits*	<b>13,703,779</b>	19,206,350
Payables to government agencies	<b>7,437,350</b>	6,388,749
Payable arising from acquisition of land	<b>4,548,755</b>	7,918,778

*(Forward)*



	2022	2021 (As Restated - Note 5)
<i>(In Thousands)</i>		
Accrued interest (Note 21)	<b>₱3,614,442</b>	₱3,086,975
Dividends payable	<b>3,197,523</b>	3,110,847
Lease liabilities (Note 27)	<b>3,152,827</b>	2,590,432
Subscriptions payable	<b>1,966,477</b>	1,966,477
Due to related parties (Note 21)	<b>941,000</b>	872,591
Gift checks redeemable and others	<b>6,353,287</b>	4,756,652
	<b>₱181,961,708</b>	₱168,444,060

\* Includes unearned revenues from shipping and logistics of ₱48.9 million and ₱59.5 million as at December 31, 2022 and 2021, respectively, and unearned revenues from sale of real estate of ₱5.5 billion and ₱6.1 billion as at December 31, 2022 and 2021, respectively.

- 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 twelve months. Details follow:

	2022	2021 (As Restated - Note 5)
<i>(In Thousands)</i>		
Payable to contractors	<b>₱7,979,543</b>	₱7,153,158
Utilities	<b>2,495,739</b>	2,885,190
Co-loading termination cost	<b>713,297</b>	1,194,687
Salaries and wages	<b>451,244</b>	924,780
Marketing and advertising and others	<b>10,765,314</b>	6,725,833
	<b>₱22,405,137</b>	₱18,883,648

- 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 represent 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 2022 and 2021, revenue recognized from unearned revenue from sales of real estate at the beginning of the year amounted to ₱4.3 billion and ₱1.5 billion, respectively.
- Payables to government agencies mainly consist of output tax which is normally settled within the next financial year.
- Payable arising from acquisition of land is expected to be settled within the next financial year.
- The terms and conditions relating to Due to related parties are discussed in Note 21.
- Gift checks are redeemable at face value.





Repayment Schedule

The repayment schedule of long-term debt as at December 31, 2022 follows:

	Gross Debt	Debt Issue Cost	Net
	<i>(In Thousands)</i>		
Within 1 year	₱87,813,645	₱766,432	₱87,047,213
Over 1 year to 5 years	350,468,506	1,752,006	348,716,500
Over 5 years	49,323,428	190,224	49,133,204
	<b>₱487,605,579</b>	<b>₱2,708,662</b>	<b>₱484,896,917</b>

Covenants

The long-term debt of the Group is covered with certain covenants including adherence to financial ratios. As at December 31, 2022 and 2021, the Group is in compliance with the terms of its debt covenants with the exception of 2GO, which is covered with a waiver from its creditor bank.

**20. Equity**

Capital Stock

a. Common stock

	Number of Shares	
	2022	2021
		(As Restated - Note 5)
Authorized - ₱10 par value per share	<b>2,790,000,000</b>	2,790,000,000
Issued and subscribed	<b>1,226,114,578</b>	1,204,582,867

As at December 31, 2022 and 2021, 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

(Forward)



Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/Offer Price
June 24 and July 12, 2013 (25.0% stock dividends)		157,657,314	₱10
July 18, 2013 to November 1, 2013 Conversion of convertible bonds		738,483	625
August 1, 2013		7,250,000	900
August 27, 2014 Conversion of convertible bonds		68,378	625
January 15, 2015 to April 9, 2015 Conversion of convertible bonds		6,714,759	625
July 15, 2016	1,600,000,000		10
July 20, 2016 (50.0% stock dividends)		401,527,462	10
August 1, 2022 (merger)		21,531,471	904
August 3, 2022		240	10

The total number of shareholders of the Company is 1,251 and 1,261 as at December 31, 2022 and 2021, respectively.

b. Redeemable preferred shares

	Number of Shares	
	2022	2021
		(As Restated - Note 5)
Authorized - ₱10 par value per share	<b>10,000,000</b>	10,000,000

There are no issued and subscribed preferred shares as at December 31, 2022 and 2021.

Equity Adjustments from Common Control Transactions

Equity adjustments from common control transactions include the following:

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

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		P27,000,000
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
Reversal	November 10, 2021	(37,000,000)
Addition	November 10, 2021	37,000,000

Retained earnings appropriated as at December 31, 2022 is intended for the payment of certain long-term debts and new investments as follows:

	Timeline	Amount
		<i>(In Thousands)</i>
Debt service	2023 - 2024	P27,000,000
Investments	2023 - 2024	10,000,000
		<b>P37,000,000</b>

• Unappropriated

The Parent Company's cash dividend declarations in 2022 and 2021 follow:

Declaration Date	Record Date	Payment Date	Per Share	Total
				<i>(In Thousands)</i>
<b>April 27, 2022</b>	<b>May 13, 2022</b>	<b>May 26, 2022</b>	<b>P6.25</b>	<b>P7,528,643</b>
April 28, 2021	May 13, 2021	May 27, 2021	4.25	5,119,477

Unappropriated retained earnings include the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to P335.3 billion and P285.3 billion as at December 31, 2022 and 2021, 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 P34.5 billion, P30.4 billion and P17.3 billion as at December 31, 2022, 2021 and 2020, respectively.



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## 21. 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 Group has a policy that requires approval of related party transactions by the Related Party Transactions Committee of the BOD when these breach certain limits and/or when these are not of a usual nature.

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 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 CCC which has been collected in full as of December 31, 2022 (see Notes 16 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
	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)	2022	2021 (As Restated - Note 5)		
<i>(In Thousands)</i>							
<b>Banking Group</b>							
Cash placement and investment in marketable securities	P-	P-	P-	<b>₱121,312,088</b>	₱69,956,870	Interest-bearing	Unsecured; no impairment
Interest receivable	-	-	-	<b>242,663</b>	56,328	-	-
Interest income	<b>2,084,329</b>	1,186,798	1,645,142	-	-	-	-
Interest-bearing debt	-	-	-	<b>67,368,704</b>	65,788,251	Interest-bearing	Unsecured
Interest payable	-	-	-	<b>352,951</b>	227,503	-	-
Interest expense	<b>2,753,606</b>	2,388,269	2,217,922	-	-	-	-
Rent receivable	-	-	-	<b>148,221</b>	115,722	Noninterest-bearing	Unsecured; no impairment
Rent income	<b>1,142,575</b>	692,948	466,976	-	-	-	-
Receivable financed	-	358,861	7,170,156	-	-	Without recourse	Unsecured
Dividends receivable	-	-	-	<b>150,403</b>	-	Noninterest-bearing	Unsecured; no impairment
Bonds and deposits	-	-	-	-	17,849,650	Interest-bearing 4.5%	Unsecured; no impairment
Royalty and service fee receivable	-	-	-	<b>8,441</b>	8,441	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee income	<b>124,260</b>	47,481	15,478	-	-	-	-
Escrow fund	-	-	-	<b>621,490</b>	298,044	Interest-bearing	Unsecured; no impairment
<b>Retail and Other Entities</b>							
Rent receivable	-	-	-	<b>363,053</b>	265,241	Noninterest-bearing	Unsecured; no impairment
Rent income	<b>1,945,309</b>	1,062,811	937,306	-	-	-	-
Royalty and service fee receivable	-	-	-	<b>2,234,281</b>	1,951,068	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee income	<b>2,056,294</b>	1,642,340	1,448,870	-	-	-	-
Due from related parties	-	-	-	<b>176,806</b>	442,712	Noninterest-bearing	Unsecured; no impairment
Due to related parties	-	-	-	<b>941,000</b>	872,591	Noninterest-bearing	Unsecured
Interest receivable	-	-	-	-	8,244	Noninterest-bearing	Unsecured
Interest income	<b>237,830</b>	352,192	362,183	-	-	-	-
Dividends receivable	-	-	-	<b>357,400</b>	329,800	-	-
Notes receivable	-	-	-	-	5,371,668	Interest-bearing 5.4 %	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 2022, 2021 and 2020 consist of short-term employee benefits amounting to ₱3.7 billion, ₱3.2 billion and ₱3.3 billion, respectively, and post-employment benefits amounting to ₱536.4 million, ₱503.0 million and ₱587.4 million, respectively.



## 22. Other Revenues

This account consists of:

	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
	<i>(In Thousands)</i>		
Sales - processed food and others	<b>₱24,604,593</b>	₱12,810,015	₱2,973,797
Shipping, logistics and other services	<b>14,111,385</b>	5,656,887	-
Royalty and service fees	<b>5,385,324</b>	4,394,077	3,936,537
Cinema, ticket sales, amusement and others	<b>4,216,516</b>	498,924	1,095,445
Food and beverage	<b>1,786,358</b>	611,751	438,755
Dividends	<b>1,177,340</b>	586,703	430,697
Others	<b>11,131,209</b>	11,579,170	7,583,473
	<b>₱62,412,725</b>	₱36,137,527	₱16,458,704

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

## 23. Selling, General and Administrative Expenses

This account consists of:

	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
	<i>(In Thousands)</i>		
Personnel cost (Note 21)	<b>₱26,985,857</b>	₱22,887,305	₱24,832,719
Depreciation and amortization (Notes 14, 15, 16 and 27)	<b>21,740,973</b>	19,799,590	18,994,822
Utilities	<b>21,322,071</b>	15,685,288	14,769,462
Outside services	<b>9,308,035</b>	8,424,616	8,180,283
Taxes and licenses	<b>8,442,897</b>	8,664,108	9,275,878
Provisions (reversal of provisions) – net	<b>5,099,217</b>	(3,982,227)	1,620,430
Marketing and selling	<b>4,878,288</b>	4,263,815	3,826,199
Repairs and maintenance	<b>4,742,393</b>	3,789,946	2,984,440
Rent (Note 27)	<b>3,323,087</b>	1,200,679	1,114,634
Supplies	<b>2,160,812</b>	1,742,850	1,577,357
Pension (Note 25)	<b>1,270,890</b>	1,253,169	1,320,623
Transportation and travel	<b>1,127,112</b>	772,406	790,019
Data processing	<b>1,089,862</b>	827,128	600,271
Insurance	<b>1,030,217</b>	877,686	953,742
Professional fees	<b>611,972</b>	200,515	379,955
Communications	<b>424,978</b>	311,256	313,823
Donations	<b>422,070</b>	208,482	311,308
Royalty and service fees (Note 21)	<b>371,672</b>	173,467	145,011
Entertainment, representation and amusement	<b>363,619</b>	372,204	382,134
Remeasurement loss (Note 5)	<b>310,152</b>	7,358,144	-
Others	<b>5,525,527</b>	3,356,306	3,348,382
	<b>₱120,551,701</b>	₱98,186,733	₱95,721,492



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

#### 24. Interest Income and Interest Expense

The sources of interest income and interest expense follow:

	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
<i>(In Thousands)</i>			
Interest income on:			
Time deposits and other noncurrent assets (Notes 8 and 16)	<b>₱1,174,464</b>	₱797,300	₱713,811
Cash in banks and temporary investments (Note 7)	<b>1,664,890</b>	933,399	1,468,634
Others (Note 12)	<b>203,016</b>	472,652	270,202
	<b>₱3,042,370</b>	₱2,203,351	₱2,452,647
Interest expense on:			
Long-term debt (Note 19)	<b>₱18,330,649</b>	₱16,210,283	₱15,229,964
Lease liabilities (Note 27)	<b>2,029,583</b>	2,002,343	1,085,442
Bank loans (Note 17)	<b>1,152,710</b>	859,702	1,886,289
Others	<b>34,128</b>	66,443	213,660
	<b>₱21,547,070</b>	₱19,138,771	₱18,415,355

#### 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” and “Cost of services”) consists of:

	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
<i>(In Thousands)</i>			
Current service cost	<b>₱1,301,442</b>	₱1,330,146	₱1,206,612
Net settlement loss (gain)	<b>(238)</b>	2,573	(2,923)
Net interest cost	<b>211,071</b>	120,256	225,091
Past service cost - curtailment	<b>(1,931)</b>	(14,120)	(6,526)
	<b>₱1,510,344</b>	₱1,438,855	₱1,422,254



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>				
<b>As at December 31, 2020 (As Restated - Note 5)</b>	<b>₱9,457,125</b>	<b>₱6,721,913</b>	<b>₱-</b>	<b>₱2,735,212</b>
Net benefit expense (Note 23):				
Current service cost	1,020,314	-	-	1,020,314
Settlement loss	2,573	-	-	2,573
Net interest cost	407,848	275,971	120	131,997
Past service cost - curtailment	(10,072)	-	-	(10,072)
	<b>1,420,663</b>	<b>275,971</b>	<b>120</b>	<b>1,144,812</b>
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	-	44,017	-	(44,017)
Actuarial changes arising from:				
Changes in financial assumptions	(796,857)	-	-	(796,857)
Changes in demographic assumptions	(26,608)	-	-	(26,608)
Experience adjustment	920,775	-	-	920,775
Others	-	-	(120)	(120)
	<b>97,310</b>	<b>44,017</b>	<b>(120)</b>	<b>53,173</b>
Reclassifications from defined benefit assets	(834,319)	(108,961)	-	(725,358)
Effect of common control business combination	1,928,359	758,160	-	1,170,199
Actual contributions	-	528,023	-	(528,023)
Benefits paid	(1,282,806)	(1,277,900)	-	(4,906)
Transfer to related parties	1,993	5,116	-	(3,123)
Other adjustments	(2,704)	(122)	-	(2,582)
<b>As at December 31, 2021 (As Restated - Note 5)</b>	<b>10,785,621</b>	<b>6,946,217</b>	<b>-</b>	<b>3,839,404</b>
Net benefit expense (Note 23):				
Current service cost	<b>1,134,684</b>	-	-	<b>1,134,684</b>
Settlement loss	(238)	-	-	(238)
Net interest cost	<b>616,437</b>	<b>385,348</b>	<b>487</b>	<b>231,576</b>
	<b>1,750,883</b>	<b>385,348</b>	<b>487</b>	<b>1,366,022</b>
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	-	(629,290)	-	629,290
Actuarial changes arising from:				
Changes in financial assumptions	337,384	-	-	337,384
Changes in demographic assumptions	(89,477)	-	-	(89,477)
Experience adjustment	82,702	-	-	82,702
Others	-	-	(487)	(487)
	<b>330,609</b>	<b>(629,290)</b>	<b>(487)</b>	<b>959,412</b>
Reclassifications from defined benefit assets	487,604	1,057,443	-	(569,839)
Effect of common control business combination	72,559	38,624	-	33,935
Actual contributions	-	893,372	-	(893,372)
Benefits paid	(1,032,300)	(1,025,000)	-	(7,300)
Transfer to related parties	7,688	7,688	-	-
Other adjustments	291,739	152,739	-	139,000
<b>As at December 31, 2022</b>	<b>₱12,694,403</b>	<b>₱7,827,141</b>	<b>₱-</b>	<b>₱4,867,262</b>



▪ 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>				
<b>As at December 31, 2020 (As Restated - Note 5)</b>	<b>₱2,741,347</b>	<b>₱3,350,462</b>	<b>₱62,600</b>	<b>(₱546,515)</b>
Net benefit expense (Note 23):				
Current service cost	309,832	–	–	309,832
Net interest cost	119,971	132,379	668	(11,740)
Past service cost - curtailment	(4,048)	–	–	(4,048)
	425,755	132,379	668	294,044
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	–	21,473	–	(21,473)
Actuarial changes arising from:				
Changes in financial assumptions	(464,387)	–	–	(464,387)
Changes in demographic assumptions	(176)	–	–	(176)
Experience adjustment	(168,812)	–	–	(168,812)
Others	–	–	8,550	8,550
	(633,375)	21,473	8,550	(646,298)
Reclassifications from defined benefit liabilities	423,823	123,921	–	299,902
Actual contributions	–	149,118	–	(149,118)
Benefits paid	(210,465)	(210,284)	–	(181)
Transfer from the plan	(106)	(106)	–	–
Amount not recognized due to asset limit	–	–	71,824	71,824
Other adjustments	(5,471)	–	(71,824)	(77,295)
<b>As at December 31, 2021 (As Restated - Note 5)</b>	<b>2,741,508</b>	<b>3,566,963</b>	<b>71,818</b>	<b>(753,637)</b>
Net benefit expense (Note 23):				
Current service cost	166,758	–	–	166,758
Net interest cost	88,378	111,836	2,953	(20,505)
Past service cost - curtailment	(1,931)	–	–	(1,931)
	253,205	111,836	2,953	144,322
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	–	(184,558)	–	184,558
Actuarial changes arising from:				
Changes in financial assumptions	(24,672)	–	–	(24,672)
Changes in demographic assumptions	18,998	–	–	18,998
Experience adjustment	173,154	–	–	173,154
Others	–	–	(37,208)	(37,208)
	167,480	(184,558)	(37,208)	314,830
Reclassifications from defined benefit liabilities	(920,684)	(1,253,538)	–	332,854
Effect of common control business combination	(140,110)	(87,700)	–	(52,410)
Actual contributions	–	105,869	–	(105,869)
Benefits paid	(135,908)	(135,875)	–	(33)
Transfer from the plan	(20,323)	(11,232)	–	(9,091)
Amount not recognized due to asset limit	–	–	37,571	37,571
Other adjustments	–	–	(37,571)	(37,571)
<b>As at December 31, 2022</b>	<b>₱1,945,168</b>	<b>₱2,111,765</b>	<b>₱37,563</b>	<b>(₱129,034)</b>

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

	2022	2021 (As Restated - Note 5)
Discount rate	3.3% - 7.3%	3.3% - 5.6%
Future salary increases	2.0% - 8.0%	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:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Cash and cash equivalents	<b>₱203,812</b>	₱123,290
Investment in debt and other securities	<b>1,806,677</b>	1,851,655
Investment in common trust funds	<b>4,089,437</b>	3,961,750
Investment in equity securities	<b>480,191</b>	462,969
Investment in government securities	<b>3,314,714</b>	3,866,776
Others	<b>44,075</b>	246,740
	<b>₱9,938,906</b>	₱10,513,180

- 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 2.9% to 8.0% and 2.6% to 7.5% in 2022 and 2021, respectively. These have maturities from February 2023 to December 2029 and April 2022 to December 2028 in 2022 and 2021, 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 2.1% to 11.9% and 2.4% to 11.9% in 2022 and 2021, respectively. These bonds have maturities from May 2023 to April 2028 and January 2022 to August 2028 in 2022 and 2021, 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:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Balances:		
Cash and cash equivalents	<b>₱203,812</b>	₱123,290
Investment in common trust funds	<b>4,089,437</b>	3,961,750
Transactions:		
Interest income from cash and cash equivalents	<b>1,005</b>	99,689
Net loss from investment in common trust funds	<b>(135,180)</b>	-

The Group expects to contribute about ₱1.4 billion to its Pension Plan in 2023.



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, 2022 and 2021, with all other assumptions held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation <i>(In Thousands)</i>
<b>2022</b>		
<b>Discount rates</b>	<b>50</b>	<b>(P952,813)</b>
	<b>(50)</b>	<b>1,093,466</b>
<b>Future salary increases</b>	<b>100</b>	<b>1,264,920</b>
	<b>(100)</b>	<b>(1,110,952)</b>
<b>No attrition rate</b>	<b>-</b>	<b>1,376,099</b>
<b>2021</b>		
Discount rates	50	(P821,162)
	(50)	887,483
Future salary increases	100	1,132,713
	(100)	(986,695)
No attrition rate	-	1,221,597

The average duration of the Group's defined benefit obligation is 3 to 32 years in 2022 and 2021.

The maturity analysis of the undiscounted benefit payments follows:

	<b>2022</b>	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Year 1	<b>P3,905,116</b>	P2,497,152
Year 2	<b>1,260,971</b>	1,224,120
Year 3	<b>1,672,538</b>	1,574,773
Year 4	<b>1,898,062</b>	1,786,267
Year 5	<b>1,928,047</b>	1,869,904
Year 6 -10	<b>13,971,753</b>	12,476,940

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:

	2022	2021 (As Restated - Note 5)
<i>(In Thousands)</i>		
Deferred tax assets:		
Lease liabilities	<b>₱10,107,139</b>	₱9,413,916
Provision for doubtful accounts and others	<b>1,246,439</b>	1,101,657
Unamortized past service cost and defined benefit liability	<b>1,660,618</b>	1,219,342
NOLCO	<b>1,083,853</b>	1,547,244
Excess of fair values over cost of investment properties	<b>723,543</b>	755,221
MCIT	<b>544,532</b>	625,335
Accrued leases	<b>195,576</b>	130,648
	<b>15,561,700</b>	14,793,363
Deferred tax liabilities:		
ROU assets	<b>8,680,073</b>	7,955,496
Unrealized gross profit on sale of real estate	<b>8,896,471</b>	8,379,622
Appraisal increment on investment property	<b>4,494,557</b>	4,635,324
Capitalized interest	<b>3,259,706</b>	2,606,754
Trademarks and brand names	<b>1,470,771</b>	1,470,771
Excess of fair values over cost of equity instruments	<b>39,368</b>	63,805
Unamortized past service cost and defined benefit asset	<b>38,371</b>	76,797
Others	<b>270,499</b>	404,005
	<b>27,149,816</b>	25,592,574
Net deferred tax liabilities	<b>₱11,588,116</b>	₱10,799,211

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

	2022	2021 (As Restated - Note 5)
<i>(In Thousands)</i>		
Deferred tax assets	<b>₱5,209,746</b>	₱4,876,528
Deferred tax liabilities	<b>16,797,862</b>	15,675,739
	<b>(₱11,588,116)</b>	(₱10,799,211)

The unrecognized deferred tax assets from the deductible temporary differences and carryforward benefits of NOLCO and MCIT amounted to ₱3.4 billion and ₱3.7 billion as at December 31, 2022 and 2021, respectively.



Corporate Recovery and Tax Incentives for Enterprises Act

On March 26, 2021, the President of the Philippines signed into law Republic Act No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, which took effect on April 11, 2021. The CREATE Act introduces reforms to the corporate income tax and incentive systems by implementing changes to the current tax regulations. Some of these changes, which became effective beginning July 1, 2020, are as follows:

- Reduction in the RCIT rate from 30% to 20% for entities with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding the value of land on which the business entity’s office, plant and equipment are situated);
- Reduction in the RCIT from 30% to 25% for all other corporations;
- Reduction in the MCIT rate from 2% to 1% of gross income for 3 years or until June 30, 2023; and
- Repeal of the imposition of 10% improperly accumulated earnings tax (IAET).

The Group recognized in its consolidated financial statements as at and for the year ended December 31, 2021, a reduction in Provision for income tax (current and deferred), Deferred tax on comprehensive income directly charged to Equity and Deferred tax liabilities - net amounting to ₱1.1 billion, ₱17.9 million, and ₱1.1 billion, respectively, pertaining to the one-time impact of CREATE for the year ended December 31, 2020.

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

	2021	2020
	(As Restated - Note 5)	(As Restated - Note 5)
Statutory income tax rate	<b>25%</b>	30%
Income tax effect of reconciling items:		
Equity in net earnings of associate companies and joint ventures	(9)	(12)
Interest income subjected to final tax	(1)	(2)
Others	-	1
Effective income tax rate	<b>15%</b>	17%

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**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:

	2022	2021 (As Restated - Note 5)
	<i>(In Millions)</i>	
Within one year	<b>₱13,150</b>	₱9,141
Over one year to five years	<b>23,231</b>	18,963
Over five years	<b>6,310</b>	9,385
	<b>₱42,691</b>	₱37,489

*As Lessee.* The Group leases certain parcels of land where some of its malls are situated as well as retail store, office spaces, warehouses, containers, reefer vans, ISO tanks, cargo handling equipment, transportation equipment and container yards. The terms of the lease are for periods ranging from one 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:

	December 31, 2022		
	Retail Stores, Office Spaces, Warehouses and		
	Land Use Rights	Others	Total
	<i>(In Thousands)</i>		
<b>Cost</b>			
As at beginning of year	<b>₱26,952,441</b>	<b>₱27,339,351</b>	<b>₱54,291,792</b>
Additions	<b>1,138,124</b>	<b>3,710,101</b>	<b>4,848,225</b>
Translation adjustment	<b>106,771</b>	<b>6,249</b>	<b>113,020</b>
Reclassifications (Note 11)	<b>(1,280,292)</b>	<b>30,309</b>	<b>(1,249,983)</b>
Retirements	<b>–</b>	<b>(979,608)</b>	<b>(979,608)</b>
As at end of year	<b>26,917,044</b>	<b>30,106,402</b>	<b>57,023,446</b>
<b>Accumulated Depreciation and Amortization</b>			
As at beginning of year	<b>1,589,882</b>	<b>7,862,232</b>	<b>9,452,114</b>
Depreciation and amortization	<b>775,944</b>	<b>3,306,691</b>	<b>4,082,635</b>
Translation adjustment	<b>2,602</b>	<b>4,273</b>	<b>6,875</b>
Reclassifications	<b>–</b>	<b>76,558</b>	<b>76,558</b>
Retirements	<b>–</b>	<b>(733,544)</b>	<b>(733,544)</b>
As at end of year	<b>2,368,428</b>	<b>10,516,210</b>	<b>12,884,638</b>
<b>Net Book Value</b>	<b>₱24,548,616</b>	<b>₱19,590,192</b>	<b>₱44,138,808</b>



December 31, 2021 (As Restated - Note 5)			
	Retail Stores, Office Spaces and Warehouses		Total
	Land Use Rights		
<i>(In Thousands)</i>			
<b>Cost</b>			
As at beginning of year	P24,343,193	P23,619,884	P47,963,077
Additions	1,631,609	2,420,420	4,052,029
Effect of business combination (Note 5)	-	1,699,473	1,699,473
Translation adjustment	1,173,704	10,896	1,184,600
Retirements	(196,065)	(411,322)	(607,387)
As at end of year	26,952,441	27,339,351	54,291,792
<b>Accumulated Depreciation and Amortization</b>			
As at beginning of year	1,014,825	4,865,677	5,880,502
Depreciation and amortization	592,597	3,123,113	3,715,710
Translation adjustment	34,084	5,911	39,995
Retirements	(51,624)	(132,469)	(184,093)
As at end of year	1,589,882	7,862,232	9,452,114
<b>Net Book Value</b>	<b>P25,362,559</b>	<b>P19,477,119</b>	<b>P44,839,678</b>

The rollforward analysis of lease liabilities follows:

	2022	2021 (As Restated - Note 5)
<i>(In Thousands)</i>		
As at beginning of year	<b>P33,691,435</b>	P31,003,881
Additions	<b>4,848,225</b>	4,052,029
Effect of business combination (Note 5)	-	1,906,990
Interest expense (Note 24)	<b>2,029,583</b>	2,002,343
Concessions	<b>(6,098)</b>	(207,182)
Terminations	<b>(319,772)</b>	(381,609)
Payments	<b>(4,853,925)</b>	(4,692,207)
Reclassification and others	-	7,190
As at end of year	<b>35,389,448</b>	33,691,435
Less current portion (Note 18)	<b>3,152,827</b>	2,590,432
Noncurrent portion	<b>P32,236,621</b>	P31,101,003

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

	2022	2021 (As Restated - Note 5)
<i>(In Thousands)</i>		
Depreciation of ROU assets	<b>P4,082,635</b>	P3,715,710
Interest expense on lease liabilities	<b>2,029,583</b>	2,002,343



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:

	2022	2021 (As Restated - Note 5)
	<i>(In Millions)</i>	
Within one year	<b>₱4,976</b>	₱4,434
Over one year to five years	<b>13,994</b>	15,601
Over five years	<b>47,750</b>	37,099
	<b>₱66,720</b>	₱57,134

Tenants' deposits amounted to ₱24.8 billion and ₱22.2 billion as at December 31, 2022 and 2021, 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 at FVOCI, 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 19).

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 and cross-currency swaps were designated by the Group under cash flow hedge accounting. Furthermore, the Group applied rollover hedging strategy to some of its currency forward contracts whereby the maturity of the hedging instrument is intentionally shorter than the maturity of the hedged item, and there is an expectation that on expiry of the original hedging instrument it will be replaced by a new hedging instrument with similar characteristics of the instrument being replaced.

As at December 31, 2022 and 2021, after taking into account the effect of the swaps, approximately 79.1% and 82.5%, 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>
<b>2022</b>	<b>100</b>	<b>(P160.2)</b>
	<b>50</b>	<b>(80.1)</b>
	<b>(100)</b>	<b>160.2</b>
	<b>(50)</b>	<b>80.1</b>
2021 (As Restated - Note 5)	100	(P238.3)
	50	(119.1)
	(100)	238.3
	(50)	119.1

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:

	2022		2021 (As Restated - Note 5)	
	US\$	PhP	US\$	PhP
	(In Thousands)			
Current assets:				
Cash and cash equivalents	\$110,236	₱6,146,210	\$5,310	₱270,790
Receivables and contract assets	2,732	152,311	28,274	1,441,957
Other current assets	–	–	139	7,065
Noncurrent assets:				
Time deposits	345,034	19,237,383	401,115	20,456,444
Other noncurrent assets	17,000	947,835	151,741	7,738,654
<b>Total assets</b>	<b>475,002</b>	<b>26,483,738</b>	<b>586,579</b>	<b>29,914,910</b>
Current liabilities:				
Accounts payable and other current liabilities	4,650	259,257	29,371	1,497,898
Current portion of long-term debt	–	–	107,858	5,500,668
Noncurrent liabilities:				
Long-term debt - net of current portion	434,458	24,223,206	348,963	17,796,754
<b>Total liabilities</b>	<b>439,108</b>	<b>24,482,463</b>	<b>486,192</b>	<b>24,795,320</b>
<b>Net</b>	<b>\$35,894</b>	<b>₱2,001,275</b>	<b>\$100,387</b>	<b>₱5,119,590</b>

As at December 31, 2022 and 2021, approximately 28.6% and 27.2%, respectively, of the Group's borrowings, net of debt issue cost, are denominated in foreign currency.

The Group recognized net foreign exchange gain of ₱209.0 million, ₱790.1 million and ₱268.0 million in 2022, 2021 and 2020, respectively. This resulted from movements in the closing rate of U.S. dollar against the Philippine peso as follows:

	U.S. Dollar to Peso
<b>December 31, 2022</b>	<b>₱55.755</b>
December 31, 2021	50.999
December 31, 2020	48.02

*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
	(In Millions)	
<b>2022</b>	<b>₱1.50</b>	<b>₱53.8</b>
	<b>1.00</b>	<b>35.9</b>
	<b>(1.50)</b>	<b>(53.8)</b>
	<b>(1.00)</b>	<b>(35.9)</b>
2021 (As Restated - Note 5)	₱1.50	₱150.6
	1.00	100.4
	(1.50)	(150.6)
	(1.00)	(100.4)



### 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:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Cash and cash equivalents (excluding cash on hand)	<b>₱104,545,323</b>	₱87,538,808
Current portion of time deposits	<b>8,788,848</b>	311,233

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

	2022			
	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
	<i>(In Thousands)</i>			
Bank loans	<b>₱20,811,524</b>	<b>₱-</b>	<b>₱-</b>	<b>₱20,811,524</b>
Accounts payable and other current liabilities*	<b>157,445,676</b>	<b>-</b>	<b>-</b>	<b>157,445,676</b>
Long-term debt (including current portion)**	<b>97,110,996</b>	<b>296,798,872</b>	<b>148,709,180</b>	<b>542,619,048</b>
Derivative liabilities**	<b>459,320</b>	<b>294,403</b>	<b>-</b>	<b>753,723</b>
Tenants' deposits**	<b>204,813</b>	<b>2,849,930</b>	<b>21,607,970</b>	<b>24,662,713</b>
Other noncurrent liabilities***	<b>-</b>	<b>3,371,317</b>	<b>5,335,747</b>	<b>8,707,064</b>
	<b>₱276,032,329</b>	<b>₱303,314,522</b>	<b>₱175,652,897</b>	<b>₱754,999,748</b>

\*Excluding nonfinancial liabilities of ₱10.6 billion.

\*\*Based on estimated future cash flows.

\*\*\*Excluding nonfinancial liabilities amounting to ₱15.4 billion.

	2021 (As Restated - Note 5)			
	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
	<i>(In Thousands)</i>			
Bank loans	<b>₱27,167,173</b>	<b>₱-</b>	<b>₱-</b>	<b>₱27,167,173</b>
Accounts payable and other current liabilities*	<b>140,003,996</b>	<b>-</b>	<b>-</b>	<b>140,003,996</b>
Long-term debt (including current portion)**	<b>76,112,538</b>	<b>376,012,196</b>	<b>47,368,238</b>	<b>499,492,972</b>
Derivative liabilities**	<b>363,816</b>	<b>3,092,624</b>	<b>-</b>	<b>3,456,440</b>
Tenants' deposits**	<b>38,427</b>	<b>20,982,320</b>	<b>1,824,398</b>	<b>22,845,145</b>
Other noncurrent liabilities***	<b>-</b>	<b>4,421,067</b>	<b>1,699,633</b>	<b>6,120,700</b>
	<b>₱243,685,950</b>	<b>₱404,508,207</b>	<b>₱50,892,269</b>	<b>₱699,086,426</b>

\*Excluding nonfinancial liabilities of ₱8.9 billion.

\*\*Based on estimated future cash flows.

\*\*\*Excluding nonfinancial liabilities amounting to ₱13.8 billion.

### 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, 2022 and 2021, 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.

	2022			2021 (As Restated - Note 5)		
	High Quality	Standard Quality	Total	High Quality	Standard Quality	Total
<i>(In Thousands)</i>						
Cash and cash equivalents (excluding cash on hand)	<b>₱104,545,323</b>	<b>₱-</b>	<b>₱104,545,323</b>	₱87,538,808	<b>₱-</b>	₱87,538,808
Time deposits including noncurrent portion	<b>32,919,429</b>	<b>-</b>	<b>32,919,429</b>	4,216,851	<b>-</b>	4,216,851
Financial assets at FVOCI	<b>25,167,902</b>	<b>736,813</b>	<b>25,904,715</b>	26,779,309	897,688	27,676,997
Receivables and contract assets - net (including noncurrent portion of receivables from real estate buyers)*	<b>62,054,277</b>	<b>8,441,661</b>	<b>70,495,938</b>	66,616,893	4,364,178	70,981,071
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)**	<b>25,358,622</b>	<b>-</b>	<b>25,358,622</b>	25,443,189	<b>-</b>	25,443,189
Escrow fund	<b>621,490</b>	<b>-</b>	<b>621,490</b>	468,043	<b>-</b>	468,043
Other noncurrent assets:						
Bonds and deposits	<b>-</b>	<b>-</b>	<b>-</b>	17,849,650	<b>-</b>	17,849,650
Long-term notes	<b>-</b>	<b>-</b>	<b>-</b>	5,371,668	<b>-</b>	5,371,668
Derivative assets (including noncurrent portion)	<b>10,126,829</b>	<b>-</b>	<b>10,126,829</b>	1,746,961	<b>-</b>	1,746,961
	<b>₱260,793,872</b>	<b>₱9,178,474</b>	<b>₱269,972,346</b>	<b>₱236,031,372</b>	<b>₱5,261,866</b>	<b>₱241,293,238</b>

\*Excluding non-financial assets of ₱51.2 billion and ₱42.4 billion as at December 31, 2022 and 2021, respectively.

\*\*Excluding non-financial assets of ₱204.3 million and ₱164.2 million as at December 31, 2022 and 2021, 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:

	<b>Change in Equity Price</b>	<b>Effect on Equity</b>
		<i>(In Millions)</i>
<b>2022</b>	<b>+2.44%</b>	<b>₱670.3</b>
	<b>-2.44%</b>	<b>(670.3)</b>
2021 (As Restated - Note 5)	+0.57%	₱109.5
	-0.57%	(109.5)

#### 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*

	<b>2022</b>	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Bank loans	<b>₱20,811,524</b>	₱27,167,173
Long-term debt (current and noncurrent)	<b>484,896,917</b>	445,325,439
Less:		
Cash and cash equivalents (excluding cash on hand)	<b>(104,545,323)</b>	(87,538,808)
Time deposits (current and noncurrent)	<b>(32,919,429)</b>	(4,216,851)
Net interest-bearing debt (a)	<b>368,243,689</b>	380,736,953
Total equity	<b>692,190,011</b>	623,608,185
Net interest-bearing debt and total equity (b)	<b>₱1,060,433,700</b>	₱1,004,345,138
Gearing ratio - net (a/b)	<b>35%</b>	38%



Gross Gearing Ratio

	2022	2021 (As Restated - Note 5)
	(In Thousands)	
Bank loans	<b>₱20,811,524</b>	₱27,167,173
Long-term debt	<b>484,896,917</b>	445,325,439
Total interest-bearing debt (a)	<b>505,708,441</b>	472,492,612
Total equity	<b>692,190,011</b>	623,608,185
Total interest-bearing debt and total equity (b)	<b>₱1,197,898,452</b>	₱1,096,100,797
Gearing ratio - gross (a/b)	<b>42%</b>	43%

29. Financial Instruments

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

	December 31, 2022				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In Thousands)				
<b>Assets Measured at Fair Value</b>					
Financial assets at FVOCI					
Listed shares of stock	₱25,146,102	₱25,146,102	₱25,146,102	₱-	₱-
Unlisted shares of stock	736,813	736,813	-	-	736,813
Club shares	21,800	21,800	-	21,800	-
Derivative assets	10,126,829	10,126,829	-	10,126,829	-
	<b>36,031,544</b>	<b>36,031,544</b>	<b>25,146,102</b>	<b>10,148,629</b>	<b>736,813</b>
<b>Assets for which Fair Values are Disclosed</b>					
Time deposits - noncurrent portion	24,130,581	24,472,808	-	24,472,808	-
	<b>₱60,162,125</b>	<b>₱60,504,352</b>	<b>₱25,146,102</b>	<b>₱34,621,437</b>	<b>₱736,813</b>
<b>Liabilities Measured at Fair Value</b>					
Derivative liabilities	₱753,723	₱753,723	₱-	₱753,723	₱-
<b>Liabilities for which Fair Values are Disclosed</b>					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	397,849,704	397,980,746	-	-	397,980,746
Tenants' deposits and others*	34,051,278	32,172,765	-	-	32,172,765
	<b>431,900,982</b>	<b>430,153,511</b>	-	-	<b>430,153,511</b>
	<b>₱432,654,705</b>	<b>₱430,907,234</b>	<b>₱-</b>	<b>₱753,723</b>	<b>₱430,153,511</b>

\*Excluding nonfinancial liabilities of ₱15.4 billion and noncurrent derivative liabilities of ₱294.4 million.

	December 31, 2021 (As Restated - Note 5)				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In Thousands)				
<b>Assets Measured at Fair Value</b>					
Financial assets at FVOCI					
Listed shares of stock	₱26,764,759	₱26,764,759	₱26,764,759	₱-	₱-
Unlisted shares of stock	897,688	897,688	-	-	897,688
Club shares	14,550	14,550	-	14,550	-
Derivative assets	1,746,961	1,746,961	-	1,746,961	-
	<b>29,423,958</b>	<b>29,423,958</b>	<b>26,764,759</b>	<b>1,761,511</b>	<b>897,688</b>
<b>Assets for which Fair Values are Disclosed</b>					
Time deposits - noncurrent portion	3,905,618	3,930,229	-	3,930,229	-
Other noncurrent assets:					
Bonds and deposits	17,849,650	19,348,542	-	-	19,348,542
Long-term notes	5,371,668	6,075,947	-	-	6,075,947
	<b>27,126,936</b>	<b>29,354,718</b>	-	<b>3,930,229</b>	<b>25,424,489</b>
	<b>₱56,550,894</b>	<b>₱58,778,676</b>	<b>₱26,764,759</b>	<b>₱5,691,740</b>	<b>₱26,322,177</b>



December 31, 2021 (As Restated - Note 5)					
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
Liabilities Measured at Fair Value					
Derivative liabilities	P3,456,440	P3,456,440	P-	P3,456,440	P-
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	381,618,880	399,292,383	-	-	399,292,383
Tenants' deposits and others*	32,282,632	31,551,487	-	-	31,551,487
	413,901,512	430,843,870	-	-	430,843,870
	<b>P417,357,952</b>	<b>P434,300,310</b>	<b>P-</b>	<b>P3,456,440</b>	<b>P430,843,870</b>

\*Excluding nonfinancial liabilities of P13.8 billion and noncurrent derivative liabilities of P3.1 billion.

There were no transfers into and out of Levels 1, 2 and 3 fair value measurements as at December 31, 2022 and 2021.

The fair values of unlisted shares of stock classified under Level 3 were determined through the income valuation approach. This valuation approach is based on the assumption that the value of an asset can be estimated by ascertaining the amount and timing of future cash flows or earnings that are generated by that asset. As at December 31, 2022 and 2021, the Group's unlisted shares of stock were valued using discount rates of 9.3% to 12.3% and 9.3% to 16.1%, respectively.

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:

	2022	2021
Other noncurrent assets:		
Bond and deposits	-	1.0%
Long-term notes	-	0.2% - 1.0%
Tenants' deposits	<b>2.7% - 6.9%</b>	1.0% - 4.6%

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

Debt	Fair Value Assumptions
Fixed Rate	Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 3.1% to 8.4% and 0.3% to 6.2% as at December 31, 2022 and 2021, 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 7.4% to 8.5% and 4.7% to 5.2% as at December 31, 2022 and 2021, 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:

	2022	2021 (As Restated - Note 5)
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>(P1,709,480)</b>	(P6,122,378)
Net changes in fair value during the year	<b>10,216,086</b>	4,730,641
Fair value on settled derivatives	<b>866,500</b>	(317,743)
	<b>P9,373,106</b>	(P1,709,480)

Derivative Instruments Accounted for as Cash Flow Hedges

As at December 31, 2022, 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:

	Notional Amount	Agreed Equivalent	Fair Value	Interest Rate	Foreign Exchange Rate	Maturity
	<i>(In Thousands)</i>					
<b>Parent</b>						
Cross Currency Swaps	\$409,159	P21,226,300	P1,756,220	5.3% - 6.1%	P51.15-P53.42	2023 - 2024
<b>SM Prime</b>						
Cross Currency Swaps	\$260,000	P13,142,200	P1,644,111	3.6% - 6.4%	P48.50 - P53.33	2023 - 2024
Cross Currency Swaps	286,000	¥1,919,208	568,337	3.9% - 4.0%	¥6.69 - ¥6.72	2024
Principal Only Swaps	270,000	¥1,753,285	(220,140)	-	¥6.38 - ¥6.68	2026 - 2027
Foreign Exchange Forward Swaps	715,000	P39,820,155	1,148,261	-	P53.94 - P60.39	2023 - 2026
Interest Rate Swaps	670,000	-	3,883,852	2.3 - 2.6%	-	2025 - 2026

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

Other Derivative Instruments Not Designated as Accounting Hedges

*Non-deliverable Forwards and Swaps.* The net fair value changes from the settled currency forward and swap contracts recognized in the consolidated statements of income amounted to P995.0 million gain in 2022, P216.0 million gain in 2021 and P6.5 million loss in 2020.

**30. EPS Computation**

	Years Ended December 31		
	2022	2021 (As Restated - Note 5)	2020 (As Restated - Note 5)
	<i>(In Thousands Except Per Share Data)</i>		
Net income attributable to owners of the Parent (a)	<b>P61,653,665</b>	P40,411,896	P23,889,971
Weighted average number of common shares outstanding (b)	<b>1,211,846</b>	1,204,583	1,204,583
<b>EPS (a/b)</b>	<b>P50.88</b>	P33.55	P19.83



### 31. Change in Liabilities Arising From Financing Activities

	2022			2021 (As Restated - Note 5)		
	Bank Loans (Note 17)	Long-term Debt (Note 19)	Lease Liabilities (Note 27)	Bank Loans (Note 17)	Long-term Debt (Note 19)	Lease Liabilities (Note 27)
	<i>(In Thousands)</i>					
Balance at beginning of year	<b>₱27,167,173</b>	<b>₱445,325,439</b>	<b>₱33,691,435</b>	₱24,126,000	₱398,316,235	₱31,003,881
Availments	<b>66,878,421</b>	<b>100,256,801</b>	<b>4,848,225</b>	53,296,257	129,529,420	4,052,029
Payments	<b>(73,264,105)</b>	<b>(72,630,533)</b>	<b>(4,853,925)</b>	(53,509,929)	(92,624,775)	(4,692,207)
Cumulative translation adjustment on cash flow hedges	<b>5,535</b>	<b>2,229,038</b>	–	–	4,467,951	–
Foreign exchange movement	–	<b>9,718,606</b>	–	218,345	2,202,275	–
Business combination (Note 5)	<b>24,500</b>	<b>22,183</b>	–	3,036,500	3,984,077	1,906,990
Others	–	<b>(24,617)</b>	<b>1,703,713</b>	–	(549,744)	1,420,742
<b>Balance at end of year</b>	<b>₱20,811,524</b>	<b>₱484,896,917</b>	<b>₱35,389,448</b>	₱27,167,173	₱445,325,439	₱33,691,435

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

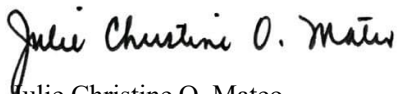


## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
SM Investments Corporation  
10th Floor, OneE-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 (the Company) and Subsidiaries as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated February 28, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the 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 consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Julie Christine O. Mateo  
Partner

CPA Certificate No. 93542

Tax Identification No. 198-819-116

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 93542-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

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

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-068-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9564675, January 3, 2023, Makati City

February 28, 2023

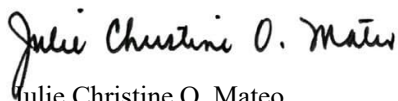


## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
SM Investments Corporation  
10th Floor, OneE-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 (the Company) and Subsidiaries as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated February 28, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated 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 (PFRSs) 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 consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Julie Christine O. Mateo  
Partner

CPA Certificate No. 93542

Tax Identification No. 198-819-116

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 93542-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

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

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-068-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9564675, January 3, 2023, Makati City

February 28, 2023



**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**SCHEDULE A – FINANCIAL ASSETS**  
**AS AT DECEMBER 31, 2022**  
(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
<b>Temporary investments*:</b>				
BDO Unibank, Inc.		₱74,206,713	₱	₱989,662
China Banking Corporation		4,314,156	-	222,621
Others		1,152,641	-	407,853
		<b>79,673,510</b>	-	<b>1,620,136</b>
<b>Time deposits – current*</b>		<b>8,788,848</b>	-	<b>89,004</b>

**Financial Asset at FVOCI:**

Shares of Stock:				
Common shares:				
Shang Properties, Inc.	189,550,548 shares	481,458	481,458	31,276
Republic Glass Holdings Corporation	14,230,000 shares	44,113	44,113	427
PLCOP Resources, Inc.	40,000,000 shares	8,200	8,200	-
Benguet Corporation	266,757 shares	1,094	1,094	-
		<b>534,865</b>	<b>534,865</b>	<b>31,703</b>
<b>Total Current Financial Assets</b>		<b>₱88,997,223</b>	<b>₱534,865</b>	<b>₱1,740,843</b>

<b>Name of Issuing Entity and Association of Each Issue</b>	<b>Number of Shares or Principal Amount of Bonds and Notes</b>	<b>Amount Shown in the Balance Sheet</b>	<b>Value Based on Market Quotations at Balance Sheet Date</b>	<b>Interest and Dividend Income Received and Accrued</b>
<b>Financial Asset at FVOCI- noncurrent:</b>				
Shares of Stock				
Listed:				
Ayala Corporation	28,249,341 shares	₱19,633,292	₱19,633,292	₱601,690
DMCI Holdings	164,312,700 shares	1,971,752	1,971,752	197,175
D.M. Wenceslao and Associates, Incorporated	79,167,800 shares	530,424	530,424	4,825
The Philippine Stock Exchange, Inc.	3,595,639 shares	568,111	568,111	39,552
ACEN	81,412,653 shares	620,364	620,364	112,361
Others		1,287,292	1,287,292	33,296
Unlisted:				
Heavenly Garden Development Corp.	25,000 shares	2,500	2,500	750
SM Insurance Brokers Services, Inc.	129,390 shares	150	150	–
Mutual Development Center, Inc.	4,633 shares	1,259	1,259	–
Manila North Tollways Corporation	732,600 shares	730,869	730,869	155,988
Others		2,036	2,036	–
		<b>₱25,348,049</b>	<b>₱25,348,049</b>	<b>₱1,145,637</b>

(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	₱13,000	₱13,000	₱-
Baguio Country Club	1 share	6,000	6,000	-
Mimosa Golf & Country Club, Inc.	1 share	150	150	-
Country Club of Tagaytay Highlands	1 share	1,500	1,500	-
Camp John Hay	2 shares	400	400	-
Subic Bay Yacht Club	1 share	200	200	-
Splendido Taal Golf Club	1 share	150	150	-
Calatagan Golf Club	1 share	350	350	-
Cresta del Mar	1 share	35	35	-
Ridge Resort	1 share	15	15	-
		21,800	21,800	-
		<b>25,369,849</b>	<b>25,369,849</b>	<b>1,145,637</b>
<b>Time Deposits – noncurrent*</b>		<b>24,130,581</b>	<b>-</b>	<b>847,630</b>
<b>Total Noncurrent Financial Assets</b>		<b>₱49,500,431</b>	<b>₱25,369,849</b>	<b>₱1,993,267</b>

\*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, 2022**  
(Amounts in Thousands)

<u>Name and Designation of Debtor</u>	<u>Balance at beginning of year</u>	<u>Additions</u>	<u>Amounts collected</u>	<u>Amounts written off</u>	<u>Current</u>	<u>Not current</u>	<u>Balance at end of year</u>
<b><u>Accounts receivable – Tenants</u></b>							
SM Retail Inc.	P4,958	P138,112	(P132,363)	P-	P10,707	P-	P10,707
SM Mart, Inc.	76,260	407,313	(393,381)	-	90,192	-	90,192
Mainstream Business, Inc.	78,239	328,640	(312,616)	-	94,263	-	94,263
Major Shopping Management Corp.	37,882	200,622	(182,556)	-	55,948	-	55,948
Madison Shopping Plaza, Inc.	63,527	251,598	(235,671)	-	79,454	-	79,454
Mandurriao Star, Inc.	75,420	292,158	(277,849)	-	89,729	-	89,729
Mercantile Stores Group, Inc.	70,026	286,554	(267,189)	-	89,391	-	89,391
Manila Southern Associates, Inc.	60,790	237,343	(222,702)	-	75,431	-	75,431
Market Strategic Firm, Inc.	68,713	291,148	(272,111)	-	87,750	-	87,750
Metro Main Star Asia Corp.	62,293	264,084	(248,696)	-	77,681	-	77,681
Multi Stores Corporation	24,163	150,177	(141,161)	-	33,179	-	33,179
Metro Manila Shopping Mecca Corp.	55,202	223,749	(209,280)	-	69,671	-	69,671
Mindanao Shopping Destination Corp.	19,589	85,522	(81,965)	-	23,146	-	23,146
Meridien Business Leader Inc.	44,373	190,762	(168,161)	-	66,974	-	66,974
My Shoppinglane Cebu Corp..	10,838	82,518	(65,675)	-	27,681	-	27,681

(Forward)

<b>Name and Designation of Debtor</b>	<b>Balance at beginning of year</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Not current</b>	<b>Balance at end of year</b>
Mindanao Shoppers Daily Destination Corp.	₱24,484	₱91,207	₱(85,744)	₱-	₱29,947	₱-	₱29,947
Master Shoppers Venue, Inc.	30,775	116,076	(101,455)	-	45,396	-	45,396
Mayon Shoppers Lifestyle Corporation	20,252	92,018	(75,658)	-	36,612	-	36,612
Middle Store United, Inc.	6,428	45,881	(24,341)	-	27,968	-	27,968
Main Shopping Princess Phils., Inc.	14,862	60,913	(51,019)	-	24,756	-	24,756
Shoemart, Inc. (formerly LTBG_Mgmt. Corp.)	1,359	9,797	(9,196)	-	1,960	-	1,960
Supervalue, Inc. (formerly SM Supermarket, Inc.)	502,190	3,250,174	(3,141,769)	-	610,595	-	610,595
Super Shopping Market, Inc.	215,218	1,365,242	(1,336,042)	-	244,418	-	244,418
Sanford Marketing Corporation	70,215	486,007	(483,052)	-	73,170	-	73,170
Walmart Supermarket, Incorporated	-	5,485	(5,485)	-	-	-	-
Alfamart Trading Philippines, Inc.	14,193	82,171	(78,176)	-	18,188	-	18,188
HMS Development Corp	5,660	54,320	(51,562)	-	8,418	-	8,418
Forever Agape & Glory, Inc.	8,701	46,054	(42,156)	-	12,599	-	12,599
Modern Free Luxe Stores, Inc	-	15,096	(12,880)	-	2,216	-	2,216
Premium Global Essences Stores, Inc.	3,759	32,317	(31,372)	-	4,704	-	4,704
Walk EZ Retail Corp.	6,256	63,940	(59,862)	-	10,334	-	10,334
Mini Depato Corp.	28,413	253,340	(234,857)	-	46,896	-	46,896
ACE Hardware Philippines, Inc.	124,281	1,228,959	(1,169,663)	-	183,577	-	183,577
Homeworld Shopping Corporation	36,768	355,894	(337,029)	-	55,633	-	55,633
International Toy World, Inc.	38,678	289,776	(263,789)	-	64,665	-	64,665
Kultura Store, Inc.	9,991	79,897	(75,744)	-	14,144	-	14,144

(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
Nursery Care Corporation	P2,135	P25,030	(P22,039)	-	P5,126	P-	P5,126
Signature Lines, Inc.	3,904	44,045	(39,823)	-	8,126	-	8,126
Sports Central (Manila), Inc.	35,624	296,264	(273,362)	-	58,526	-	58,526
Star Appliance Center, Inc.	89,085	1,014,010	(957,348)	-	145,747	-	145,747
Supplies Station, Inc.	2	3,432	(3,081)	-	353	-	353
Warehouse Development Company, Inc.	62,714	249,066	(288,023)	-	23,757	-	23,757
Digital Advantage Corporation	8,589	276	(4,698)	-	4,167	-	4,167
Whiteplane, Inc.	634	4,136	(4,444)	-	326	-	326
Best Selection Retail Corporation	4,063	3,751	(7,814)	-	-	-	-
EC Steps Retail Corp.	292	3,855	(3,625)	-	522	-	522
SM Prime Holdings, Inc.	10,290	119,962	(94,316)	-	35,936	-	35,936
Summerhills Home Development Corp.	-	275	(275)	-	-	-	-
Costa del Hamilo, Inc.	415	3,686	(3,633)	-	468	-	468
Highlands Prime, Inc.	821	6,924	(6,930)	-	815	-	815
SM Hotels and Conventions Corp.	1,173	9,413	(9,306)	-	1,280	-	1,280
AIC Group of Companies Holdings Corp.	-	15,430	(8,824)	-	6,606	-	6,606
Manila Southcoast Development Corp.	279	1,301	(1,419)	-	161	-	161
Goldlocks Bakeshop Inc	-	273,416	(232,540)	-	40,876	-	40,876
2GO Group, Inc.	8,204	85,396	(78,330)	-	15,270	-	15,270
SM Investments Corporation	6,480	64,092	(55,523)	-	15,049	-	15,049
<b>Total Accounts Receivable-Tenants</b>	<b>P2,149,460</b>	<b>P13,678,624</b>	<b>(12,977,580)</b>	<b>P-</b>	<b>P2,850,504</b>	<b>-</b>	<b>P2,850,504</b>

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
<b><u>Due From Related Parties</u></b>							
Allfirst Renewables Holdings, Inc.	P-	P16,000	P-	P-	P16,000	P-	P16,000
Belleshares Holdings, Inc. (formerly SM Commercial Properties, Inc.)	1,717,862	-	-	-	1,717,862	-	1,717,862
Hentfels Investments Co. Inc.	5,471,350	615,730	-	-	6,087,080	-	6,087,080
Intercontinental Development Corporation	125,000	43,100	-	-	168,100	-	168,100
Manila Southcoast Development Corp.	3,142,048	272,768	-	-	3,414,816	-	3,414,816
Mountain Bliss Resort and Development Corp.	979,317	-	-	-	979,317	-	979,317
Multi Realty Development Corporation	1,375,000	-	-	-	1,375,000	-	1,375,000
Primebridge Holdings, Inc.	1,000	-	-	-	1,000	-	1,000
<b>Total Due From Related Parties</b>	<b>P12,811,577</b>	<b>P947,598</b>	<b>P-</b>	<b>P-</b>	<b>P13,759,175</b>	<b>P-</b>	<b>P13,759,175</b>

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.	₱1,911	₱199,597	(₱126,935)	₱—	₱74,573	₱—	₱74,573
SM Mart, Inc.	—	214,193	(214,193)	—	—	—	—
Mainstream Business, Inc.	1,771	157,262	(159,033)	—	—	—	—
Major Shopping Management Corp.	—	106,198	(106,198)	—	—	—	—
Madison Shopping Plaza, Inc.	1,605	109,565	(111,170)	—	—	—	—
Mandurriao Star, Inc.	1,317	139,010	(140,327)	—	—	—	—
Mercantile Stores Group, Inc.	—	139,192	(139,192)	—	—	—	—
Manila Southern Associates, Inc.	—	113,959	(113,959)	—	—	—	—
Market Strategic Firm, Inc.	235	144,129	(144,364)	—	—	—	—
Metro Main Star Asia Corp.	—	115,938	(115,938)	—	—	—	—
Multi Stores Corporation	—	68,028	(68,028)	—	—	—	—
Metro Manila Shopping Mecca Corp.	372	109,129	(109,501)	—	—	—	—
Mindanao Shopping Destination Corp.	2,134	41,806	(43,940)	—	—	—	—
Meridien Business Leader Inc.	683	75,534	(76,217)	—	—	—	—
My Shoppinglane Cebu Corp.	6,487	39,780	(46,267)	—	—	—	—
Mindanao Shoppers Daily Destination Corp.	11,972	43,572	(55,544)	—	—	—	—
Master Shoppers Venue, Inc.	10,253	—	—	—	10,253	—	10,253
Supervalu, Inc. (formerly SM Supermarket, Inc.)	221,651	622,465	(706,946)	—	137,170	—	137,170
Super Shopping Market, Inc.	140,580	377,734	(433,040)	—	85,274	—	85,274
Sanford Marketing Corporation	205,877	591,577	(666,358)	—	131,096	—	131,096
Alfamart Trading Philippines, Inc.	348	1,755	(2,103)	—	—	—	—

(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
Alfametro Marketing, Inc.	P5,718	P 36,277	(P31,164)	P-	P10,831	P-	P10,831
Walk EZ Retail Corp.	4	490	(494)	-	-	-	-
Mini Depato Corp.	-	1,112	(1,112)	-	-	-	-
ACE Hardware Philippines, Inc.	323	-	(323)	-	-	-	-
Sports Central (Manila), Inc.	-	117	(117)	-	-	-	-
Star Appliance Center, Inc.	130,724	445,421	(424,531)	-	151,614	-	151,614
Whiteplane, Inc.	10	148	(158)	-	-	-	-
Digital Advantage Corporation	10,546	28,132	(13,030)	-	25,648	-	25,648
SM Prime Holdings, Inc.	5,588	235,469	(234,638)	-	6,419	-	6,419
Philippine Geothermal Production Company, Inc.	-	7,000	(5,870)	-	1,130	-	1,130
2Go Group, Inc.	4,222	29,548	(12,957)	-	20,813	-	20,813
Belleshares Holdings, Inc.	6,862	-	-	-	6,862	-	6,862
SM Investments Corporation	2,860	54,217	(54,217)	-	2,860	-	2,860
<b>Accounts receivable—royalty, management and service fees</b>	<b>P774,053</b>	<b>P4,248,354</b>	<b>(P4,357,864)</b>	<b>P-</b>	<b>P664,543</b>	<b>P-</b>	<b>P664,543</b>

<b>Dividends Receivable</b>	<b>Balance at beginning of year</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Not current</b>	<b>Balance at end of year</b>
Multi-Really Development Corporation	P49,573	P254,546	(P304,119)	P-	P-	P-	P-
SM Retail, Inc	8,035,921	7,726,849	(8,035,921)	-	7,726,849	-	7,726,849
SM Prime Holdings, Inc.	-	1,392,286	(1,392,286)	-	-	-	-
Hentfels Investments Co. Inc.	-	160,000	-	-	160,000	-	160,000
Neo Subsidiaries	475,000	665,000	(1,140,000)	-	-	-	-
Nagrathan Property Holdings, Inc.	992	4,687	(992)	-	4,687	-	4,687
Prime Central Limited	-	100,016	(100,016)	-	-	-	-
Globalfund Holdings, Inc.	159,520	155,000	(264,520)	-	50,000	-	50,000
SM Investments Corporation	-	923	(923)	-	-	-	-
<b>Total Dividends Receivable</b>	<b>P8,721,006</b>	<b>P10,459,307</b>	<b>(P11,238,777)</b>	<b>P-</b>	<b>P7,941,536</b>	<b>P-</b>	<b>P7,941,536</b>

**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**SCHEDULE G - CAPITAL STOCK**  
**AS AT DECEMBER 31, 2022**

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	1,222,023,358	—	102,035,881	537,750,659	582,236,818

**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**AS AT DECEMBER 31, 2022 AND 2021**  
**(AMOUNTS IN THOUSANDS)**

	December 31, 2022	December 31, 2021 (Restated)
i. Current ratio	Total current assets 361,549,410 Total current liabilities 293,025,159	306,367,530 261,628,704 1.23 : 1
ii. Acid test ratio	Total current assets less inventories and other current assets 200,382,180 Total current liabilities 293,025,159	166,746,300 261,628,704 0.68 : 1
iii. Solvency ratio*	Net income after tax + Depreciation and amortization 107,999,236 Total liabilities 789,694,555	75,580,146 739,198,795 13.7%
iv. Debt-to-equity ratio	Total interest-bearing debt 505,708,441 Total equity + Total interest-bearing debt 1,197,898,452	472,492,612 1,096,100,797 42 : 58
Net debt-to-equity ratio	Total interest-bearing debt less cash and cash equivalents (excluding cash on hand) and time deposits 368,243,689 Total equity + Total interest-bearing debt less cash and cash equivalents (excluding cash on hand) and time deposits 1,060,433,700	380,736,953 1,004,345,138 35 : 65
Asset to equity ratio	Total assets 1,481,884,566 Total equity 692,190,011	1,362,806,980 623,608,185 2.14
vi. Return on assets	Net income after tax 84,345,373 Average assets 1,433,095,096	54,643,741 1,291,363,619 5.9%
vii. Return on equity <i>(Forward)</i>	Net income attributable to equity holders of the parent 61,653,665 Average equity attributable to equity holders of the parent 471,448,447	40,411,896 430,505,211 13.1%
		9.4%

viii.	Interest rate coverage ratio	<u>Income from operations + Depreciation and amortization</u> Interest expense	<u>141,221,514</u> 21,547,070	6.55	<u>99,856,993</u> 19,138,771	5.22
ix.	Net profit margin	<u>Net income after tax</u> Total revenues	<u>84,345,373</u> 553,771,115	15.2%	<u>54,643,741</u> 432,359,469	12.6%

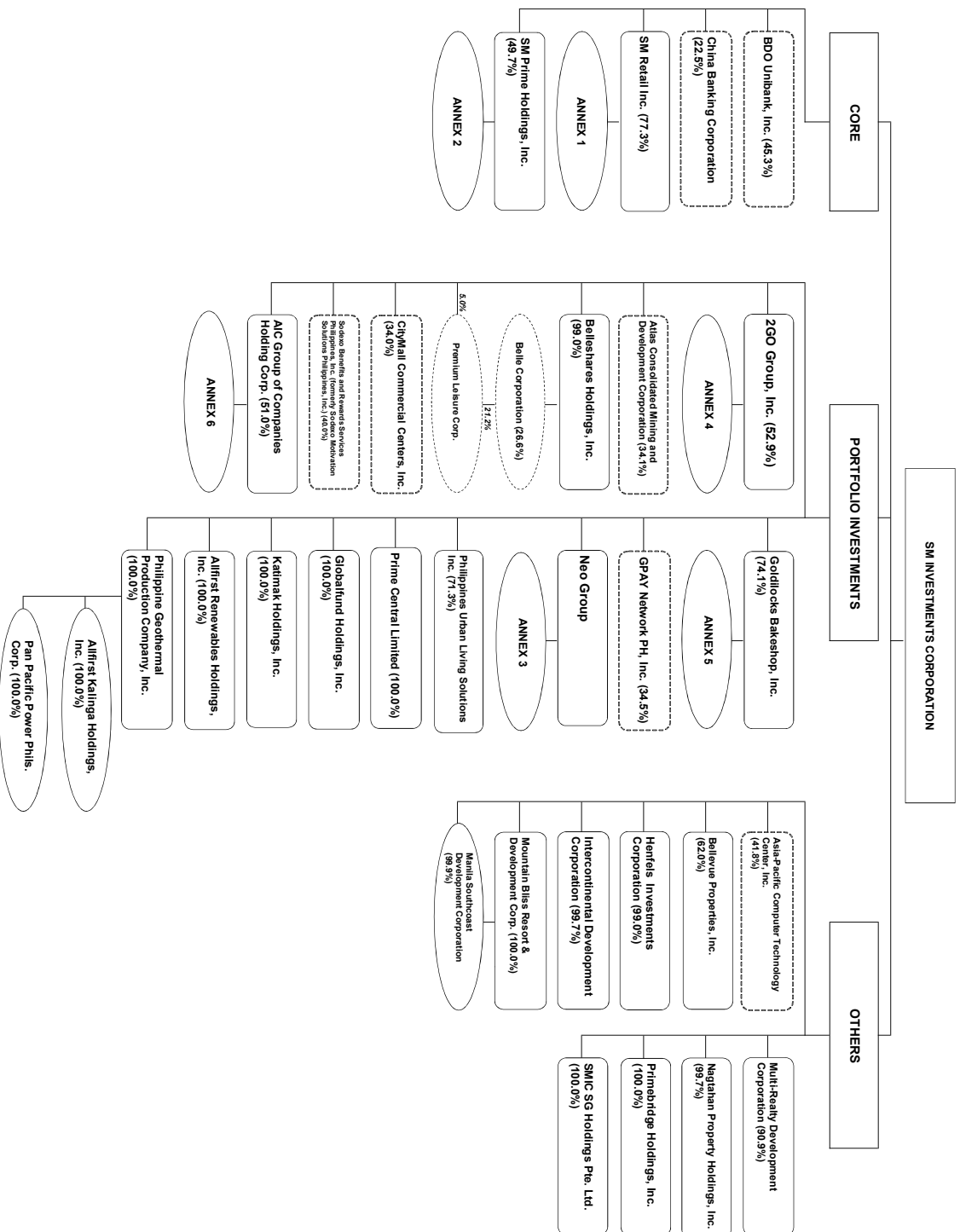
**RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
As at December 31, 2022  
(Amounts in Thousands)**

**SM Investments Corporation**

10<sup>th</sup> Floor, OneE-Com Center, Harbor Drive,  
Mall of Asia Complex, CBP-1A, Pasay City 1300

<b>Unappropriated RE, December 31, 2021</b>	₱30,430,754
Adjustments to beginning unappropriated RE:	
Rental income from straight-line amortization in excess of rental payments	(152,982)
Actuarial loss as at January 1, 2013 recorded as expense	<u>48,548</u> (104,434)
<b>Unappropriated RE, as adjusted to available for dividend distribution, beginning</b>	30,326,320
Net income during the period closed to Retained Earnings	11,653,075
Add: Rental payments in excess of rental income from straight-line amortization	<u>44,097</u>
<b>Net income actually earned during the period</b>	11,697,172
Less: Cash dividends declared during the period	<u>(7,528,643)</u>
<b>Unappropriated RE, as adjusted to available for dividend distribution, December 31, 2022</b>	<u>₱34,494,849</u>

SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
 CONGLOMERATE MAP  
 AS AT DECEMBER 31, 2022  
 (Effective Ownership Interest)



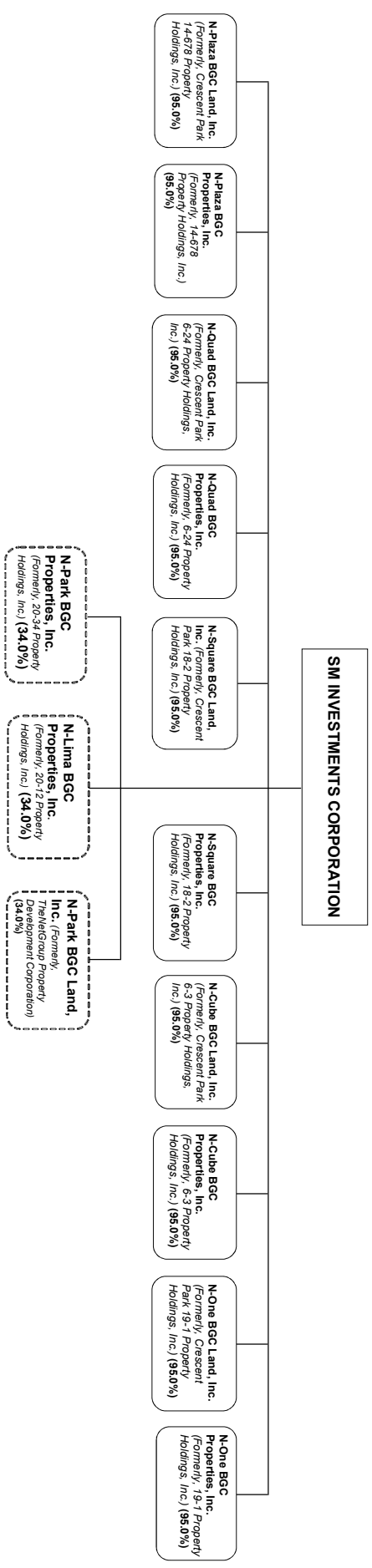
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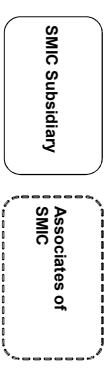




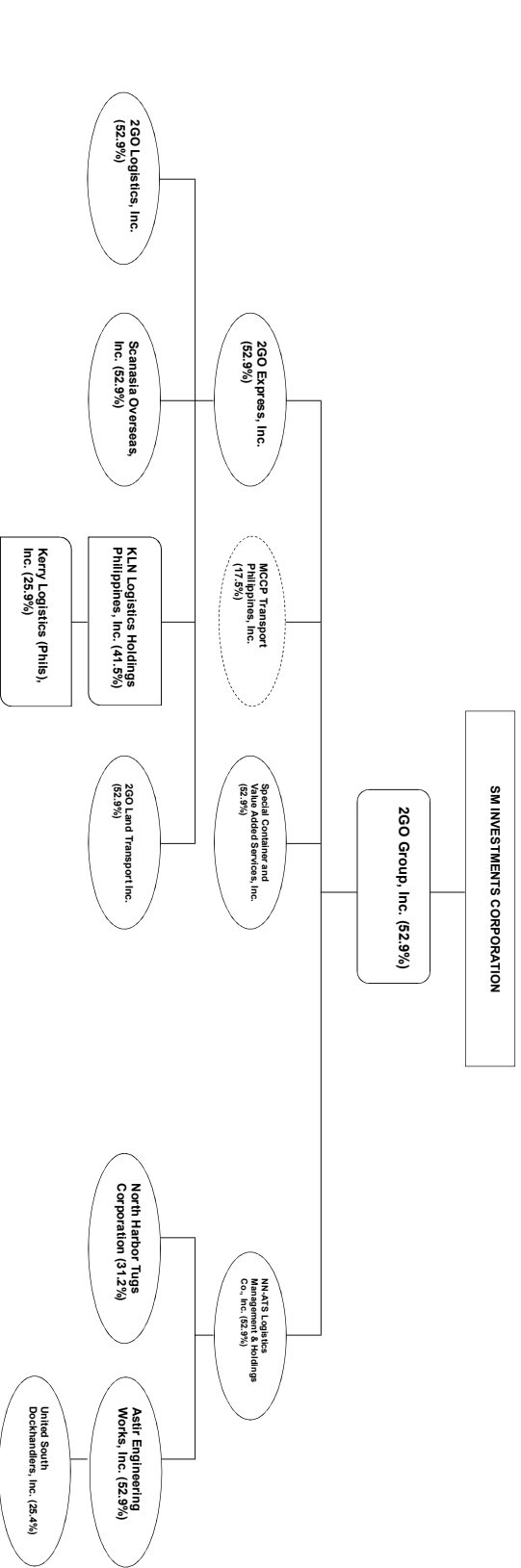
**SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
 CONGLOMERATE MAP  
 AS AT DECEMBER 31, 2022  
 ( Effective Ownership Interest )**



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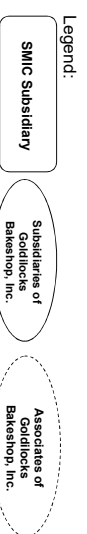
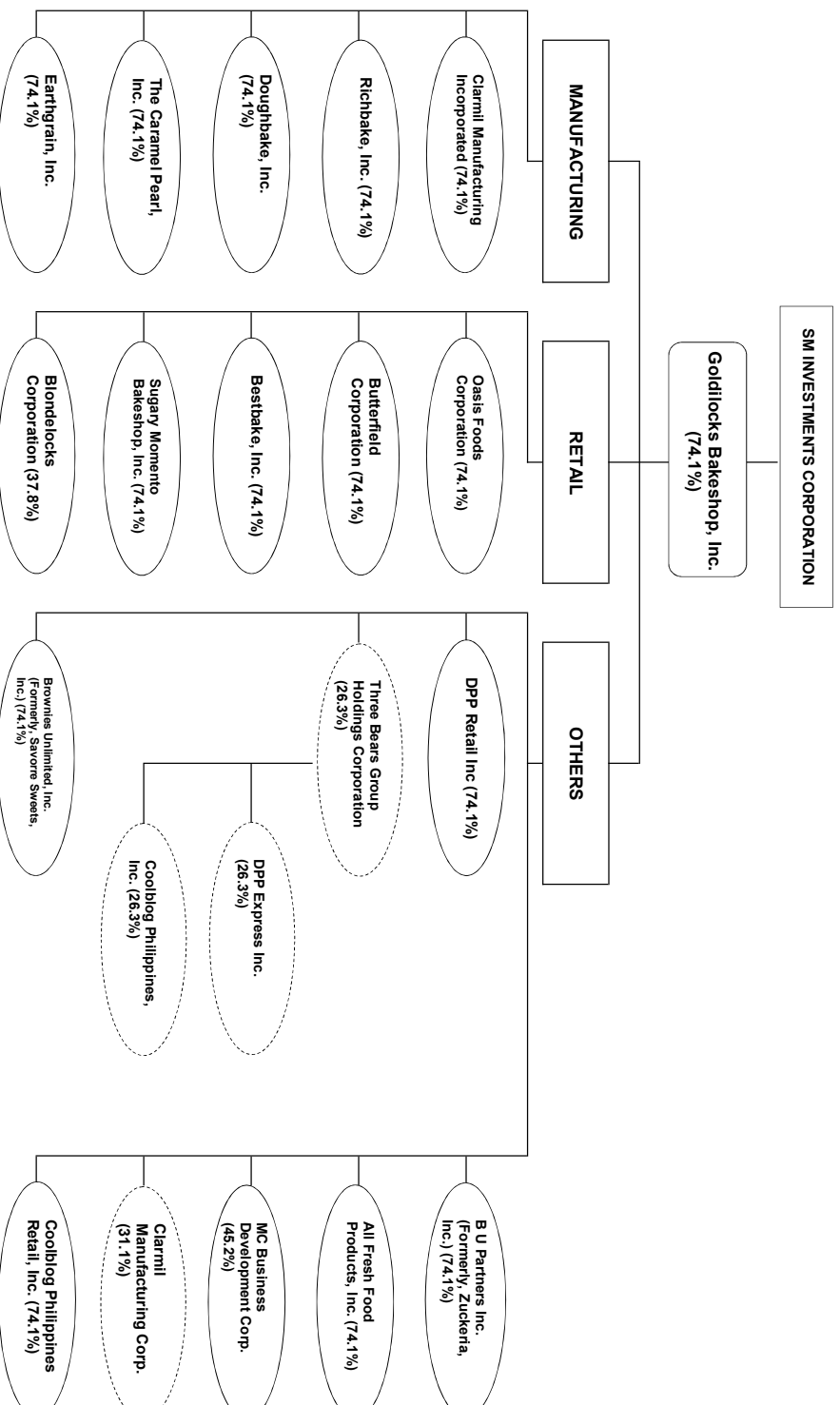
SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
 CONGLOMERATE MAP  
 AS AT DECEMBER 31, 2022  
 (Effective Ownership Interest)



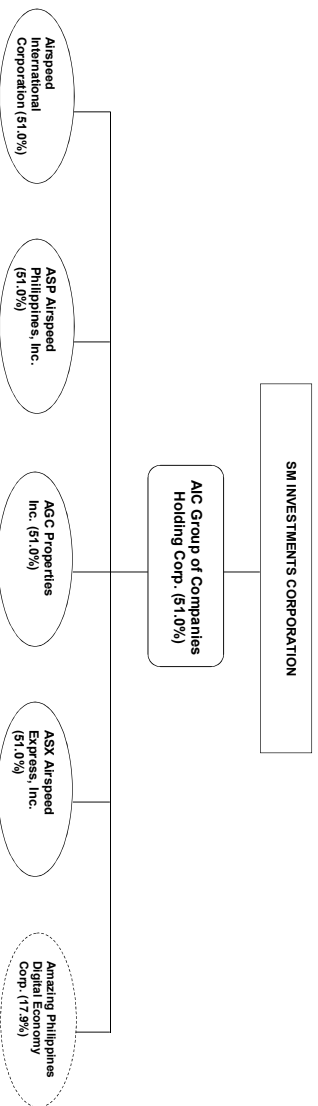
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SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
 CONGLOMERATE MAP  
 AS AT DECEMBER 31, 2022  
 ( Effective Ownership Interest )



SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
 CONGLOMERATE MAP  
 AS AT DECEMBER 31, 2022  
 ( Effective Ownership Interest )



Legend:

SMIC Subsidiary

Subsidiary of AIG Group of Companies Holding Corp.

Subsidiary of AIG Group of Companies Holding Corp.