

# COVER SHEET

for  
SEC FORM 20-IS

SEC Registration Number

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Company Name

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

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Form Type

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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

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Company's Telephone Number/s

<b>831-1000</b>
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Mobile Number

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No. of Stockholders

--

Annual Meeting  
Month/Day

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Fiscal Year  
Month/Day

<b>December 31</b>
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## CONTACT PERSON INFORMATION

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

Name of Contact Person

<b>Mr. John Nai Peng C. Ong</b>
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Email Address

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Telephone Number/s

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Mobile Number

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Contact Person's Address

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

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 PRIME HOLDINGS, INC.**

3. **PHILIPPINES**

Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **AS094-000088**

5. BIR Tax Identification Code **003-058-789**

6. **10<sup>th</sup> Floor, Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City, Philippines 1300**

Address of principal office

Postal Code

7. Registrant's telephone number, including area code **(632) 831-1000**

8. **April 14, 2015, 2:30 P.M., Function Room 3, SMX Convention Center Taguig, SM Aura Premier, 26th St., Corner McKinley Parkway, Barangay Fort Bonifacio Global City, Taguig**

Date, time and place of the meeting of security holders

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

**March 19, 2015**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class

Number of Shares of Common Stock

Outstanding or Amount of Debt Outstanding

**Common shares**

**28,879,137,294**

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**



SM Prime Holdings, Inc.  
10/F Mall of Asia Arena Annex Building,  
Coral Way corner J.W. Diokno Boulevard,  
Mall of Asia Complex, Pasig City 1300, Philippines

**Notice of Regular Annual Stockholders' Meeting**  
**April 14, 2015, 2:30 p.m.**  
**Function Room 3, SMX Convention Center Taguig, SM Aura Premier**  
**26th St., Corner McKinley Parkway, Barangay Fort Bonifacio Global City, Taguig**

To all Stockholders:

Please take notice that the 2015 annual meeting of the stockholders of **SM PRIME HOLDINGS, INC.** will be held on April 14, 2015 at 2:30 p.m. at the Function Room 3, SMX Convention Center Taguig, SM Aura Premier, 26th St., Corner McKinley Parkway, Barangay Fort Bonifacio Global City, Taguig. The proposed agenda of the meeting is set forth below:

**AGENDA**

1. Call to order.
2. Certification of notice and quorum.
3. Approval of minutes of annual meeting of stockholders held on April 15, 2014.
4. Approval of Annual Report for the Year 2014.
5. General ratification of the acts of the Board of Directors and the management from the date of the last annual stockholders' meeting up to the date of this meeting.
6. Election of directors for 2015-2016.
7. Appointment of external auditors.
8. Other matters.
9. Adjournment.

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

The Board of Directors has fixed the end of trading hours of the Philippine Stock Exchange (PSE) on March 16, 2015 as the record date for the determination of stockholders entitled to notice of and to vote at such meeting and any adjournment thereof.

In case you cannot personally attend the meeting, you are requested to accomplish the attached proxy form (which need not be notarized) and return the same to the office of the Secretary at Suite 2401, The Orient Square F. Ortigas, Jr. Road, Ortigas Center 1600 Pasig City at least seventy-two (72) hours before the date set for the annual meeting, as provided in the By-laws.

For your convenience in registering your attendance, please bring some form of identification, such as a passport, driver's license, or company I.D.

Makati City, March 3, 2015.

BY THE ORDER OF THE BOARD OF DIRECTORS

**ELMER B. SERRANO**  
Corporate Secretary  
**SM PRIME HOLDINGS, INC.**

## **Rationale for Agenda Items:**

### **Agenda Item 3: Approval of minutes of annual stockholders' meeting held on April 15, 2014.**

The minutes of the annual stockholders' meeting held on April 15, 2014 were made and submitted to the SEC within the period prescribed by pertinent laws, rules and regulation. The results of the annual stockholders' meeting were also posted on the Company's website on the same date. The Board of Directors recommends the shareholders to consider subject minutes for approval on April 14, 2015.

### **Agenda Item 4: Approval of Annual Report for the year 2014.**

The Company's 2014 performance results have been duly summarized in the Annual Report which includes the Audited Financial Statements (AFS) of the Company for the year ended 2014. The AFS have been reviewed by the Audit and Risk Management Committee and the Board of Directors, and have been audited by the external auditors who expressed an unqualified opinion on the aforementioned financial statements. Any shareholder who would like to receive a hard copy or CD of the 2014 Annual Report may do so through the office of the Investor Relations Office. The 2014 Annual Report is also posted in the Company's website.

### **Agenda Item 5: General 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.**

The Company's performance in 2014, as detailed in the Annual Report, is attributed to the strategic directions and key policies set by the Board of Directors which were effectively executed and complied with by management in conformance with good corporate governance and ethical best practices.

### **Agenda Item 6: Election of directors for 2015-2016.**

The same set of Directors have been duly reviewed and recommended by the Company's Nomination Committee for re-election. Their proven competence, expertise and qualifications based on current regulatory standards, will help sustain the Company's solid performance for the benefit of all its shareholders. The profiles of the Directors are available in the Company's website and are attached herewith for reference.

### **Agenda Item 7: Appointment of external auditors.**

Based on the recommendation of the Audit and Risk Management Committee, the Board concurred with the recommendation to re-appoint SGV & Co. as the Company's external auditors for 2015. SGV & Co. is one of the top auditing firms in the country and is duly accredited with the SEC.

Makati City, March 3, 2015.

**For Agenda Item 6: To consider and approve the re-election of the Board of Directors for 2015-2016**

**Profiles of the Board of Directors**

**NAME** : HENRY SY, SR.  
**AGE** : 90 YRS.  
**DESIGNATION** : Non-Executive Director/Chairman Emeritus



**EDUCATION/ EXPERIENCE** : Henry Sy, Sr. was elected as Chairman Emeritus of the Board of Directors of SMPH in 2014. He was the Chairman of the Board of Directors of SMPH since 1994 until 2013. He is the founder of the SM Group and is currently Chairman of SM Investments Corporation (SMIC) and Highlands Prime, Inc. (HPI). He is likewise Chairman Emeritus of BDO Unibank, Inc. and Honorary Chairman of China Banking Corporation. He opened the first ShoeMart store in 1958 and has been at the forefront of SM Group's diversification into the commercial centers, retail merchandising, financial services, and real estate development and tourism businesses.

**POSITIONS IN OTHER PLCs** :

SM Investments Corp.	Non-Executive Director (Chairman)
BDO Unibank, Inc.	Non-Executive Director (Chairman Emeritus)
China Banking Corporation	Non-Executive Director (Honorary Chairman)

**BOARD ATTENDANCE** : 100%; 6 of 6 Board Meetings  
**DATE OF FIRST APPOINTMENT** : April 1994  
**NO. OF YEARS ON THE BOARD** : 21 YRS.  
**SHAREHOLDINGS** : 2.26%  
**OTHER INFORMATION** : No legal dispute in the past five (5) years;  
No conflict of interest transactions in the past one (1) year.

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**NAME** : HENRY T. SY, JR.  
**AGE** : 61 YRS.  
**DESIGNATION** : Non-Executive Director/Chairman of the Board



**EDUCATION/ EXPERIENCE** : Mr. Henry T. Sy, Jr. has served as Director since 1994. 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. At present, he is Vice Chairman of SMIC, Chairman and Chief Executive Officer of SM Development Corporation (SMDC), Vice Chairman and President of HPI, Chairman of Pico de Loro Beach and Country Club Inc. and President of The National Grid Corporation of the Philippines. He graduated with a management degree from De La Salle University.

**POSITIONS IN OTHER PLCs** :

SM Investments Corporation	Non-Executive Director/Vice Chairman
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**BOARD ATTENDANCE** : 100%; 6 of 6 Board Meetings  
**DATE OF FIRST APPOINTMENT** : April 1994  
**NO. OF YEARS ON THE BOARD** : 21 YRS.  
**SHAREHOLDINGS** : 2.36%  
**OTHER INFORMATION** : No legal dispute in the past five (5) years;  
No conflict of interest transactions in the past one (1) year.

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**NAME** : HANS T. SY  
**AGE** : 59 YRS.  
**DESIGNATIONS** : Executive Director/ President



**EDUCATION/ EXPERIENCE** : Mr. Hans T. Sy has served as Director since 1994 and as President since 2004. He has held key positions in businesses related to banking, real estate development, mall operations, as well as leisure and entertainment. In the SM Group, his current positions include Adviser to the Board of SMIC, Director of HPI, and Vice Chairman of SMDC. He is also Chairman of China Banking Corporation and National University. Mr. Sy is a mechanical engineering graduate of De La Salle University.

**POSITIONS IN OTHER PLCs** :

China Banking Corporation	Non-Executive Director (Chairman)
SM Investments Corp.	Adviser to the Board

**BOARD ATTENDANCE** : 100%; 6 of 6 Board Meetings  
100%; 2 of 2 Compensation Committee Meetings  
**DATE OF FIRST APPOINTMENT** : April 1994  
**NO. OF YEARS ON THE BOARD** : 21 YRS.  
**SHAREHOLDINGS** : 2.37%  
**OTHER INFORMATION** : No legal dispute in the past five (5) years;  
No conflict of interest transactions in the past one (1) year.

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**NAME** : HERBERT T. SY  
**AGE** : 58 YRS.  
**DESIGNATIONS** : Non-Executive Director



**EDUCATION/ EXPERIENCE** : Mr. Herbert T. Sy has served as Director since 1994. He is an Adviser to the Board of SMIC and is currently the Vice Chairman of Supervalu Inc., Super Shopping Market Inc. and Sanford Marketing Corporation and Director of China Banking Corporation. He also holds board positions in several companies within the SM Group. He holds a Bachelor's degree in management from De La Salle University.

**POSITIONS IN OTHER PLCs** :

China Banking Corporation Non-Executive Director  
SM Investments Corp. Adviser to the Board

**BOARD ATTENDANCE** : 100%; 6 of 6 Board Meetings  
100%; 2 of 2 Nomination Committee Meetings

**DATE OF FIRST APPOINTMENT** : April 1994

**NO. OF YEARS ON THE BOARD** : 21 YRS.

**SHAREHOLDINGS** : 2.31%

**OTHER INFORMATION** : No legal dispute in the past five (5) years;  
No conflict of interest transactions in the past one (1) year.

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**NAME** : JOSE L. CUISIA, JR.

**AGE** : 71 YRS.

**DESIGNATIONS** : Independent Director (Vice-Chairman)  
Chairman, Audit and Risk Management Committee  
Member, Nomination Committee



**EDUCATION/ EXPERIENCE** : Mr. Jose L. Cuisia, Jr. has served as Vice Chairman of the Board of Directors of SMPH since 1994. In 2011, he took his official diplomatic post as Ambassador Extraordinary and Plenipotentiary to the United States of America. He was the former President and Chief Executive Officer of the Philippine American Life and General Insurance Company and is currently the Vice-Chairman of Philamlife since August 2009. Previously, he served as Governor of the Bangko Sentral ng Pilipinas from 1990 to 1993 and Administrator of the Social Security System from 1986 to 1990. In May 2011, he was awarded the "Joseph Wharton Award for Lifetime Achievement" by the prestigious Wharton School of the University of Pennsylvania for an outstanding career in the banking and social security system.

**POSITIONS IN OTHER PLCs** :

PHINMA Corporation Non-Executive Director  
Holcim Philippines, Inc. Non-Executive Director  
Manila Water Company, Inc. Independent Director

**BOARD ATTENDANCE** : 100%; 6 of 6 Board Meetings  
100%; 5 of 5 Audit and Risk Management Committee Meetings  
100%; 2 of 2 Nomination Committee Meetings

**DATE OF FIRST APPOINTMENT** : April 1994

**NO. OF YEARS ON THE BOARD** : 21 YRS.

**SHAREHOLDINGS** : 0.00%

**OTHER INFORMATION** : No legal dispute in the past five (5) years;  
No conflict of interest transactions in the past one (1) year.

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**NAME** : JORGE T. MENDIOLA  
**AGE** : 55 YRS.  
**DESIGNATIONS** : Non-Executive Director  
Member, Audit and Risk Management Committee



**EDUCATION/ EXPERIENCE** : Mr. Jorge T. Mendiola was elected as a Director in December 2012. He is currently the President of SM Retail, Inc. He started his career with The SM Store as a Special Assistant to the Senior Branch Manager in 1989 and rose to become the President in 2011. He is also the Vice Chairman for Advocacy of the Philippine Retailers Association. He received his Masters in Business Management from the Asian Institute of Management and has an A.B. Economics degree from Ateneo de Manila University.

**BOARD ATTENDANCE** : 100%; 6 of 6 Board Meetings  
100%; 5 of 5 Audit and Risk Management Committee Meetings  
**DATE OF FIRST APPOINTMENT** : December 2012  
**NO. OF YEARS ON THE BOARD** : 2 YRS.  
**SHAREHOLDINGS** : 0.00%  
**OTHER INFORMATION** : No legal dispute in the past five (5) years;  
No conflict of interest transactions in the past one (1) year.

**NAME** : GREGORIO U. KILAYKO  
**AGE** : 60 YRS.  
**DESIGNATIONS** : Independent Director  
Chairman, Compensation Committee  
Member, Audit and Risk Management Committee  
Member, Nomination Committee



**EDUCATION/ EXPERIENCE** : Mr. Gregorio U. Kilayko is the former Chairman of ABN Amro's banking operations in the Philippines. He was the founding head of ING Baring's stockbrokerage and investment banking business in the Philippines and a Philippine Stock Exchange Governor in 1996 and 2000. He was a director of the demutualized Philippine Stock Exchange in 2003. He was elected as an Independent Director in 2008.

**POSITIONS IN OTHER PLCs** :

Belle Corporation	Independent Director
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**BOARD ATTENDANCE** : 100%; 6 of 6 Board Meetings  
100%; 5 of 5 Audit and Risk Management Committee Meetings  
100%; 2 of 2 Compensation Committee Meetings  
100%; 2 of 2 Nomination Committee Meetings  
**DATE OF FIRST APPOINTMENT** : April 2008  
**NO. OF YEARS ON THE BOARD** : 7 YRS.  
**SHAREHOLDINGS** : 0.00%



**OTHER INFORMATION** : No legal dispute in the past five (5) years;  
No conflict of interest transactions in the past one (1) year.

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**NAME** : JOSELITO H. SIBAYAN  
**AGE** : 56 YRS.  
**DESIGNATIONS** : Independent Director  
Chairman, Nomination Committee  
Member, Audit and Risk Management Committee  
Member, Compensation Committee



**EDUCATION/ EXPERIENCE** : Mr. Joselito H. Sibayan has spent the past 28 years of his career in investment banking. From 1987 to 1994, and after taking his MBA from University of California in Los Angeles, he was Head of International Fixed Income Sales at Deutsche Bank in New York and later moved to Natwest Markets to set up its International Fixed Income and Derivatives Sales/Trading operation. He then moved to London in 1995 to run Natwest Market's International Fixed Income Sales Team. He is currently the President and CEO of Mabuhay Capital Corporation (MC2), an independent financial advisory firm. Prior to forming MC2 in 2005, he was Vice Chairman, Investment Banking - Philippines and Country Manager for Credit Suisse First Boston (CSFB). He helped establish CSFB's Manila representative office in 1998, and later oversaw the transition of the office to branch status. He was elected as an Independent Director of SMPH in 2011.

**POSITIONS IN OTHER PLCs** :

Apex Mining Corporation Independent Director

**BOARD ATTENDANCE** : 100%; 6 of 6 Board Meetings  
100%; 5 of 5 Audit and Risk Management Committee Meetings  
100%; 2 of 2 Compensation Committee Meetings  
100%; 2 of 2 Nomination Committee Meetings

**DATE OF FIRST APPOINTMENT** : April 2011

**NO. OF YEARS ON THE BOARD** : 4 YRS.

**SHAREHOLDINGS** : 0.00%

**OTHER INFORMATION** : No legal dispute in the past five (5) years;  
No conflict of interest transactions in the past one (1) year.

**PROXY**

The undersigned stockholder of **SM PRIME HOLDINGS, INC.** (the "Company") hereby appoints \_\_\_\_\_ or in his absence, the Chairman of the meeting, as *attorney and proxy*, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on April 14, 2015 and at any of the adjournments thereof for the purpose of acting on the following matters:

- |  |   |
|--|---|
| <p>1. Approval of minutes of previous meeting held on April 15, 2014.<br/> <input type="checkbox"/> Yes    <input type="checkbox"/> No    <input type="checkbox"/> Abstain</p> <p>2. Approval of annual report for the Year 2014.<br/> <input type="checkbox"/> Yes    <input type="checkbox"/> No    <input type="checkbox"/> Abstain</p> <p>3. General 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.<br/> <input type="checkbox"/> Yes    <input type="checkbox"/> No    <input type="checkbox"/> Abstain</p> | <p>5. Election of Sycip Gorres Velayo &amp; Co. as independent auditors.<br/> <input type="checkbox"/> Yes    <input type="checkbox"/> No    <input type="checkbox"/> Abstain</p> <p>6. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.<br/> <input type="checkbox"/> Yes    <input type="checkbox"/> No    <input type="checkbox"/> Abstain</p> |
|--|---|

4. Election of Directors.
- Vote for all nominees listed below  
 Henry Sy, Sr.  
 Henry T. Sy, Jr.  
 Hans T. Sy  
 Herbert T. Sy  
 Jorge T. Mendiola  
 Jose L. Cuisia, Jr. (Independent)  
 Gregorio U. Kilayko (Independent)  
 Joselito H. Sibayan (Independent)

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

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

Withhold authority for all nominees listed above

Withhold authority to vote for the nominees listed below:

\_\_\_\_\_  
 DATE

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY AT LEAST SEVENTY TWO (72) HOURS BEFORE THE DATE SET FOR THE ANNUAL MEETING AS PROVIDED IN THE BY-LAWS.

THIS PROXY IS NOT REQUIRED TO BE NOTARIZED, AND 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 A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON.

<b>PART I.</b>
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**INFORMATION REQUIRED IN INFORMATION STATEMENT****A. BUSINESS AND GENERAL INFORMATION****ITEM 1. Date, Time and Place of Meeting of Security Holders**

- (a)     Date                 :     April 14, 2015  
          Time                :     2:30 p.m.
- Place               :     Function Room 3  
                                  SMX Convention Center  
                                  SM Aura Premier  
                                  26th St., Corner McKinley Parkway  
                                  Barangay Fort Bonifacio Global City, Taguig
- Mailing             :     **SM Prime Holdings, Inc.**  
          Address             :     10<sup>th</sup> Floor, Mall of Asia Arena Annex Building  
          of Registrant       :     Coral Way cor. J.W. Diokno Blvd.  
                                  Mall of Asia Complex  
                                  Brgy. 76, Zone 10, CBP-1A, Pasay City 1300
- (b)     Approximate date on which the Information Statement will be sent or given to the stockholders is on **March 19, 2015**.

**Statement that proxies are not solicited**

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

**Voting Securities**

The record date for purposes of determining the stockholders entitled to vote is March 16, 2015. The total number of shares outstanding and entitled to vote in the stockholders' meeting is 28,879,137,294 shares (net of 4,287,162,781 treasury 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 Prime Holdings, Inc. (SMPH or the "Company") respects the inherent rights of shareholders under the law. SMPH recognizes that all shareholders should be treated fairly and equally whether they be controlling, majority or minority, local or foreign.

Pursuant to Section 81 of the Corporation Code of the Philippines, a stockholder has the right to dissent and demand payment of the fair value of his shares under 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 Corporation Code; and,
- (c) In case of merger or consolidation.

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

- (a) A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right.
- (b) The dissenting stockholder shall make a written demand on the corporation within 30 days after the date on which the vote was taken for payment for the fair value of his shares.

The failure of the stockholder to make the demand within the 30-day period shall be deemed a waiver on his appraisal right.

- (c) If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder, upon surrender of corresponding certificate(s) of stock within 10 days after demanding payment for his shares (Sec. 86), the fair value of the shareholder's shares in the Company as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of a merger, if such be the corporate action involved. Failure by the dissenting shareholder to surrender his shares within said 10-day period shall, at the option of SMPH, terminate his appraisal rights.
- (d) If within sixty (60) days from the date the corporate action was approved by the stockholders, the dissenting stockholder and SMPH cannot agree on the fair value of the shares, it shall be appraised and determined by three (3) disinterested persons, one of whom shall be named by the stockholder, another by SMPH, and the third by the two (2) thus chosen.
- (e) The findings of a majority of the appraisers shall be final, and their award shall be paid by SMPH within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless SMPH has unrestricted retained earnings in its books to cover such payment.
- (f) Upon payment of the agreed or awarded price, the stockholder shall transfer his shares to the Company.

There are no matters to be discussed in the Annual Stockholders' Meeting which would give rise to the exercise of the dissenter's right of appraisal.

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

- (a) No director or Executive Officer of SMPH since the beginning of the last fiscal year, or any nominee for election as director, nor any of their associates, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the meeting, other than election to office.
- (b) No director of SMPH has informed SMPH in writing that he intends to oppose any matter to be acted upon at this year's Annual Stockholders' Meeting.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **ITEM 4. Voting Securities and Principal Holders Thereof**

#### (1) Number of Common Shares Outstanding

The Company has 28,879,139,294 (net of 4,287,162,781 treasury shares) common shares outstanding as of February 27, 2015. Out of the aforesaid outstanding common shares, 6,255,607,263 common shares are held by foreigners.

## (2) Record Date

All stockholders of record as at March 16, 2015 are entitled to notice of and to vote at the Annual Stockholders' Meeting.

## (3) Manner of Voting and Election of Directors (Cumulative Voting)

Each common share of SMPH owned by a shareholder as of March 16, 2015 is entitled to one (1) vote (each, a "**Voting Share/s**") except in the election of directors where one share is entitled to as many votes as there are Directors to be elected. The election of Directors shall be by ballot and each stockholder entitled to vote may cast the vote to which the number of shares he owns entitles him, for as many persons as there are to be elected as Directors, or he may cumulate or give to one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of Directors to be elected. Thus, since there are eight (8) directors to be elected, each Voting Share is entitled to eight (8) votes.

The shareholder holding Voting Shares may nominate directors and vote in person or by proxy. If he chooses to vote through proxy, SMPH's By-Laws require the submission of a proxy form to the Corporate Secretary no later than 5:30 p.m. on April 11., 2015 at the Office of the Corporate Secretary at the 10<sup>th</sup> Floor, Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City. A suggested format for the proxy form is available at SMPH's website and attached here as Annex A.

A forum for the validation of proxies, chaired by the Corporate Secretary or Assistant Corporate Secretary and attended by SMPH's stock and transfer agent, shall be convened on April 12, 2015, 11:00 a.m., at the 10<sup>th</sup> Floor, Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City, Philippines. Any questions and issues relating to the validity and sufficiency, both as to form and substance, of proxies shall only be resolved by the Corporate Secretary at that forum. The Corporate Secretary's decision shall be final and binding on the shareholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the meeting.

## (4) Security Ownership of Certain Record and Beneficial Owners as of February 27, 2015

The following are the owners of the Company common stock in excess of 5% of total outstanding shares:

Title of Securities	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Amount and Nature of Direct Record/Beneficial Ownership ("r" or "b")	Percent of Class (%)
Common	<b>SM Investments Corporation (SMIC) (Parent Company)</b> <sup>1</sup> One Ecom Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City	<b>SMIC</b> <sup>2</sup>	Filipino	14,197,128,988 (b)	49.16
-do-	<b>PCD Nominee Corp.</b> <sup>3</sup> MSE Bldg., Ayala Ave., Makati City	<b>PCD Participants</b> <sup>4</sup>	Filipino - 7.41% Non-Filipino - 17.70%	7,252,748,854 (r)	25.11

<sup>1</sup> The following are the individuals holding the direct beneficial ownership of SMIC: Felicidad T. Sy-3.24%, Henry T. Sy, Jr.-7.34%, Hans T. Sy-8.28%, Herbert T. Sy-8.28%, Harley T. Sy-7.35%, Teresita T. Sy-7.17% and Elizabeth T. Sy-5.86%.

<sup>2</sup> Henry Sy, Sr. is the Chairman of SMIC and Teresita T. Sy and Henry Sy, Jr. are the Vice Chairmen of SMIC and they have the power to vote the common shares of SMIC in SMPH.

<sup>3</sup> The PCD participants have the power to decide how their shares are to be voted. There are no other individual shareholders which own more than 5% of the Company.

<sup>4</sup> The PCD is not related to the Company.

#### (5) Security Ownership of Management as of February 27, 2015

Title of Securities	Name of Beneficial Owner of Common Stock	Citizenship Filipino (F)	Amount and Nature of Beneficial Ownership (D) Direct (I) Indirect	Class of Securities Voting (V)	Percent of Class
Common	Henry Sy, Sr.	F	653,395,579 (I)	V	2.26
-do-	Jose L. Cuisia, Jr.	F	497,661 (D&I)	V	0.00
-do-	Teresita T. Sy	F	666,708,532 (D&I)	V	2.31
-do-	Henry T. Sy, Jr.	F	680,818,440 (D)	V	2.36
-do-	Hans T. Sy	F	685,163,512 (D&I)	V	2.37
-do-	Herbert T. Sy	F	666,389,522 (D&I)	V	2.31
-do-	Elizabeth T. Sy	F	654,115,892 (D&I)	V	2.27
-do-	Gregorio U. Kilayko	F	202,580 (D&I)	V	0.00
-do-	Joselito H. Sibayan	F	66,375 (D)	V	0.00
-do-	Jorge T. Mendiola	F	1,365,167 (D&I)	V	0.00
-do-	Jeffrey C. Lim	F	50,000 (I)	V	0.00
	All directors and executive officers as a group		4,008,773,260		13.88

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

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

There were no matters submitted to a vote of security holders during the fourth quarter of the calendar year covered by this report.

### **ITEM 5. Directors and Executive Officers of the Registrant**

#### **DIRECTORS AND EXECUTIVE OFFICERS**

Office	Name	Citizenship	Age
Chairman Emeritus	Henry Sy, Sr.	Filipino	90
Chairman	Henry T. Sy, Jr.	Filipino	61
Vice Chairman and Independent Director	Jose L. Cuisia, Jr.	Filipino	71
Independent Director	Gregorio U. Kilayko	Filipino	60
Independent Director	Joselito H. Sibayan	Filipino	56
Director and President	Hans T. Sy	Filipino	59
Director	Herbert T. Sy	Filipino	58
Director	Jorge T. Mendiola	Filipino	55
Adviser to the Board of Directors	Teresita T. Sy	Filipino	64
Adviser to the Board of Directors	Elizabeth T. Sy	Filipino	62
Corporate Secretary	Elmer B. Serrano	Filipino	47
Assistant Corporate Secretary	Marianne M. Guerrero	Filipino	51
Executive Vice President/Corporate Information Officer	Jeffrey C. Lim	Filipino	53
Chief Finance Officer/Compliance Officer	John Nai Peng C. Ong	Filipino	44
Vice President – Internal Audit	Davee M. Zuniga	Filipino	43
Head, Malls	Anna Maria S. Garcia	Filipino	59
Head, Residential (Primary)	Jose Mari H. Banzon	Filipino	54
Head, Residential (Secondary)	Shirley C. Ong	Filipino	53
Head, Commercial	Dave L. Rafael	Filipino	56

<u>Office</u>	<u>Name</u>	<u>Citizenship</u>	<u>Age</u>
Head, Hotels and Convention Centers	Ma. Luisa E. Angeles	Filipino	56

### Board of Directors

**Henry Sy, Sr.** was elected as Chairman Emeritus of the Board of Directors of SMPH in 2014. He was the Chairman of the Board of Directors of SMPH since 1994 until April 2014. He is the founder of the SM Group and is currently Chairman of SM Investments Corporation (SMIC) and Highlands Prime, Inc. (HPI). He is likewise Chairman Emeritus of BDO Unibank, Inc. and Honorary Chairman of China Banking Corporation. He opened the first ShoeMart store in 1958 and has been at the forefront of SM Group's diversification into the commercial centers, retail merchandising, financial services, and real estate development and tourism businesses.

**Henry T. Sy, Jr.** has served as Director since 1994. 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. At present, he is Vice Chairman of SMIC, Chairman and Chief Executive Officer of SM Development Corporation (SMDC), Vice Chairman and President of HPI, Chairman of Pico de Loro Beach and Country Club Inc. and President of The National Grid Corporation of the Philippines. He graduated with a management degree from De La Salle University.

**Jose L. Cuisia, Jr.\*** has served as Vice Chairman of the Board of Directors of SMPH since 1994. In 2011, he took his official diplomatic post as Ambassador Extraordinary and Plenipotentiary to the United States of America. He was the former President and Chief Executive Officer of the Philippine American Life and General Insurance Company and is currently the Vice-Chairman of Philamlife since August 2009. Previously, he served as Governor of the Bangko Sentral ng Pilipinas from 1990 to 1993 and Administrator of the Social Security System from 1986 to 1990. In May 2011, he was awarded the "Joseph Wharton Award for Lifetime Achievement" by the prestigious Wharton School of the University of Pennsylvania for an outstanding career in the banking and social security system.

**Gregorio U. Kilayko\*** is the former Chairman of ABN Amro's banking operations in the Philippines. He was the founding head of ING Baring's stockbrokerage and investment banking business in the Philippines and a Philippine Stock Exchange Governor in 1996 and 2000. He was a director of the demutualized Philippine Stock Exchange in 2003. He was elected as an Independent Director in 2008.

**Joselito H. Sibayan\*** has spent the past 28 years of his career in investment banking. From 1987 to 1994, and after taking his Master of Business Administration (MBA) from University of California in Los Angeles, he was Head of International Fixed Income Sales at Deutsche Bank in New York and later moved to Natwest Markets to set up its International Fixed Income and Derivatives Sales/Trading operation. He then moved to London in 1995 to run Natwest Market's International Fixed Income Sales Team. He is currently the President and CEO of Mabuhay Capital Corporation (MC2), an independent financial advisory firm. Prior to forming MC2 in 2005, he was Vice Chairman, Investment Banking - Philippines and Country Manager for Credit Suisse First Boston (CSFB). He helped establish CSFB's Manila representative office in 1998, and later oversaw the transition of the office to branch status. He was elected as an Independent Director of SMPH in 2011.

*\* Independent director – The Independent Directors of the Company are Messrs. **Jose L. Cuisia, Jr., Gregorio U. Kilayko and Joselito H. Sibayan.** The Company has complied and will comply with the Guidelines set forth by Securities Regulation Code (SRC) Rule 38, as amended, regarding the Nomination and Election of Independent Directors. 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.*

**Hans T. Sy** has served as Director since 1994 and as President since 2004. He has held key positions in businesses related to banking, real estate development, mall operations, as well as leisure and entertainment. In the SM Group, his current positions include Adviser to the Board of SMIC, Director

of HPI, and Vice Chairman of SMDC. He is also Chairman of China Banking Corporation and National University. Mr. Sy is a mechanical engineering graduate of De La Salle University.

**Herbert T. Sy** has served as Director since 1994. He is an Adviser to the Board of SMIC and is currently the Vice Chairman of Supervalu Inc., Super Shopping Market Inc. and Sanford Marketing Corporation and Director of China Banking Corporation. He also holds board positions in several companies within the SM Group. He holds a Bachelor's degree in management from De La Salle University.

**Jorge T. Mendiola** was elected as a Director in December 2012. He is currently the President of SM Retail, Inc. He started his career with The SM Store as a Special Assistant to the Senior Branch Manager in 1989 and rose to become the President in 2011. He is also the Vice Chairman for Advocacy of the Philippine Retailers Association. He received his Master in Business Management from the Asian Institute of Management and has an A.B. Economics degree from Ateneo de Manila University.

**Teresita T. Sy** has served as an Adviser to the Board since May 2008. She was a Director from 1994 up to April 2008. She has worked with the Group for over 20 years and has varied experiences in retail merchandising, mall development and banking businesses. A graduate of Assumption College, she was actively involved in ShoeMart's development. At present, she is Chairperson of BDO Unibank, Inc. and Vice Chairperson of SMIC. She also holds board positions in several companies within the SM Group.

**Elizabeth T. Sy** was elected as an Adviser to the Board in April 2012. She was the Senior Vice President for Marketing from 1994 up to April 2012. She also oversees the SM Group's involvement in the tourism and hospitality industry as Co-Chairman of the Pico de Loro Beach and Country Club Inc. and as President of the SM Hotels and Conventions Corp. (SMHCC). She also serves as Adviser to the Board of SMIC and as a member of the Board of Directors at the BDO Private Bank.

Members of the Board of Directors are given a standard per diem of P10,000 per Board meeting, except for the Chairman and Vice Chairman which are given P20,000 per Board meeting.

**Elmer B. Serrano** is the Corporate Secretary of the SMPH and of SMIC since November 2014. He is Name Partner of the law firm of Martinez Vergara Gonzalez & Serrano and has been practicing corporate law for over two decades. He is also the Corporate Secretary of Crown Equities, Inc. and its subsidiaries, BDO Capital & Investment Corporation, BDO Securities Corporation, BDO Insurance Brokers, Inc., BDO Elite Savings Bank, Inc., Banco De Oro Savings Bank and Averon Holding Corporation. He was previously a director of OCLP Holdings, Inc. until November 2014. He is a graduate of the Ateneo Law School and holds a degree of B.S. Legal Management from the Ateneo de Manila University.

**Marianne M. Guerrero** is the Assistant Corporate Secretary and also the Senior Vice President for Legal of SMIC. Prior to joining the SM Group, she was Senior Vice President of United Overseas Bank Philippines. She is a graduate of the Ateneo Law School and obtained her college degree from the Ateneo de Manila University.

### **Executive Officers**

**Jeffrey C. Lim** is the Executive Vice President of SMPH, Inc. and a member of its Executive Committee, as well as the President of SMDC. He is a Director of Pico de Loro Beach and Country Club Inc. and holds various board and executive positions in other SMPH's subsidiaries. He is a member of the Management Board of the Asia Pacific Real Estate Association. He is a Certified Public Accountant and holds a Bachelor of Science degree in Accounting from the University of the East. Prior to joining the Company in 1994, he worked for a multi-national company and SGV & Co.

**John Nai Peng C. Ong** is the Chief Finance Officer and Compliance Officer. He holds certain board positions in other SMPH's subsidiaries. He is a Certified Public Accountant and holds a Bachelor of



Science degree in Accounting from Ateneo de Zamboanga University. He received his Master in Management from the Asian Institute of Management. Prior to joining the Company in 2014, he was an assurance partner in SGV & Co.

**Davee M. Zuniga** is the Vice President for Internal Audit. He is a Certified Public Accountant and holds a Bachelor of Science degree in Commerce major in Accountancy from De La Salle University. He placed 14<sup>th</sup> in the CPA board examinations. He also attended the Executive MBA at Asian Institute of Management. Prior to joining the Company in 2013, he was an assurance partner in SGV & Co.

**Anna Maria S. Garcia** is the Business Unit Head for Malls as President of Shopping Center Management Corp. (SCMC) since 2006. She is the Chairman of Mercantile Stores Group Inc., Chief Executive Officer of Henfels Investments Inc., Board of Director of the Gifts and Graces Fair Trade Foundation Inc. and a member of International Council of Shopping Centers and Philippine Retailers Association of the Philippines. She graduated from University of the Philippines with a degree of BS Foreign Service. Prior to joining SCMC in 1998, she worked as Assistant Vice-President for Department Store Operations, SM Inc.

**Jose Mari H. Banzon** is the Business Unit Head for Residential (Primary). He holds a Bachelor of Arts degree in Economics and a Bachelor of Science degree in Management of Financial Institutions from De La Salle University. Prior to joining SMDC in 2013, he was executive vice president and general manager of Federal Land, Inc.. He had also worked in the corporate banking department of various financial institutions in the Philippines and Hong Kong.

**Shirley C. Ong** is the Business Unit Head for Residential (Secondary). She is also the Director of The Midlands Golf and Country Club, Inc. Before joining the Company in 2010, she was First Vice President for Business Development of Filinvest Alabang, Inc. She brings with her over 26 years of experience, 21 years of which has been in various areas of real estate from city development, office/residential, high rise development, residential village development including finance, marketing, sales and property management. She holds a Bachelor of Arts degree, Major in Economics (Cum Laude) from the University of Sto. Tomas and is a candidate for Master in Economics at the Institute of Economic Policy Research of the University of Asia & Pacific.

**Dave L. Rafael** is the Business Unit Head for Commercial. He has a Bachelor of Arts degree from the Ateneo de Manila University and an MBA from the Colgate Darden School of Business Administration, University of Virginia. Prior to joining the Company in 2009, he was with Ayala Land for 21 years holding various positions in shopping center operations, project development, marketing and local and international sales.

**Ma. Luisa E. Angeles** is the Business Unit Head for Hotels and Convention Centers. She is the Senior Vice President for Operations of SMHCC since 2014. She holds a Bachelor of Science degree in Hotel and Restaurant Administration from the University of the Philippines. She has 34 years of work expertise in the hotel management industry specifically in sales and marketing. She was with EDSA Shangri-La, Shangri-La Bangkok and Shangri-La Hotel International Management, Ltd. holding various positions for 24 years. Prior to that, she rendered 10 years of service to Hyatt Regency Manila and Hyatt Terraces Baguio.

The Directors of the Company are elected at the Annual Stockholders' Meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified. The Directors possess all the qualifications and none of the disqualifications provided for in the SRC and its Implementing Rules and Regulations.

Procedure for Nomination of Directors:

- All nominations for directors shall be submitted in writing to the Corporate Secretary of SMPH on or before March 3, 2015. Nominations that are not submitted within such nomination period shall not be valid. A stockholder of record, including a minority

stockholder, entitled to notice of and to vote at the regular or special meeting of the stockholders for the election of directors shall be qualified to be nominated a director of SMPH (par. 4 Section 2, Article III, SMPH By-Laws).

- The Nomination Committee meets, pre-screens and checks the qualifications of and deliberates on all persons nominated to be elected to the Board of Directors of SMPH from the pool of candidates submitted by the nominating stockholders. The Nomination Committee shall prepare a Final List of Candidates from those who have passed the Guidelines, Screening Policies and Parameters for the nomination of independent directors. Said list shall contain all the information about these nominees. Only nominees qualified by the Nomination Committee and whose names appear on the Final List of Candidates shall be eligible for election as Independent Director. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual annual stockholders’ meeting.
- The Nominations Committee shall pre-screen the nominees based on their qualifications, as provided in SMPH’s Manual of Corporate Governance.
- 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 Nomination 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.

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, SMPH’s strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Business Conduct and Ethics, Insider Trading Policy and Corporate Governance Manual.

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

Aside from the Directors and Executive Officers enumerated above, there are no other employees expected to hold significant executive/officer position in the Company.

The following are directorships held by Directors and Executive Officers in other reporting companies at least, in the last five years:

***Henry Sy, Sr.***

<b><i>Name of Corporation</i></b>	<b><i>Position</i></b>
SM Investments Corporation. ....	Chairman
China Banking Corporation. ....	Honorary Chairman
BDO Unibank, Inc... ..	Chairman Emeritus

***Henry T. Sy, Jr.***

<b><i>Name of Corporation</i></b>	<b><i>Position</i></b>
SM Investments Corporation .....	Vice Chairman

**Jose L. Cuisia, Jr.**

<i>Name of Corporation</i>	<i>Position</i>
PHINMA Corporation.....	Regular Director
Holcim Philippines, Inc.....	Regular Director
Manila Water Company, Inc.....	Independent Director

**Gregorio U. Kilayko**

<i>Name of Corporation</i>	<i>Position</i>
Belle Corporation.....	Independent Director

**Joselito H. Sibayan**

<i>Name of Corporation</i>	<i>Position</i>
Apex Mining Corporation.....	Independent Director

**Hans T. Sy**

<i>Name of Corporation</i>	<i>Position</i>
China Banking Corporation .....	Director/ Chairman
SM Investments Corporation. ....	Adviser to the Board

**Herbert T. Sy**

<i>Name of Corporation</i>	<i>Position</i>
China Banking Corporation .....	Director
SM Investments Corporation .....	Adviser to the Board

**Teresita T. Sy**

<i>Name of Corporation</i>	<i>Position</i>
BDO Unibank, Inc. ....	Chairperson
BDO Leasing and Finance, Inc.....	Chairperson
SM Investments Corporation. ....	Director/ Vice Chairperson

**Elizabeth T. Sy**

<i>Name of Corporation</i>	<i>Position</i>
SM Investments Corporation.....	Adviser to the Board

The members of the Audit and Risk Management Committee are:

JOSE L. CUISIA, JR.	-	Chairman (Independent Director)
GREGORIO U. KILAYKO	-	Member (Independent Director)
JOSELITO H. SIBAYAN	-	Member (Independent Director)
JORGE T. MENDIOLA	-	Member
JOSE T. SIO	-	Member
SERAFIN U. SALVADOR	-	Member
CORAZON I. MORANDO	-	Member

The members of the Compensation Committee are:

GREGORIO U. KILAYKO	-	Chairman (Independent Director)
JOSELITO H. SIBAYAN	-	Member (Independent Director)
HANS T. SY	-	Member

The members of the Nomination Committee are:

JOSELITO H. SIBAYAN	-	Chairman (Independent Director)
JOSE L. CUISIA, JR.	-	Member (Independent Director)
GREGORIO U. KILAYKO	-	Member (Independent Director)
HERBERT T. SY	-	Member

The Nomination Committee with the confirmation of the Board under its Corporate Governance Manual have qualified the following for re-election to the Board of Directors at the forthcoming Annual Stockholders' Meeting:

Henry T. Sy, Sr.	-	Chairman Emeritus
Henry T. Sy, Jr.	-	Chairman
Jose L. Cuisia, Jr.	-	Vice-Chairman (Independent Director)
Gregorio U. Kilayko	-	Independent Director
Joselito H. Sibayan	-	Independent Director
Hans T. Sy	-	Director
Herbert T. Sy	-	Director
Jorge T. Mendiola	-	Director

Ms. Linda Panutat nominated to the Board for inclusion in the Final List of Candidates for Independent Directors the following stockholders:

Jose L. Cuisia, Jr.  
Gregorio U. Kilayko  
Joselito H. Sibayan

Ms. Linda Panutat is not related to Jose L. Cuisia, Jr., Gregorio U. Kilayko and Joselito H. Sibayan.

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

The following will be nominated as officers at the Organizational meeting of the Board of Directors:

Henry T. Sy, Sr.	Chairman Emeritus
Henry T. Sy, Jr.	Chairman
Jose L. Cuisia, Jr.	Vice Chairman and Independent Director
Elmer B. Serrano	Corporate Secretary
Marianne M. Guerrero	Assistant Corporate Secretary
Hans T. Sy	President
Jeffrey C. Lim	Executive Vice President/Corporate Information Officer
John Nai Peng C. Ong	Chief Finance Officer/Compliance Officer
Davee M. Zuniga	Vice President – Internal Audit
Anna Maria S. Garcia	Head, Malls
Jose Mari H. Banzon	Head, Residential (Primary)
Shirley C. Ong	Head, Residential (Secondary)
Dave L. Rafael	Head, Commercial
Ma. Luisa E. Angeles	Head, Hotels and Convention Centers

### **Family Relationships**

Mr. Henry Sy, Sr. is the father of Teresita Sy, Elizabeth Sy, Henry Sy, Jr., Hans Sy, Herbert Sy and Harley Sy. All other directors and officers are not related either by consanguinity or affinity.

### **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 or any member of senior management of the Company:

- (a) 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;
- (b) 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;
- (c) 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
- (d) 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.

### **ITEM 6. Compensation of Directors and Executive Officers**

Aside from regular standard per diems, all directors do not receive regular annual salaries from the Company. The following are the most highly compensated executive officers:

#### **Name and Position**

Hans T. Sy  
President

Jeffrey C. Lim  
Executive Vice-President

John Nai Peng C. Ong  
Chief Finance Officer

Anna Maria S. Garcia  
Head, Malls

Jose Mari H. Banzon  
Head, Residential (Primary)

Shirley C. Ong  
Head, Residential (Secondary)

Dave L. Rafael  
Head, Commercial

Ma. Luisa E. Angeles  
Head, Hotels and Convention Centers

### Summary Compensation Table

	Year	Salary	Bonus
President & Most Highly Compensated Executive Officers	2015 (estimate)	₱119,000,000	₱20,000,000
	2014 (actual)	108,000,000	18,000,000
	2013 (actual)	79,000,000	13,000,000
All other officers* as a group unnamed	2015 (estimate)	₱263,000,000	₱44,000,000
	2014 (actual)	239,000,000	40,000,000
	2013 (actual)	189,000,000	31,000,000

*\*Managers & up*

Certain officers of the Company are seconded from SMIC.

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

### Certain Relationships and Related Transactions

The Company, in the regular course of trade or business, enters into transactions with affiliates/ related companies principally consisting of leasing agreements, management fees and cash placements. Generally, leasing and management agreements are renewed on an annual basis and are made at normal market prices. In addition, the Company also has outstanding borrowings/ placements from/ to related banks.

Transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year-end are unsecured, noninterest-bearing and generally settled within 30 to 90 days. There have been no guarantees/collaterals provided or received for any related party receivables or payables. For the year ended December 31, 2014, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

There are no other transactions undertaken or to be undertaken by the Company in which any Director or Executive Officer, nominee for election as Director, or any member of their immediate family was or will be involved or had or will have a direct or indirect material interest.

Please refer to Note 22 of the attached 2014 consolidated financial statements.

### ITEM 7. Independent Public Accountants

SGV & Co. is the external auditor for the current year. The same external auditor will be recommended for re-appointment at the scheduled Annual 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.

The Audit and Risk Management Committee recommends to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. The Board of Directors and the stockholders approve the Audit and Risk Management Committee's recommendation.

Under the Charter of the Audit and Risk Management Committee, part of the Committee's authority is to pre-approve all auditing and non-audit services, as well as to resolve any disagreements between management and the external auditors regarding financial reporting. The Committee reviews the external auditor's proposed audit scope and approach, including coordination of audit effort with internal audit. The Manual on Corporate Governance provides that the Committee shall pre-approve all audit plans, scope and frequency one month before the conduct of external audit.

The Committee also evaluates the performance of the external auditors and exercises final approval on the appointment or discharge of the auditors. The Committee further reviews the independence of the external auditors and meets with the latter separately to discuss any matters that either party believes should be discussed privately.

Pursuant to SRC Rule 68, Paragraph 3(b) (iv) and (ix) (Rotation of External Auditors) which states that the signing partner shall be rotated after every five (5) years of engagement with a two-year cooling off period for the re-engagement of the same signing partner, the Company engaged Mr. Ramon D. Dizon of SGV & Co. starting year 2009 and Ms. Belinda T. Beng Hui of SGV & Co. starting year 2011.

The Company and its subsidiaries paid SGV & Co. ₱7.0 million for external audit services for the years 2014 and 2013. In 2014, SGV & Co. did the review of the Interim Condensed Consolidated Financial Statements as at March 31, 2014 and for the three-month periods ended March 31, 2014 and 2013. In 2013, SGV & Co. likewise did the review of the Pro-forma Financial Statements as at December 31, 2012 and for the years ended December 31, 2012, 2011 and 2010 and the audit and review of the Combined Financial Statements as at December 31, 2012 and for the years ended December 31, 2012, 2011 and 2010 and as at September 30, 2013 and for the periods ended September 30, 2013 and 2012, respectively, in relation to the SM Property Group Restructuring. There were no other professional services rendered by SGV & Co. during the period. Tax consultancy services are secured from entities other than the external auditor.

#### **ITEM 8. Employee Compensation Plans**

There are no existing or planned stock options. No action is to be taken at this Annual Stockholders' Meeting 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 shareholders' approval at this year's annual meeting which involves authorization or issuance of any securities.

On November 27, 2014, the Company has undergone an international placement of its treasury shares to raise capital to finance capital expenditures, general corporate purposes, and potential acquisitions.

In connection with the international placements of its treasury shares, the Company entered into a Placement Agreement with J. P. Morgan Securities Plc and Macquarie Capital (Singapore) Pte. Limited (the "Joint Bookrunners") on November 27, 2014. As stated in the Placement Agreement, the Company shall sell its 1,060 million shares held in treasury (the "Sale Shares") with a par value of ₱1 per share at ₱17.00 (Offer Price) per share to the Joint Bookrunners, or to investors that the Joint Bookrunners may procure outside the Philippines (the "International Placement").

The Company was able to sell through the Joint Bookrunners the total Sale Shares of 1,060 million SMPH common shares. The proceeds of ₱17,647 million, net of transaction costs capitalized, add up to the capital of the Company.

#### **ITEM 10. Modification or Exchange of Securities**

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

## ITEM 11. Financial and Other Information

The Company's consolidated financial statements for the years ended December 31, 2014, 2013 and 2012 are attached as Annex B incorporated herein by reference.

### Brief Description of the General Nature and Scope of the Registrant's Business and Its Subsidiaries

SMPH was incorporated in the Philippines on January 6, 1994.

SMPH consolidates all of the SM Group's real estate subsidiaries and real estate assets under one single listed entity, SMPH and its subsidiaries ("SM Prime"). SM Prime has four business units, namely, malls, residential, commercial and hotels and convention centers.

Its registered office and principal place of business is 10<sup>th</sup> Floor Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City 1300.

The subsidiaries of the Company follow:

Company	Percentage of ownership
<b>Malls</b>	
First Asia Realty Development Corporation	74.19
Premier Central, Inc.	100.00
Consolidated Prime Dev. Corp.	100.00
Premier Southern Corp.	100.00
San Lazaro Holdings Corporation	100.00
Southernpoint Properties Corp.	100.00
First Leisure Ventures Group Inc.	50.00
Chas Realty and Development Corporation and Subsidiaries	100.00
Affluent Capital Enterprises Limited and Subsidiaries	100.00
Mega Make Enterprises Limited and Subsidiaries	100.00
Springfield Global Enterprises Limited	100.00
SM Land (China) Limited and Subsidiaries	100.00
Simply Prestige Limited and Subsidiaries	100.00
<b>Residential</b>	
SM Development Corporation and Subsidiaries	100.00
Summerhills Home Development Corp. (SHDC)	100.00
Highlands Prime, Inc.	100.00
Costa Del Hamilo Inc. and Subsidiary	100.00
<b>Commercial</b>	
Magenta Legacy, Inc.	100.00
Associated Development Corporation	100.00
Prime Metroestate Inc. and Subsidiary (PMI)	60.00
Tagaytay Resorts and Development Corporation	100.00
SM Arena Complex Corporation	100.00
<b>Hotels and Convention Centers</b>	
SM Hotels and Conventions Corp. and Subsidiaries	100.00

### **Malls**

SM Prime mall business unit operates and maintains modern commercial shopping malls and is involved in all related businesses, such as the operation and maintenance of shopping spaces for rent, amusement centers and cinema theaters. Its main sources of revenues include rental income from leases in mall and food court, cinema ticket sales and amusement income from bowling and ice skating. The rimall business unit currently has fifty malls in the Philippines with 6.5 million square meters (sq. m.) of gross floor area and five shopping malls in China with 0.8 million sq. m. of gross floor area.



In 2014, SM Prime mall business unit opened two malls in the Philippines, namely, SM City Cauayan in Isabela and SM Center Angono in Rizal. The new malls added 213,005 sq. m. to the mall business unit's total gross floor area. For 2015, the Company's mall business unit is set to open four new malls, located in Sangandaan, Cabanatuan and San Mateo in the Philippines and Zibo in China, as well as the expansions of SM City Iloilo and SM City Lipa. By yearend, the mall business unit will have an estimated 7.8 million square meters of gross floor area.

### ***Residential***

SM Prime's residential revenue is derived primarily from property development and sales, which is conducted by its subsidiaries, SMDC and SHDC. SM Prime's revenue from residential operations is derived largely from the sale of condominium units.

SMDC was incorporated in the Philippines in 1974 under the name Ayala Fund, Inc., renamed SM Fund Inc., and in May 1996, SM Fund, Inc. was renamed SM Development Corporation to reflect its new business thrust of property development, whose primary objective is to pursue opportunities in the real estate industry. SMDC's subsidiaries are namely SM Synergy Properties Holdings, Corp., SM Residences Corp, Landfactors Incorporated, Vancouver Lands, Inc., Twenty Two Forty One Properties, Inc., Guadix Land Corporation, Lascona Land Company, Inc., Metro South Davao Properties Corporation, Union-Madison Realty Company, Inc., 102 E De Los Santos Realty Co. Inc., SM Property Management Inc., SMDC HK Limited, SMDC International (USA), Inc., SMDC International (UK) Ltd and SMDC International (Italy) SRL.

In 2014, residential business unit has twenty five residential projects in the market, twenty three of which are in Metro Manila and two in Tagaytay. For the year 2015, SM Prime's residential business unit will be launching five new projects and five expansions of existing towers all in Metro Manila, except Cool Suites @ Wind Residences in Tagaytay.

SHDC was incorporated in the Philippines on September 13, 2007. SHDC is primarily engaged in real estate development and sale of residential units.

SM Prime, through its subsidiary HPI, owns leisure and resort developments including properties located in the Tagaytay Highlands and Tagaytay Midlands golf clubs in Laguna, Tagaytay City and Batangas. HPI develops and sells residential properties located at a private and exclusive mountainside resort called Tagaytay Highlands.

In addition, SM Prime, through CDHI, is the developer of Pico de Loro Cove, the first residential community within Hamilo Coast, a master planned coastal resort township development in Nasugbu, Batangas, encompassing 13 coves and 31 kilometers of coastline. Pico de Loro is located in a 40-hectare valley within Hamilo Coast situated near mountains and a protected cove. The completed projects include the four-condominium cluster project, Jacana, Myna, Miranda and Carola, as well as club shares of Pico de Loro Beach and Country Club. The Pico Sands Hotel is also located on the Pico de Loro property. CDHI was incorporated in the Philippines on September 26, 2006.

### ***Commercial***

SM Prime's commercial business unit is engaged in the development and leasing of office buildings in prime locations in Metro Manila, as well as the operations and management of such buildings and other land holdings.

SM Prime's flagship project is the MOA Complex in Pasay City, a 60-hectare master planned bayside development with the renowned SM Mall of Asia as its anchor tenant and main attraction, among other commercial, business, and entertainment establishments within the estate. A major attraction in the complex is the landmark 16,000-indoor seating SM Mall of Asia Arena, as well as its adjacent annex building that houses additional parking spaces as well as office levels. The MOA complex is also the site of SM Prime's signature business complex, the E-com Centers, a series of modern and iconic office

buildings mostly targeting technology based industries, BPO companies and shipping companies. Other similar office building developments catering to the BPO industry include the SM Cyber Buildings, a mix of build-to-suit and ready-to-use office spaces in Makati City, Quezon City, and soon in other emerging locations. SM Prime is also involved in the leasing and management of properties and buildings housing selected branches of SM Retail operations, such as its department stores and supermarkets, including the warehouses that support these various retail operations. SM Prime also manages the MOA complex.

In 2014, commercial business unit has completed commercial properties namely, Cyber West, a 15-level office building located at the corner of EDSA and West Avenue, Quezon City.

SM Prime's commercial business unit is currently constructing Three E-com Center scheduled for opening in 2016. Five E-com Center is targeted for completion by the first quarter of 2015.

PMI, 60% owned by SM Prime, was incorporated on June 1, 1995. PMI converted the concentration of its business operations from wholesale/retail of food and non-food articles to leasing.

SMACC was incorporated on March 15, 2012 to primarily engage in and carry on the business to manage the operations of Mall of Asia Arena, a five-story first class multipurpose venue for sporting events, concerts, entertainment shows, and other similar events.

### ***Hotels and Convention Centers***

SM Prime's hotels and convention centers business unit is operated through SMHCC, formerly SM Hotels Corp., which was incorporated in March 2008. The primary purpose of SMHCC is to develop and manage the various hotel and convention center properties of SM Prime. In addition, SMHCC is assessing the feasibility of establishing additional conference centers, in conjunction with its mid-market hotels, by using existing land bank situated around SM Prime's existing malls.

Park Inn by Radisson Davao, which is the very first "Park Inn by Radisson" in Asia Pacific region, started its operations in March 2013. The Park Inn brand for hotels under Carlson Rezidor and is the largest mid-market brand for hotels under development in Europe. Second Park Inn by Radisson located adjacent to SM City Clark in Pampanga is scheduled to open in the last quarter of 2015 with 155 rooms.

In 2013, SMHCC together with Hilton Worldwide signed an agreement to manage the first Conrad Hotel in the Philippines. The 347-room *Conrad Hotel Manila* will be located within the Mall of Asia Complex with stunning views of the famed Manila Bay. The eight-storey hotel will incorporate two levels of retail and entertainment facilities on the ground floor. It will also have other hotel facilities as well as a 1,446-square meter ballroom and other function and meeting spaces. Conrad Hotel Manila is scheduled for completion by last quarter of 2015.

As of December 31, 2014, the SMHCC portfolio is composed of four hotels located in Tagaytay City, Batangas, Cebu City and Davao City and four convention centers with over 35,715 sq. m. located in Pasay City, Taguig City, Davao City and Bacolod City.

## Management's Discussion and Analysis or Plan of Operation

### 2014

#### Financial and Operational Highlights

(In Million Pesos, except for financial ratios and percentages)

	<b>Twelve months ended Dec 31</b>				
	<b>2014</b>	<b>% to Revenues</b>	<b>2013</b>	<b>% to Revenues</b>	<b>% Change</b>
<b>Profit &amp; Loss Data</b>					
Revenues	66,240	100%	59,794	100%	11%
Costs and expenses	38,554	58%	35,659	60%	8%
Operating Income	27,687	42%	24,136	40%	15%
Net Income	18,390	28%	16,275	27%	13%
EBITDA	33,847	51%	29,927	50%	13%
	<b>Dec 31 2014</b>	<b>% to Total Assets</b>	<b>Dec 31 2014</b>	<b>% to Total Assets</b>	<b>% Change</b>
<b>Balance Sheet Data</b>					
Total Assets	388,840	100%	335,584	100%	16%
Investment Properties	202,181	52%	171,666	51%	18%
Total Debt	129,283	33%	106,313	32%	22%
Net Debt	93,070	24%	77,132	23%	18%
Total Stockholders' Equity	199,088	51%	163,267	49%	22%
	<b>Dec 31</b>				
<b>Financial Ratios</b>					
	<b>2014</b>	<b>2013</b>			
Debt to Equity	0.39 : 0.61	0.39 : 0.61			
Net Debt to Equity	0.32 : 0.68	0.32 : 0.68			
Return on Equity	0.10	0.10			
Debt to EBITDA	3.82	3.55			
EBITDA to Interest Expense	8.26	8.12			
Operating Income to Revenues	0.42	0.40			
EBITDA Margin	0.51	0.50			
Net Income to Revenues	0.28	0.27			

### **Revenue**

SM Prime recorded consolidated revenues of ₱66.24 billion in the year ended 2014, an increase of 11% from ₱59.79 billion in the year ended 2013, primarily due to the following:

#### *Rent*

SM Prime recorded consolidated revenues from rent of ₱36.50 billion in 2014, an increase of 13% from ₱32.20 billion in 2013. The increase in rental revenue was primarily due to the new malls and expansions opened in 2013 and 2014, namely, SM Aura Premier, SM City BF Parañaque, Mega Fashion Hall in SM Megamall, SM City Cauayan and SM Center Angono, with a total gross floor area of 564,000 square meters. Excluding the new malls and expansions, same-store rental growth is at 7%.

### *Real Estate Sales*

SM Prime recorded a 7% increase in real estate sales in 2014 from ₱20.78 billion to ₱22.15 billion primarily due to increase in sales take-up and higher construction accomplishments of projects launched in 2011 up to 2013 namely, Shell, Green, Shine, Breeze, Grace, Shore, Grass Phase 2 and Trees Residences. Actual construction of projects usually starts within one year from launch date and revenues are recognized in the books based on percentage of completion.

### *Cinema Ticket Sales*

SM Prime cinema ticket sales significantly increased by 14% to ₱4.27 billion in 2014 from ₱3.74 billion in 2013. The increase was due to the showing of local blockbuster movies with sales growth of 30% year-on-year and international movies as well as opening of additional digital cinemas in the new malls and expansions. The major blockbusters screened in 2014 were “Transformers: Age of Extinction,” “The Amazing Spiderman 2,” “Starting Over Again,” “Maleficent,” and “Bride for Rent.” The major blockbusters shown in 2013 were “Ironman 3,” “Man of Steel,” “It Takes a Man and a Woman,” “Thor: The Dark World,” and “My Little Bossing.” Excluding the new malls and expansions, same-store growth in cinema ticket sales is at 10%.

### *Other Revenues*

Other revenues likewise increased by 8% to ₱3.32 billion in 2014 from ₱3.08 billion in 2013. The increase was mainly due to opening of new amusement rides in SM By the Bay in Mall of Asia and Sky Ranch in Tagaytay and in Pampanga, reopening of ice skating rink and bowling center in SM Megamall last January 2014, and increase in sponsorship income and merchandise sales from snackbars. This account is mainly composed of amusement income from rides, bowling and ice skating operations including the Explorem and SM Storyland, merchandise sales from snackbars and food and beverages from hotels and convention centers.

### *Costs and Expenses*

SM Prime recorded consolidated costs and expenses of ₱38.55 billion in the year ended 2014, an increase of 8% from ₱35.66 billion in the year ended 2013, as a result of the following:

#### *Costs of Real Estate*

Consolidated costs of real estate was ₱12.26 billion in 2014, representing an increase of 3% from ₱11.94 billion in 2013 primarily due to costs related to higher recognized real estate sales due to increase in construction accomplishments in 2014. Gross profit margin for residential improved to 45% in 2014 compared to 43% in 2013 as a result of improving cost efficiencies as well as rationalization of expenses.

#### *Operating Expenses*

SM Prime’s consolidated operating expenses increased by 11% to ₱26.30 billion in 2014 compared to last year’s ₱23.72 billion. Same-store mall growth in operating expenses is 5% and the balance is mainly attributable to the opening of new malls and expansions.

Contributors to the increase are depreciation and amortization, administrative expenses, film rentals, and business taxes and licenses, in line with related increase in revenues as well as the opening of new malls and expansions.

## ***Other Income (Charges)***

### ***Interest Expense***

SM Prime's consolidated interest expense increased by 11% to ₱4.10 billion in 2014 compared to ₱3.69 billion in 2013 due to new bank loans and the ₱20.0 billion retail bond availed in 2014 for working capital and capital expenditure requirements.

### ***Interest and Dividend Income***

Interest and dividend income decreased by 33% to ₱0.73 billion in 2014 from ₱1.09 billion in 2013. This account is mainly composed of dividend and interest income received from cash and cash equivalents, investments held for trading and available-for-sale investments. The decrease in interest income is due to the pretermination of short-term investments in February 2014 and lower average balance of cash and cash equivalents in 2014 as compared to last year. The decrease in dividend income is due to less dividends received on available-for-sale investments held compared to the same period last year.

### ***Other income (charges) - net***

Other charges – net decreased by 23% to ₱645 million in 2014 from ₱833 million in 2013. In 2013, SM Prime incurred restructuring costs amounting to ₱1.28 billion related to its Reorganization.

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

SM Prime's consolidated provision for income tax increased by 20% to ₱4.78 billion in 2014 from ₱3.98 billion in 2013. The increase is due to the related increase in taxable income and expiration of income tax holiday incentives in the residential business unit.

### ***Net income***

As a result of the foregoing, consolidated net income for the year ended December 31, 2014 increased by 13% to ₱18.39 billion from ₱16.27 billion in the same period last year.

## ***Balance Sheet Accounts***

Cash and cash equivalents significantly increased by 30% from ₱27.14 billion to ₱35.25 billion as of December 31, 2013 and 2014, respectively. Part of this account still includes portion of the proceeds from the issuance of bonds in September 2014 amounting to ₱20.00 billion, the US\$210 million loan and the \$400 million top-up placement in November 2014 to finance working capital and capital expenditure requirements in 2014.

Investments held for trading decreased by 16% from ₱1.15 billion to ₱0.97 billion as of December 31, 2013 and 2014, respectively, due to scheduled maturities of investment in bonds.

Receivables increased by 13% from ₱27.18 billion to ₱30.69 billion as of December 31, 2013 and 2014, respectively, mainly due to increase in construction accomplishments of sold units as well as new sales for the period. This account also includes rent receivables from leases of shopping mall spaces.

Condominium and residential units increased by 24% from ₱6.10 billion to ₱7.58 billion as of December 31, 2013 and 2014, respectively, mainly due to completion of condominium towers in Blue, Grass Phase 1, Jazz and Sun.

Land and development increased by 22% from ₱34.82 billion to ₱42.46 billion as of December 31, 2013 and 2014, respectively, mainly due to land acquisitions and construction in progress related to residential projects.

Prepaid expenses and other current assets increased by 13% from ₱9.94 billion to ₱11.27 billion as of December 31, 2013 and 2014, respectively, mainly due to deposits and advances to contractors related to residential projects.

Investment properties increased by 18% from ₱171.67 billion to ₱202.18 billion as of December 31, 2013 and 2014, respectively primarily because of ongoing new mall projects located in Cebu City, Cabanatuan and San Mateo in the Philippines and Zibo and Tianjin in China. Also, the increase is attributable to landbanking and construction costs incurred for ongoing projects of the commercial and the hotel group namely, Five E-com and Conrad Hotel Manila.

Available-for-sale investments increased by 27% from ₱23.37 billion to ₱29.67 billion as of December 31, 2013 and 2014, respectively, due to higher market prices of listed shares held under this portfolio.

Derivative assets decreased by 8% from ₱1.78 billion to ₱1.63 billion as of December 31, 2013 and 2014, mainly resulting from net fair value changes on a \$350 million cross currency swap transaction designated as a cash flow hedge. Likewise, derivative liabilities decreased by 63% from ₱160 million to ₱59 million as of December 31, 2013 and 2014, respectively, due to marked-to-market gains on interest rate swaps used to hedge interest rate exposure on loans.

Deferred tax assets decreased by 6% from ₱691 million to ₱650 million as of December 31, 2013 and 2014, respectively, mainly due to MCIT. Deferred tax liabilities decreased by 4% from ₱2.02 billion to ₱1.93 billion as of December 31, 2013 and 2014, respectively, mainly due to unrealized gross profit on sale of real estate for tax purposes.

Other noncurrent assets decreased by 17% from ₱29.27 billion to ₱24.24 billion as of December 31, 2013 and 2014, respectively, mainly due to subsequent reclassification of deposits for land to land and development.

Loans payable decreased by 18% from ₱3.25 billion to ₱2.67 billion as of December 31, 2013 and 2014, respectively, due to subsequent payments of maturing loans.

Accounts payable and other current liabilities decreased by 20% from ₱45.30 billion to ₱36.38 billion as of December 31, 2013 and 2014, respectively, mainly due to payment of advances.

Long-term debt increased by 23% from ₱103.06 billion to ₱126.61 billion as of December 31, 2013 and 2014, respectively, due to issuance of bonds in September 2014 amounting to ₱20.00 billion and the availment of US\$210 million loan to fund capital expenditures and for working capital requirements.

Tenants' deposits increased by 29% from ₱10.25 billion to ₱13.25 billion as of December 31, 2013 and 2014, respectively, due to the new malls and expansions which opened in 2013 and 2014. Likewise, liability for purchased land increased by 5% from ₱1.12 billion to ₱1.17 billion as of December 31, 2013 and 2014, respectively, due to landbanking.

The Company's key financial indicators are measured in terms of the following: (1) debt to equity which measures the ratio of interest bearing liabilities to stockholders' equity; (2) net debt to equity which measures the ratio of interest bearing liabilities net of cash and cash equivalents and investment securities to stockholders' equity; (3) return on equity (ROE) which measures the ratio of net income to capital provided by stockholders; (4) earnings before interest expense, income taxes, depreciation and amortization (EBITDA); (5) debt to EBITDA which measures the ratio of EBITDA to total interest-bearing liabilities; (6) interest coverage ratio which measures the ratio of EBITDA to interest expense; (7) operating income to revenues which basically measures the gross profit ratio; (8) EBITDA margin which measures the ratio of EBITDA to gross revenues and (9) net income to revenues which measures the ratio of net income to gross revenues. The following discuss in detail the key financial indicators of the Company.

Interest-bearing debt to stockholders' equity is steady at 0.39:0.61 as of December 31, 2014 and 2013. Similarly, net interest-bearing debt to stockholders' equity was also unchanged at 0.32:0.68 as of December 31, 2014 and 2013 in spite of the increase in long-term debt in 2014, due to the \$400 million top-up placement last November 2014.

In terms of profitability, ROE is steady at 10% as of December 31, 2014 and 2013.

Debt to EBITDA slightly increased to 3.82:1 as of December 31, 2014 from 3.55:1 as of December 31, 2013, while interest coverage ratio increased to 8.26:1 as of December 31, 2014 from 8.12:1 as of December 31, 2013 as a result of the new loans availed in 2014. EBITDA margin improved to 51% as of December 31, 2014 from 50% as of December 31, 2013.

Consolidated operating income to revenues improved to 42% as of December 31, 2014 from 40% as of December 31, 2013. Net income to revenues likewise improved at 28% as of December 31, 2014 from 27% as of December 31, 2013.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

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

For the year 2015, the Company expects to incur capital expenditures of approximately ₱66 billion. This will be funded with internally generated funds and external borrowings.

SM Prime's mall business unit has fifty shopping malls in the Philippines with 6.5 million square meters of gross floor area and five shopping malls in China with 0.8 million square meters of gross floor area. For 2015, the mall business unit will open four new malls, located in Sangandaan, Cabanatuan and San Mateo in the Philippines and Zibo in China, as well as expansions of SM City Iloilo and SM City Lipa. By end 2015, the mall business unit will have 53 malls in the Philippines and six in China with an estimated combined gross floor area of 7.8 million square meters.

SM Prime currently has twenty five residential projects in the market, twenty three of which are in Metro Manila and two in Tagaytay. For 2015, SM Prime is launching five new projects and five expansions of existing towers in Metro Manila and in Tagaytay, equivalent to about 19,000 additional units.

SM Prime's Commercial Properties Group has four office buildings with an estimated gross leasable area of 122,000 square meters and is currently constructing Three E-com Center scheduled for opening in 2016. Five E-com Center is targeted for completion by the first quarter of 2015

For hotels and convention centers, Park Inn by Radisson in Clark, Pampanga and Conrad Hotel Manila in the Mall of Asia Complex in Pasay are expected to open in the last quarter of 2015.

## **2013**

### Financial and Operational Highlights

(In Million Pesos, except for financial ratios and percentages)

	Twelve months ended Dec 31				
	2013	% to Revenues	2012	% to Revenues	% Change
Profit & Loss Data					
Revenues	59,794	100%	57,215	100%	5%
Costs and expenses	35,659	60%	35,145	61%	1%
Operating Income	24,136	40%	22,070	39%	9%
Net Income	16,275	27%	16,203	28%	0%
EBITDA	30,116	50%	27,197	48%	11%
	<b>Dec 31 2013</b>	<b>% to Total Assets</b>	<b>Dec 31 2012</b>	<b>% to Total Assets</b>	<b>% Change</b>

Balance Sheet Data					
Total Assets	335,584	100%	284,652	100%	18%
Investment Properties	171,666	51%	147,854	52%	16%
Total Debt	106,313	32%	80,580	28%	32%
Net Debt	77,132	23%	56,121	20%	37%
Total Stockholders' Equity	163,267	49%	147,628	52%	11%

Financial Ratios	Dec 31	
	2013	2012
Debt to Equity	0.39 : 0.61	0.35 : 0.65
Net Debt to Equity	0.32 : 0.68	0.28 : 0.72
Return on Equity	0.10	0.12
Debt to EBITDA	3.53	2.96
EBITDA to Interest Expense	8.17	8.87
Operating Income to Revenues	0.40	0.39
EBITDA Margin	0.50	0.48
Net Income to Revenues	0.27	0.28
Debt Service Coverage Ratio	2.15	1.09

### **Revenue**

SM Prime recorded consolidated revenues of ₱59.79 billion in the year ended 2013, an increase of 5% from ₱57.22 billion in the year ended 2012, primarily due to the following:

#### **Rent**

SM Prime recorded consolidated revenues from rent of ₱32.20 billion in 2013, an increase of 11% from ₱28.95 billion in 2012. The increase in rental revenue was primarily due to the full-year effect of new malls opened in 2012, namely, SM City Olongapo, SM City Consolacion, SM City San Fernando, SM City General Santos, SM Lanang Premier and the opening in 2013 of SM Aura Premier, with a total gross floor area of 698,000 sq. m.. Excluding the new malls and expansions, same-store rental growth is at 7%. Rent from commercial operations also increased, primarily as a result of full year recognition of Two-Ecom, which began operations in mid-2012 and is now 98% occupied.



### *Real Estate Sales*

SM Prime recorded an 8% decrease in real estate sales in 2013 to ₱20.78 billion from ₱22.58 billion in 2012. The decrease in real estate sales is primarily due to lower sales take up of projects in 2013 compared to last year. This is attributable to project launches in 2010 and 2011 which were more “blockbusters” namely, Shell, Green and Jazz compared to launches in 2012 of Breeze and Grace. Sale of projects launched in 2013 were towards the last quarter already which is expected to contribute significantly to revenues starting in 2014. Three projects were launched in 2013 namely, Grass Phase 2, Shore and Trees.

### *Cinema Ticket Sales*

SM Prime cinema ticket sales increased by 8% to ₱3.74 billion in 2013 from ₱3.48 billion in 2012. The increase was primarily the result of opening of additional digital cinemas at the new malls which enabled simultaneous nationwide releases and more blockbuster movies screened, both local and international. The major blockbusters shown in 2013 were “Ironman 3,” “Man of Steel,” “It Takes a Man and a Woman,” “Thor: The Dark World,” and “My Little Bossing.”

### *Other Revenues*

Other revenues likewise increased by 40% to ₱3.08 billion in 2013 from ₱2.21 billion in 2012. The increase was mainly due to opening of new amusement rides in SM by the Bay and the Sky Ranch in Tagaytay and increase in advertising income and sponsorship revenues.

### *Costs and Expenses*

SM Prime recorded consolidated costs and expenses of ₱35.66 billion in the year ended 2013, an increase of 1% from ₱35.15 billion in the year ended 2012, primarily due to the following:

#### *Costs of Real Estate*

Consolidated costs of real estate was ₱11.92 billion in 2013, representing a decrease of 15% from ₱13.97 billion in 2012. Apart from the lower recognized real estate costs in line with the lower recognized real estate sales in 2013, the decrease also resulted from tighter cost controls during project engineering stage and stricter monitoring of project costs implemented in 2013, which resulted in improved gross margins. Gross profit margins for residential improved to 43% in 2013 compared to 38% in 2012.

#### *Operating Expenses*

SM Prime’s consolidated operating expenses increased by 12% to ₱23.74 billion in 2013 compared to last year’s ₱21.17 billion. Same-store mall growth in operating expenses is 4%. The increase is attributable to the opening of new malls and expansions, full year operations of commercial properties and launch of new residential projects.

Consolidated marketing and selling expenses increased to ₱2.05 billion in 2013, an increase of 16% from ₱1.76 billion in 2012 due to launch expenses related to new mall openings and mall events, which were partially offset by a reduction in expenses related to SM Residences showrooms and exhibits, out-of-home and media-based advertising, as part of SMDC’s overall rationalization of its cost structure.

Other contributors to the increase are business taxes and licenses, depreciation and amortization, and rent expenses, due to the opening of new malls and expansions, commercial properties and residential projects.

## ***Other Income (Charges)***

### ***Interest Expense***

SM Prime's consolidated interest expense increased by 20% to ₱3.69 billion in 2013 compared to ₱3.06 billion in 2012 due to new bank loans availed during 2013 for working capital and capital expenditure requirements.

### ***Restructuring Costs***

SM Prime incurred restructuring costs amounting to ₱1.28 billion in 2013. This pertains to actual payments and accrual of transaction costs related to the Reorganization.

### ***Interest and Dividend Income***

Interest and dividend income increased slightly by 3% to ₱1.09 billion in 2013 from ₱1.06 billion in 2012. This account is mainly composed of dividend and interest income received from investments held for trading, available-for-sale investments and cash and cash equivalents.

### ***Net income***

As a result of the foregoing, consolidated net income is flat at ₱16.27 billion in 2013. Excluding restructuring costs of ₱1.28 billion, net income would have increased by 8% for the twelve months ended December 31, 2013.

### ***Balance Sheet Accounts***

Cash and cash equivalents significantly increased by 27% from ₱21.30 billion to ₱27.14 billion as of December 31, 2012 and 2013, respectively. This account includes the remaining proceeds from short-term and long-term debt drawn in 2013 which will be used for working capital and capital expenditure requirements.

Investments held for trading decreased by 14% from ₱1.34 billion to ₱1.15 billion as of December 31, 2012 and 2013, respectively, mainly due to pretermination of investment in corporate bonds with an original maturity of 2016.

Receivables increased by 59% from ₱17.15 billion to ₱27.18 billion as of December 31, 2012 and 2013, respectively, mainly due to increase in sales of real estate and rental receivables.

Condominium and residential units significantly increased by 105% from ₱2.97 billion to ₱6.10 billion as of December 31, 2012 and 2013, respectively, mainly due to transfers of costs of completed condominium towers to inventory coming from Field, Grass Phase 1, Jazz, Light, MPST, Princeton, Sun and Wind.

Likewise, land and development increased by 8% from ₱32.28 billion to ₱34.82 billion as of December 31, 2012 and 2013, respectively, mainly due to cumulative construction costs incurred for residential developments including land banking activities.

Available-for-sale investments slightly decreased by 4% from ₱24.30 billion to ₱23.37 billion as of December 31, 2012 and 2013, respectively, mainly due to early redemption of investment in corporate notes amounting to ₱1.0 billion at par last May 2013.

Investment properties increased by 16% from ₱147.85 billion to ₱171.67 billion as of December 31, 2012 and 2013, respectively, primarily because of ongoing new mall projects located in Cauayan City, Cebu City in the Philippines and Zibo and Tianjin in China. Expansions and renovations in SM Megamall which was recently opened last January 28, 2014, SM City Bacolod, SM City Sta. Rosa, SM City Lipa, SM City Clark and SM City Dasmariñas are also in progress. The increase is also attributable to the acquisition of additional land bank and construction costs incurred for ongoing projects of the commercial and the hotel group namely, Five-Ecom, SM Cyberwest and Conrad Hotel.

Derivative assets significantly increased from ₱109.98 million as of December 31, 2012 to ₱1,778.81 million as of December 31, 2013, mainly resulting from unrealized mark-to-market gains on a \$350 million cross currency swap transaction designated as a cash flow hedge and the outstanding interest rate swaps designated as fair value hedges. On the other hand, derivative liabilities decreased by 35% from ₱244.33 million as of December 31, 2012 to ₱159.97 million as of December 31, 2013, due to mark-to-market gains on interest rate swaps used to hedge interest rate exposure on loans.

Deferred tax assets significantly increased from ₱0.49 billion to ₱0.69 billion as of December 31, 2012 and 2013, respectively, mainly resulting from the SM Property group restructuring transaction.

Other noncurrent assets increased by 30% from ₱22.43 billion to ₱29.27 billion as of December 31, 2012 and 2013, respectively, mainly due to investment in associates and deposits for acquisition of properties. This account also includes noncurrent capitalized input tax, deposits to contractors, suppliers and advances and deposits paid for leased properties.

Loans payable decreased from ₱8.97 billion to ₱3.25 billion as of December 31, 2012 and 2013, respectively, due to subsequent payments of maturing loans.

The increase in accounts payable and other current liabilities by 32% from ₱34.40 billion to ₱45.30 billion as of December 31, 2012 and 2013, respectively, is mainly due to payables to mall and residential contractors and suppliers related to ongoing projects and accrued operating expenses.

Long-term debt increased by 44% from ₱71.61 billion to ₱103.06 billion as of December 31, 2012 and 2013, mainly to fund capital expenditures and for working capital requirements.

The increase in tenants' deposits by 14% from ₱8.97 billion to ₱10.25 billion as of December 31, 2012 and 2013, respectively, is due to the new malls and expansions which opened in 2012 and 2013. On the other hand, liability for purchased land decreased from ₱4.20 billion to ₱1.12 billion as of December 31, 2012 and 2013, respectively, due to subsequent payments.

The Company's key financial indicators are measured in terms of the following: (1) debt to equity which measures the ratio of interest bearing liabilities to stockholders' equity; (2) net debt to equity which measures the ratio of interest bearing liabilities net of cash and cash equivalents and investment securities to stockholders' equity; (3) debt service coverage ratio (DSCR) which measures the ratio of annualized operating cash flows to loans payable excluding condominium, residential units for sale and club shares and land and development, current portion of long-term debt and interest expense, excluding the portion of debt which are fully hedged by cash and cash equivalents and temporary investments; (4) return on equity (ROE) which measures the ratio of net income to capital provided by stockholders; (5) earnings before interest, income taxes, depreciation and amortization (EBITDA); (6) debt to EBITDA which measures the ratio of EBITDA to total interest-bearing liabilities; (7) EBITDA to interest expense which measures the ratio of EBITDA to interest expense; (8) operating income to revenues which basically measures the gross profit ratio; (9) EBITDA margin which measures the ratio of EBITDA to gross revenues and (10) net income to revenues which measures the ratio of net income to gross revenues. The following discuss in detail the key performance indicators of the Company.

Interest-bearing debt to stockholders' equity increased to 0.39:0.61 from 0.35:0.65 as of December 31, 2013 and 2012, respectively, while net interest-bearing debt to stockholders' equity also increased to 0.32:0.68 from 0.28:0.72 as of December 31, 2013 and 2012, respectively, due to the additional borrowings. Debt service coverage ratio increased to 2.15:1 from 1.09:1 for the years ended December 31, 2013 and 2012, respectively, due to higher operating cash flows in 2013 compared to 2012.

In terms of profitability, ROE decreased to 10% from 12% for the years ended December 31, 2013 and 2012, respectively, due to restructuring costs. Excluding the one-time restructuring costs, ROE would have been 11% in the year ended 2013. EBITDA increased by 11% to ₱30.12 billion in 2013 from ₱27.20 billion in 2012.

Debt to EBITDA increased to 3.53:1 from 2.96:1 as of December 31, 2013 and 2012, respectively, due to increase in long-term debt. While EBITDA to interest expense decreased to 8.17:1 from 8.87:1 for the years ended December 31, 2013 and 2012, respectively, due to higher interest expense in 2013. EBITDA margin improved at 50% from 48% for the years ended December 31, 2013 and 2012, respectively.

Consolidated operating income to revenues remains steady at 40% and 39% for the years ended December 31, 2013 and 2012. Net income to revenues is steady at 27% and 28% for the years ended December 31, 2013 and 2012.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

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

For the year 2014, the Company expects to incur capital expenditures of approximately ₱71 billion. This will be funded with internally generated funds and external borrowings.

As of December 2013, SM Prime has twenty two residential projects in the market, twenty one of which are in Metro Manila and one in Tagaytay. For this year, SM Prime is launching four new projects and four expansions of existing towers all in Metro Manila, except Wind in Tagaytay.

SM Prime's mall business unit has forty eight shopping malls in the Philippines with 6.2 million sq. m. of gross floor area and five shopping malls in China with 0.8 million sq. m. of gross floor area. For the rest of 2014, the mall business unit will open three new malls, located in Cauayan and Angono in the Philippines and Zibo in China, as well as expansion of four existing malls. By end 2014, the mall business unit will have an estimated 7.5 million sq. m. of gross floor area.

**2012****Financial and Operational Highlights**

(In Million Pesos, except for financial ratios and percentages)

	<b>Twelve months ended Dec 31</b>				
	<b>2012</b>	<b>% to Revenues</b>	<b>2011</b>	<b>% to Revenues</b>	<b>% Change</b>
<b>Profit &amp; Loss Data</b>					
Revenues	57,215	100%	50,069	100%	14%
Costs and expenses	35,145	61%	30,772	61%	14%
Operating Income	22,070	39%	19,297	39%	14%
Net Income	16,203	28%	13,629	27%	19%
EBITDA	27,197	48%	24,121	48%	13%
	<b>Dec 31 2012</b>	<b>% to Total Assets</b>	<b>Dec 31 2011</b>	<b>% to Total Assets</b>	<b>% Change</b>

<b>Balance Sheet Data</b>					
Total Assets	284,652	100%	228,863	100%	24%
Investment Properties	147,854	52%	129,972	57%	14%
Total Debt	80,580	28%	55,932	24%	44%
Net Debt	56,121	20%	35,513	16%	58%
Total Stockholders' Equity	147,628	52%	126,658	55%	17%

	<b>Dec 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Financial Ratios</b>		
Debt to Equity	0.35 : 0.65	0.31 : 0.69
Net Debt to Equity	0.28 : 0.72	0.22 : 0.78
Return on Equity	0.12	0.11
Debt to EBITDA	2.96	2.32
EBITDA to Interest Expense	8.87	8.22
Operating Income to Revenues	0.39	0.39
EBITDA Margin	0.48	0.48
Net Income to Revenues	0.28	0.27
Debt Service Coverage Ratio	1.09	2.25

**Revenue**

SM Prime recorded consolidated revenues of ₱57.22 billion in the year ended 2012, an increase of 14% from ₱50.07 billion in the year ended 2011, primarily due to the following:

**Rent**

SM Prime recorded consolidated revenues from rent of ₱28.95 billion in 2012, an increase of 15% from ₱25.21 billion in 2011. The increase in rental revenues was primarily due to rentals from new malls which opened in 2011 and 2012, namely SM Masinag, SM City Olongapo, SM Consolacion, SM City San Fernando, SM City General Santos and SM Lanang Premier. These new malls added a total gross floor area of 527,000 sq. m. to SM Prime's mall portfolio. Rental revenues also increased in the commercial segment due to the opening of Two-Ecom in mid-2012.

### *Real Estate Sales*

SM Prime recorded a 30% increase in real estate sales in 2012 to ₱22.58 billion from ₱17.36 billion in 2011. The increase in real estate sales was primarily a result of more real estate sales being recognized in 2012 due to higher construction accomplishments in 2012 for project launches in 2010 namely, Jazz, Light, Wind, My Place South Triangle and Blue Residences compared to project launches in the second-half of 2009 namely, Field, Princeton and Sun Residences, which are the main contributors to revenues from real estate in 2011. Projects with the highest actual revenues realized coming from increases in percentage of completion included Sun, Light, Blue and Grass Residences.

### *Cinema Ticket Sales*

SM Prime cinema ticket sales increased by 14% to ₱3.48 billion in 2012 from ₱3.05 billion in 2011. The increase in cinema ticket sales was primarily the result of opening additional cinemas at the new malls, having more blockbuster movies (both local and international) and the conversion to digital cinemas which enabled higher ticket prices and simultaneous nationwide releases. The major blockbusters shown in 2012 were “The Avengers,” “Twilight Saga: Breaking Dawn Part II,” “The Amazing Spiderman,” “This Guy’s in Love with U Mare,” “The Mistress” and “Sisterakas”

### *Other Revenues*

Other revenues decreased by 50% to ₱2.21 billion in 2012 from ₱4.45 billion in 2011. The decrease in other revenues was primarily the result of the conversion of Makro stores into SM Hypermarket stores starting 2011, which was previously recorded under Prime Metroestate, Inc. (PMI). With the conversion of Makro stores into SM Hypermarkets, PMI likewise changed its business operations from wholesale/retail of food and non-food articles to leasing. Excluding the sale of merchandise recorded in 2011 amounting to ₱2.8 billion in 2011, other revenues increased by 34% to ₱2.21 billion in 2012 from ₱1.65 billion in 2011 mainly from an increase in amusement income as well as an increase in forfeited residential customer deposits resulting from forfeitures of sales reservations and sales cancellations, which increased to ₱0.6 billion in 2012 compared to ₱0.2 billion in 2011.

### *Costs and Expenses*

SM Prime recorded consolidated costs and expenses of ₱35.15 billion in the year ended 2012, an increase of 14% from ₱30.77 billion in the year ended 2011, primarily due to the following:

#### *Costs of Real Estate*

Consolidated costs of real estate was ₱13.97 billion in 2012, representing an increase of 36% from ₱10.30 billion in 2011. The increase in costs of real estate was primarily due to costs related to higher recognized real estate sales due to greater construction accomplishments in 2012. Gross profit margins for residential decreased slightly to 38% in 2012 compared to 41% in 2011.

#### *Operating Expenses*

SM Prime’s consolidated operating expenses increased by 3% to ₱21.17 billion in 2012 compared to last year’s ₱20.47 billion 2011 due to new malls and expansions opened in 2012 and 2011. Same-store mall growth in operating expenses is 8%.

SM Prime’s consolidated marketing and selling expenses increased to ₱1.76 billion in 2012, an increase of 35% from ₱1.31 billion in 2011 primarily due to an increase in the number of residential sales people, increased selling events organized locally and abroad, as well as from higher media communication spending, sales commissions, allowances and incentives recognized as a result of an increase in real estate sales recognized.

SM Prime’s consolidated other operating expenses decreased to ₱0.92 billion in 2012, a decrease of 70% from ₱3.04 billion in 2011. The decrease in other operating expenses was primarily due to the discontinued operations of Makro, which led to a reduction in the cost of merchandise sold. Excluding

the cost of Makro merchandise sold, other operating expenses increased by 26% from ₱0.73 billion in 2011 to ₱0.92 billion in 2012 due to accrual of retirement benefits, supplies, transportation, travel and others increasing over the prior year due to an increase in the number of malls and the corresponding manpower increase.

### ***Other Income (Charges)***

#### ***Interest Expense***

SM Prime's consolidated interest expense increased by 4% to ₱3.06 billion in 2012 compared to ₱2.93 billion in 2011. The increase in interest expense was relatively flat despite the availment of new loans to finance capital expenditure requirements due to refinancing of higher interest-bearing loans and an overall decrease in market interest rates.

#### ***Interest and Dividend Income***

Interest and dividend income decreased by 10% to ₱1.06 billion in 2012 from ₱1.18 billion in 2011 due to lower dividend income received from AFS investments. This account is mainly composed of dividend and interest income received from investments held for trading, available-for-sale investments and cash and cash equivalents.

#### ***Net income***

As a result of the foregoing, consolidated net income increased by 19% at ₱16.20 billion in 2012 from ₱13.63 billion in 2011.

### ***Balance Sheet Accounts***

Cash and cash equivalents significantly increased by 23% from ₱17.35 billion to ₱21.30 billion as of December 31, 2011 and 2012, respectively. This account includes the remaining proceeds from loans drawn in 2012 which will be used for working capital and capital expenditure requirements.

Investments held for trading increased by 12% from ₱1.20 billion to ₱1.34 billion as of December 31, 2011 and 2012, respectively, mainly due to increase in market price of the listed shares.

Receivables increased by 48% from ₱11.62 billion to ₱17.15 billion as of December 31, 2011 and 2012, respectively, attributable to the increase in receivables from tenants and real estate buyers.

Condominium and residential units significantly increased by 214% from ₱0.95 billion to ₱2.97 billion as of December 31, 2011 and 2012, respectively, mainly due to the completion of "ready for occupancy (RFO)" units of Mezza Residences, Chateau Elysee, Sea Residences, Grass Residences and Field Residences.

Likewise land and development increased by 37% from ₱23.64 billion to ₱32.28 billion as of December 31, 2011 and 2012, respectively, mainly due to additional land banking activities in various locations within Metro Manila and construction accomplishments of existing projects.

Available-for-sale investments increased by 43% from ₱17.05 billion to ₱24.30 billion as of December 31, 2011 and 2012, respectively, mainly due to higher market prices of listed shares held under these portfolios.

Property and equipment increased by 35% from ₱1.18 billion to ₱1.60 billion as of December 31, 2011 and 2012, respectively, mainly due to additional costs of leasehold improvements for offices and showrooms.

Investment properties increased by 14% from ₱129.97 billion to ₱147.85 billion as of December 31, 2011 and 2012, respectively, primarily because of ongoing new mall projects located in Taguig, Parañaque and Cebu City in the Philippines and Zibo and Tianjin in China. The increase is also attributable to land banking activities.

Derivative assets slightly decreased by 5% from ₱115.62 million to ₱109.98 million as of December 31, 2011 and 2012, respectively mainly due to revaluation. On the other hand, derivative liabilities increased by 3% from ₱237.98 million to ₱244.33 million as of December 31, 2011 and 2012, mainly resulting from mark-to-market losses on interest rate swaps used to hedge interest rate exposure on loans.

Deferred tax assets increased by 23% from ₱395.55 million to ₱486.31 million as of December 31, 2011 and 2012, respectively, mainly due to the effect of recognition of certain accrued expenses, net operating loss carryover, allowance for doubtful accounts and minimum corporate income tax in 2012. Likewise, deferred tax liabilities increased by 14% from ₱1.77 billion to ₱2.01 billion as of December 31, 2011 and 2012, respectively, due to net unrealized foreign exchange gains, effect of unrealized gross profit and borrowing costs.

Other noncurrent assets increased by 74% from ₱13.12 billion to ₱22.43 billion as of December 31, 2011 and 2012, respectively, mainly due to the noncurrent receivable from real estate buyers. This account also includes noncurrent capitalized input tax, deposits to contractors, suppliers and advances and deposits paid for leased properties.

Loans payable significantly increased from ₱2.39 billion to ₱8.97 billion as of December 31, 2011 and 2012, respectively, due to availment of loans for working capital.

The increase in accounts payable and other current liabilities by 21% from ₱28.53 billion to ₱34.40 billion as of December 31, 2011 and 2012, respectively, mainly arising from trade payables related to ongoing mall constructions, commercial and residential development.

Long-term debt increased by 34% from ₱53.54 billion to ₱71.61 billion as of December 31, 2011 and 2012, due to new loan availments, net of prepayments, to finance capital expenditure requirements.

The increase in tenants' deposits by 12% from ₱7.98 billion to ₱8.97 billion as of December 31, 2011 and 2012, respectively, is due to the new malls and expansions which opened in 2012 and new commercial properties. Liability for purchased land also increased from ₱1.68 billion to ₱4.20 billion as of December 31, 2011 and 2012, respectively, due to land banking for malls and condominium projects.

The Company's key financial indicators are measured in terms of the following: (1) debt to equity which measures the ratio of interest bearing liabilities to stockholders' equity; (2) net debt to equity which measures the ratio of interest bearing liabilities net of cash and cash equivalents and investment securities to stockholders' equity; (3) debt service coverage ratio (DSCR) which measures the ratio of annualized operating cash flows to loans payable excluding condominium, residential units for sale and club shares and land and development, current portion of long-term debt and interest expense, excluding the portion of debt which are fully hedged by cash and cash equivalents and temporary investments; (4) return on equity (ROE) which measures the ratio of net income to capital provided by stockholders; (5) earnings before interest, income taxes, depreciation and amortization (EBITDA); (6) debt to EBITDA which measures the ratio of EBITDA to total interest-bearing liabilities; (7) EBITDA to interest expense which measures the ratio of EBITDA to interest expense; (8) operating income to revenues which basically measures the gross profit ratio; (9) EBITDA margin which measures the ratio of EBITDA to gross revenues and (10) net income to revenues which measures the ratio of net income to gross revenues. The following discuss in detail the key performance indicators of the Company.

Interest-bearing debt to stockholders' equity increased to 0.35:0.65 from 0.31:0.69 as of December 31, 2012 and 2011, respectively, while net interest-bearing debt to stockholders' equity also increased to 0.28:0.72 from 0.22:0.78 as of December 31, 2012 and 2011, respectively, due to the additional borrowings. Debt service coverage ratio decreased to 1.09:1 from 2.25:1 for the years ended December 31, 2012 and 2011, respectively, due to lower current portion of long-term debt in 2011.



In terms of profitability, ROE slightly improved to 12% from 11% for the years ended December 31, 2012 and 2011, respectively. EBITDA increased by 13% to ₱27.20 billion in 2012 from ₱24.12 billion in 2011.

Debt to EBITDA increased to 2.96:1 from 2.32:1 as of December 31, 2012 and 2011, respectively, due to increase in long-term debt. Likewise EBITDA to interest expense increased to 8.87:1 from 8.22:1 for the years ended December 31, 2012 and 2011, respectively, due to higher EBITDA in 2012. EBITDA margin is at 48% for the years ended December 31, 2012 and 2011.

Consolidated operating income to revenues remains steady at 39% for the years ended December 31, 2012 and 2011. Net income to revenues improved at 28% and 27% for the years ended December 31, 2012 and 2011.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

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

As of December 31, 2012, SM Prime's mall business unit has forty six shopping malls strategically located in the Philippines with a total gross floor area of 5.6 million sq. m.. Likewise, the SM Prime has five shopping malls located in the cities of Xiamen, Jinjiang, Chengdu, Suzhou, and Chongqing in China with a total gross floor area of 0.8 million sq. m.. For 2013, SM Prime is scheduled to launch SM Aura Premier in Taguig and SM City Cauayan in Isabela. SM Megamall, on the other hand, will be expanded with an additional 100,000 sq. m.. By year-end, SM Prime will have 48 malls in the Philippines and five in China with an estimated combined gross floor area of 6.8 million sq. m..

As of December 2013, SM Prime through its subsidiary, SMDC, has eighteen residential projects under SM Residences brand and one project under the M Place brand. For the year 2013, SM Prime's residential business unit is targeting to launch at least three new projects in various cities within Metro Manila. In addition, it shall continue to search for viable locations in key cities in Metro Manila in response to the increasing demands for residences.

## **Changes in and disagreements with accountants on accounting and financial disclosure**

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

### **ITEM 12. Mergers, Consolidations Acquisitions and Similar Matters**

No action will be presented for shareholders' approval at this year's annual meeting in respect of (i) the merger or consolidation of SMPH into or with any other person, or of any other person into or with SMPH, (ii) acquisition by SMPH or any of its shareholders of securities of another person, (iii) acquisition by SMPH of any other going business or of the assets thereof, (iv) the sale or transfer or all or any substantial part of the assets of SMPH, or (v) liquidation or dissolution of SMPH.

### **ITEM 13. Acquisition or Disposition of Property**

In the normal course of business, the Company and its subsidiaries do land banking activities for future business sites.

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

### **ITEM 14. Restatement of Account**

Please refer to Note 6 of the attached 2014 consolidated financial statements.

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

## **D. OTHER MATTERS**

### **ITEM 15. Action with Respect to Reports**

The following are to be submitted for approval during the stockholders' meeting:

- (a) Minutes of the annual meeting of stockholders held on April 15, 2014.
- (b) General 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.

These acts are covered by Resolutions of the Board of Directors duly adopted in the normal course of trade or business, like:

- (a) Approval of projects and land acquisitions;
- (b) Treasury matters related to opening of accounts and transactions with banks;
- (c) Appointments of signatories and amendments thereof.

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

### **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**

Shareholders have the right to approve or disapprove any proposed amendments to the Articles of Incorporation and By-laws of SMPH.

No action will be presented for shareholders' approval at this year's annual meeting with respect to the amendment of SMPH's Articles of Incorporation or By-Laws.

### **ITEM 18. Other Proposed Action**

The following are to be proposed for approval during the stockholders' meeting:

- (a) Election of directors for 2015–2016;
- (b) Appointment of external auditors;
- (c) Other matters.

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 this year's Annual Stockholders' Meeting.

### **ITEM 19. Voting Procedures**

#### Vote required for approval

The vote required for the election of directors is majority of the outstanding capital stock.

Matters subject to shareholder 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. All matters to be brought for approval of the shareholders of SMPH at this year's Annual Stockholders' Meeting require for approval only a majority of the stockholders present or by proxy provided a quorum is present.

#### Methods by which votes will be counted

SMPH's By-Laws does not prescribe a manner of voting. However, election of directors will be conducted by ballot as requested by voting shareholders.

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

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

### **ITEM 20. Market for Registrant's Common Equity and Related Stockholder Matters**

CASH DIVIDEND PER SHARE - ₱ 0.19 in 2014, ₱ 0.27 in 2013 and ₱ 0.29 in 2012.

Stock Prices	2014		2013	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
First Quarter	₱ 15.52	₱ 14.10	₱ 20.80	₱ 16.10
Second Quarter	17.20	14.56	21.90	14.30
Third Quarter	18.38	15.08	19.00	14.64
Fourth Quarter	18.00	15.72	19.62	14.40

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

As of February 27, 2015, the closing price of the Company's shares of stock is ₱19.76/share. For the two months ending February 27, 2015, stock prices of SMPH were at a high of ₱20.40 and a low of ₱16.70.

The number of shareholders of record as of February 27, 2015 was 2,509. Capital stock issued and outstanding as of February 27, 2015 was 28,879,137,294.

The Company targets a dividend payout of 30 to 35 percent of the previous year's net income. As of December 31, 2014, there are no restrictions that would limit the ability of the Company to pay dividends to the common stockholders, except with respect to Note 21 of the consolidated financial statements.

The top 20 stockholders as of February 27, 2015 are as follows:

	Name	No. of Shares Held	% to Total
1.	SM Investments Corporation	14,197,128,988	49.16
2.	PCD Nominee Corp. (Non-Filipino)	5,111,544,127	17.70
3.	PCD Nominee Corp. (Filipino)	2,141,204,727	7.41
4.	Hans T. Sy	685,163,512	2.37
5.	Henry Sy, Jr.	680,818,440	2.36
6.	Teresita T. Sy	666,708,532	2.31
7.	Herbert T. Sy	666,389,522	2.31
8.	Harley T. Sy	661,643,367	2.29
9.	Elizabeth T. Sy	654,115,892	2.27
10.	Henry Sy, Sr.	653,395,579	2.26
11.	Felicidad Sy	648,515,413	2.25
12.	Syntrix Holdings, Inc.	317,827,670	1.10
13.	Sysmart Corporation	317,775,948	1.10
14.	Mountain Bliss Resort and Development Corp.	156,335,965	0.54
15.	Belle Corporation	108,615,313	0.38
16.	Sybase Equity Investments Corp.	52,365,500	0.18
17.	Cutad, Inc.	19,694,544	0.07
18.	HSBB, Inc.	19,694,400	0.07
19.	Lucky Securities, Inc.	3,000,000	0.01
20.	Vicente O. Yu or Estrella R. Yu	2,890,157	0.01

As discussed in Note 20 of the consolidated financial statements, the Company registered with the Securities and Exchange Commission the ₱20 billion retail bonds issued on September 1, 2014. The issue consists of the five-year and six months or Series A Bonds amounting to ₱15,036 million with a fixed interest rate equivalent to 5.1000% per annum due on March 1, 2020, seven-year or Series B Bonds amounting to ₱2,362 million with a fixed interest rate equivalent to 5.2006% per annum due on September 1, 2021, and ten-year or Series C Bonds amounting to ₱2,602 million with a fixed interest rate equivalent to 5.7417% per annum due on September 1, 2024.

There are no other recent sales of unregistered or exempt securities, including recent issuance of securities constituting an exemption transaction. The Company has no other registered debt securities. There are no existing or planned stock options. There are no registered securities subject to redemption or call. There are no existing or planned stock warrant offerings.

## **ITEM 21. Corporate Governance**

The Board of Directors, officers and staff have committed themselves to the principles and best practices contained in the Company's Corporate Governance Manual, acknowledging that these principles and practices help in the achievement of corporate goals.

The Manual institutionalizes the principles of good corporate governance. It states that compliance with the principles of good corporate governance starts with the Board of Directors. To this end, a director must act in a manner characterized by transparency, accountability and fairness. The Manual further enumerates the general responsibilities and specific duties and functions of the Board, as well as those of the Board Committees, Corporate Secretary, and external and internal auditors.

The Manual provides for the regular conduct of orientation and training programs on corporate governance. It further establishes the rights of all shareholders and the protection of the interests of minority stockholders. The Manual likewise sets the penalties for non-compliance with its provisions.

The Company also adopted policies and guidelines to govern conflicts of interest, acceptance of gifts, insider trading and related party transactions. In accordance with the Conflict of Interest Policy, all directors, officers and employees are required to disclose any financial or personal interest or benefit in any transaction involving the Company to ensure that potential conflicts of interest are immediately brought to the attention of Management. The Company also issued a policy to prohibit its directors, officers and employees from soliciting or accepting gifts in any form from any business partner, except for corporate giveaways, tokens or promotional items of nominal value and adopted guidelines to prohibit its directors, officers and employees from buying or selling shares of stock of listed SM companies while in possession of material and confidential information. Furthermore, through the Related Party Transactions Policy, the Company is committed to transparency by practicing full disclosure of the details, nature, extent, and all other material information on transactions with related parties in the Company's financial statements and quarterly and annual reports to the SEC and PSE. These rules supplement the existing corporate governance policies in the Manual on Corporate Governance and Code of Ethics.

In accordance with the requirements of the SEC Revised Code of Corporate Governance, SMPH has revised its Manual on Corporate Governance to incorporate the additions and changes introduced in the new Code, among which are the following:

- (i) The Board of Directors (and not merely the Chairman of the Board) shall appoint the Compliance Officer.
- (ii) The Board shall have at least three independent directors or such number as will constitute not less than 30% of the members of the Board, but in no case less than three.
- (iii) The Board shall formulate and implement policies to ensure the integrity of related party transactions; and establish and maintain an alternative dispute resolution system to settle conflicts involving the Company.
- (iv) In addition to the qualifications for membership in the Board required in relevant laws, the Board may provide for additional qualifications. These may include practical understanding of the Company's business, membership in good standing in relevant industry, business or professional organizations, and previous business experience.
- (v) The absence of a director from a Board meeting due to illness, death in the immediate family, or serious accident exempts him from the rule that absence for more than 50% of all meetings of the Board is a ground for temporary disqualification.
- (vi) An Independent Director whose beneficial equity ownership in a Company or its subsidiaries and affiliates exceeds 2% of the subscribed capital stock is temporarily disqualified from being a director of the Company, until his beneficial equity ownership reverts to the 2% limit. The threshold was set at 10% in the old SEC Code.
- (vii) To make the Manual consistent with the By-Laws, SMPH also revised the provision on disqualification as a director on grounds of engaging in a competing or antagonistic business.
- (viii) Likewise, the Audit and Risk Management Committee shall be chaired by an Independent Director.
- (ix) An additional qualification for the Corporate Secretary is that he must have a working knowledge of the operations of the Company.
- (x) The stockholders' right to appoint a proxy is also expressly provided.

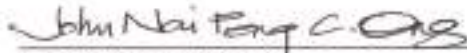
***NOTE: The Company will provide without charge a copy of the Company's Annual Report on SRC Form 17-A to its stockholders upon receipt of a written request addressed to Ms. Teresa Cecilia H. Reyes, Vice President, at 10<sup>th</sup> Floor, Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City 1300.***

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 the City of Pasay on March 3, 2015.

By: **SM PRIME HOLDINGS, INC.**



John Nai Peng C. Ong  
Chief Finance Officer