

President's Report

Jeffrey C. Lim

President





(JCL on screen)

President:

Good afternoon, ladies and gentlemen. Let me welcome everyone to SM Prime Holdings Inc.'s 2023 Annual Stockholders' Meeting. I hope you are all well as we gather once again to celebrate the past year and welcome this new chapter with renewed hopes and a positive outlook.

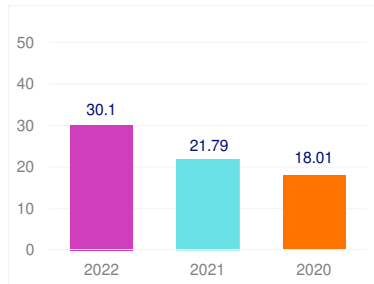


President:

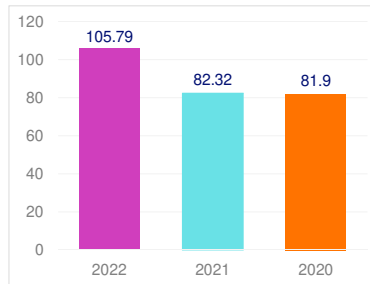
We welcomed 2022 with a more straightforward path to recovery despite the surge of COVID-19 cases at the beginning of the year due to the Omicron variant. With the reopening of borders, relaxation of health and safety protocols, and full access to various means of transportation, we gained momentum in delivering our commitment to build and manage innovative and sustainable lifestyle cities across the country.

Through our continued pursuit of growth and expansion, SM Prime remains steadfast in empowering the communities we serve, reaching greater footprint in key areas in the country.

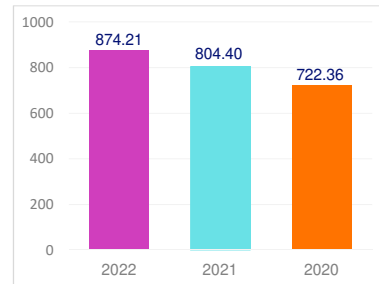
Consolidated Net Income



Consolidated Revenue



Consolidated Assets

**President:**

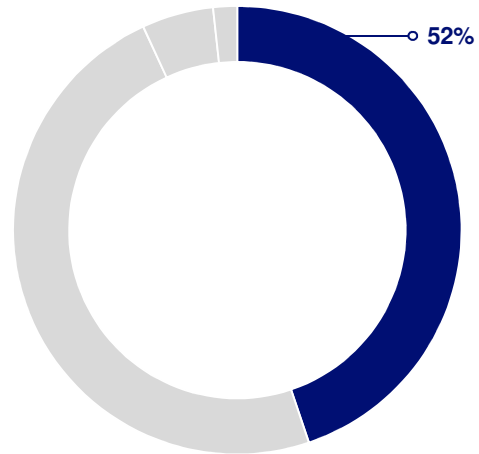
In 2022, SM Prime reported a consolidated net income of PHP30.1 billion, 38% higher than PHP21.8 billion in 2021. This is supported by a 29% increase in consolidated revenues to PHP105.8 billion from last year's PHP82.3 billion. Your Company's consolidated assets reached PHP874.2 billion from PHP804.4 billion in the previous year. These results were achieved despite the challenges we faced in 2022, due to rising inflation and interest rates, affecting the supply chain domestic spending.

Malls

Revenue Contribution



SM City North EDSA



President:

SM Prime's mall business accounts for 52% of the Company's consolidated revenues. Malls based in the Philippines registered PHP49.8 billion in revenues in 2022, more than double of the reported PHP24.1 billion in the previous year. These results were due to the resumption of full rental fees in the second half of 2022 and the notable recovery in the entertainment industry that pushed SM Prime's cinema, event ticket sales, and other revenues to PHP5.7 billion.



President:

In 2022, SM Prime expanded certain malls and opened four new malls in the Philippines namely SM City Roxas in Capiz, SM City Tanza in Cavite, SM City Sorsogon in Bicol, and SM City Tuguegarao in Cagayan.



82 malls in the Philippines

24 malls in Metro Manila

58 malls in the Provincial Area

7 malls in China



President:

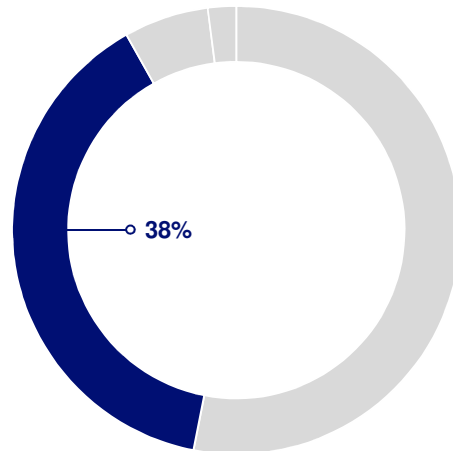
These has brought the SM Malls to 89 in total – 82 in the Philippines and 7 in China, wherein 58 malls are located in the provincial areas, and 24 malls are in Metro Manila.

Residences

Revenue Contribution



Light 2 Residences, Mandaluyong City



President:

SM Prime's residential business group, which is led by SM Development Corp. (SMDC), posted PHP40.1 billion in revenues in 2022, lower than the PHP45.9 billion registered in 2021. SMDC's reservation sales reached PHP102 billion in 2022, slightly higher than PHP98.9 billion in the previous year.



President:

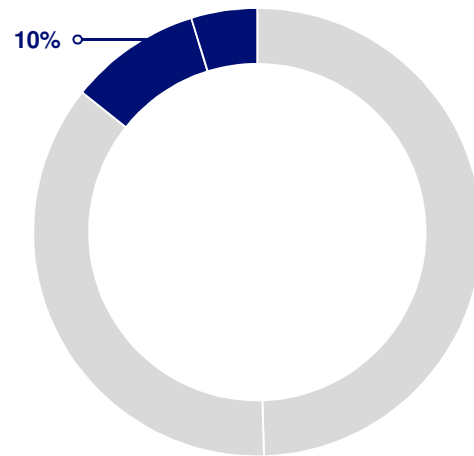
In 2022, we launched three new residential developments namely Vail Residences in Cagayan de Oro, Now Residences in Pampanga, and Zeal Residences in General Trias, Cavite.

Other Business

Revenue Contribution



FiveE-Com Center



President:

Your Company's office and hotel and convention center businesses, which account for 10% of the Company's consolidated revenues, recorded a 59% growth in revenues to PHP10.5 billion in 2022 from PHP 6.6 billion in 2021. SM Prime's office business segment registered PHP6.1 billion in revenues in 2022, 22% higher than PHP5.0 billion in 2021. The hotel and convention center business segment reported PHP4.3 billion in revenues in 2022, almost triple the PHP1.6 billion revenue in 2021.



FourE-Com Center



SMX Clark



President:

In 2022, SM Prime launched FourE-Com Center, which is located here in the Mall of Asia Complex in Pasay City, as well as the SMX Clark Convention Center in Pampanga, which is nestled alongside SM City Clark and Park Inn Radisson Clark.



SM Prime's Lifestyle Cities

Metro Manila	Provincial
Novaliches, Quezon City	Olongapo, Zambales
Fairview, Quezon City	Clark, Pampanga
North EDSA, Quezon City	Marilao, Bulacan
Sta. Mesa, Quezon City	Taytay, Rizal
EDSA, Mandaluyong City	Trece Martires , Cavite
MOA Complex, Pasay City	Sta. Rosa, Laguna
Taguig City	Iloilo City, Iloilo
Sucrat, Parañaque City	Bacolod City, Negros Occidental
Bicutan, Parañaque City	Seaside City, Cebu
BF, Parañaque City	Cagayan de Oro, Misamis Oriental
Las Piñas City	Davao City, Davao

President:

With almost 10 years since we integrated SM Group's property companies under SM Prime, we now have 22 Lifestyle Cities in the country - 11 in Metro Manila and 11 in the provincial areas including Zambales, Pampanga, Bulacan, Rizal, Cavite, Laguna, Iloilo, Bacolod, Cebu, Cagayan de Oro, and Davao. With these Lifestyle Cities, we remain as centers of trade, entertainment, and tourism, providing MSMEs various venues to showcase their products and services to different customers.

As a champion of climate action in the Philippines, we ramped up our programs to further improve the quality of life of the communities we serve and provide sustainable solutions to promote a green planet.



President:

In 2022, we achieved our goal of increasing the use of renewable energy to 50%. This development will strengthen our commitment to the Department of Energy's program of moving up the renewable energy supply component of the Philippines to 35% by the year 2030.

SM Prime is working with WWF Philippines to help us establish our commitment and targets, and align with the global commitment, which is to achieve net zero by 2050. We strive to work on achieving net zero emissions, or the point where our generated greenhouse gas emissions are in balance with our emissions reduction activities.

SM Prime established our near- and long-term science-based targets of 2030 and 2035 respectively, which is currently being verified by WWF Philippines, as we commit to achieve net zero by 2040.



President:

Simultaneously, we fortified our partnership with WWF for Nature to enhance our reporting by setting a science-based target in line with the Paris Agreement's goal of limiting global warming to 1.5 degrees Celsius. This complements our continuous efforts to keep and protect the environment and natural resources in our Hamilo Coast property in Nasugbu, Batangas.



Sewage Treatment Plants



Water Recycling



Rainwater Catchment Basins



President:

Your Company also campaigned to reduce water consumption by building sewage treatment plants on our properties to recycle water. This will lessen our operations' dependence on freshwater sources for non-potable uses. We are proud to say that 20 of our malls are built with rainwater catchment basins to help prevent flooding in surrounding communities.



President:

Through SM Cares, our corporate social responsibility arm, we hosted the International Coastal Cleanup last September 2022, bringing together thousands of volunteers to help reduce waste in our coastal areas. We have implored several waste reduction programs such as Trash to Cash, Plastic Waste Collection, and the phase-out of single-use plastics in our hotels.

In the coming years, expect more meaningful experiences and treasured values with SM Prime as we commit to developing more communities that elevate the quality of lives of millions of people. We will continue integrating modern-day learning with inherited values and aspirations as we rise from future challenges.



President:

Let me take this opportunity to express my gratitude to our shareholders who serve as our reminders and watchdogs for everything that we do. To our public and private partners, who remain with us and continue to collaborate with us, may the coming years be an opportunity for us to grow together and achieve new heights that will enable better life conditions to everyone. To our board of directors, we appreciate the expertise and continued support you've been providing to the whole Company as we commit to better and stronger growth in the coming years.



(On Screen)

President:

Lastly, to the hardworking women and men of SM Prime Holdings, Inc., we are truly grateful for your years of service with us, and we hope that we'll have more time to reach more goals not only for our Company, but for our personal lives as well.

Let us continue gaining inspiration and strength from one another as we work towards a safer and better future filled with gratitude and positive hopes for our country, our communities, and ourselves.

Thank you and Mabuhay!