

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2020 AND DECEMBER 31, 2019
(Amounts in Thousand Philippine Pesos)

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
<u>A S S E T S</u>		
CURRENT ASSETS		
Cash and cash equivalents	P 1,174,416	P 1,623,055
Receivables - net	562,551	540,025
Real estate projects	1,724,802	2,044,712
Raw land inventory	2,582,946	2,616,146
Other current assets - net	1,379,700	1,350,453
Total Current Assets	7,424,415	8,174,391
NONCURRENT ASSETS		
Receivables	1,023,805	656,796
Deposits on land for future development	2,406,537	2,163,896
Equity advances and investments in associates	10,843,645	10,878,542
Investment property - net	8,709,723	8,734,403
Property and equipment - net	5,938,154	5,837,700
Intangible assets - net	164,594	164,911
Deferred tax assets - net	84,015	85,385
Other noncurrent assets - net	41,072	41,072
Total Noncurrent Assets	29,211,545	28,562,705
TOTAL ASSETS	P 36,635,960	P 36,737,096

	<u>March 31, 2020</u> <u>(Unaudited)</u>	<u>December 31, 2019</u> <u>(Audited)</u>
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES		
Loans and borrowings	P 12,350,710	P 12,433,110
Trade and other payables	1,414,826	1,404,991
Lease liabilities	10,639	10,091
Due to related parties	33,370	33,357
Advance rentals and deposits	236,212	232,450
Customers' deposits	174,682	193,529
Income tax payable	483	829
	<u>14,220,922</u>	<u>14,308,357</u>
Total Current Liabilities		
NONCURRENT LIABILITIES		
Lease liabilities	121,940	125,271
Retirement benefit liability	14,204	19,532
Deferred tax liabilities - net	76,337	69,380
	<u>212,481</u>	<u>214,183</u>
Total Noncurrent Liabilities		
Total Liabilities	<u>14,433,403</u>	<u>14,522,540</u>
EQUITY		
Equity attributable to owners of the Company		
Capital stock	7,199,959	7,199,959
Additional paid-in capital	6,692,697	6,692,697
Treasury shares - at cost	(9,515)	(9,515)
Accumulated fair value losses	(39,307)	(29,560)
Cumulative translation adjustment	(609)	585
Reserve for retirement plan	(182,711)	(182,711)
Other reserves	(280,515)	(280,515)
Retained earnings	8,463,791	8,463,131
	<u>21,843,790</u>	<u>21,854,071</u>
Total equity attributable to owners of the Company		
Noncontrolling interest	<u>358,767</u>	<u>360,485</u>
Total Equity	<u>22,202,557</u>	<u>22,214,556</u>
TOTAL LIABILITIES AND EQUITY	<u>P 36,635,960</u>	<u>P 36,737,096</u>

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019
(Amounts in Thousand Philippine Pesos, Except Per Share Data)

	<u>2020 Unaudited</u>	<u>2019 Unaudited</u>
REVENUES		
Real estate sales	P 597,811	P 285,735
Rental income	171,516	89,272
Room revenues	133,037	169,125
Sale of food and beverages	38,419	51,400
Service income	338	6,390
Others	<u>4,518</u>	<u>8,898</u>
	<u>945,639</u>	<u>610,820</u>
 COSTS OF SALES AND SERVICES		
Real estate sold	439,404	74,283
Room services	91,940	94,643
Food and beverages sold	41,707	44,482
Rentals	<u>19,281</u>	<u>12,768</u>
	<u>592,332</u>	<u>226,176</u>
 GROSS PROFIT	 353,307	 384,644
 OTHER OPERATING EXPENSES	 <u>171,658</u>	 <u>183,213</u>
 OPERATING PROFIT	 <u>181,649</u>	 <u>201,430</u>
 OTHER INCOME (CHARGES)		
Finance costs	(151,693)	(177,472)
Share in profit of associates	(26,637)	53,278
Finance income	10,529	14,066
Miscellaneous income (charges) - net	<u>1,921</u>	<u>8,081</u>
	(<u>165,880</u>)	(<u>102,047</u>)
 PROFIT (LOSS) BEFORE TAX	 15,769	 99,383
 TAX EXPENSE (BENEFIT)	 <u>16,827</u>	 <u>24,967</u>
 NET PROFIT (LOSS)	 (<u>1,058</u>)	 <u>74,416</u>
 <i>Balance carried forward</i>	 (<u>1,058</u>)	 P <u>74,416</u>

	<u>2020 Unaudited</u>	<u>2019 Unaudited</u>
<i>Balance brought forward</i>	(<u>1,058</u>)	P <u>74,416</u>
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified to profit or loss		
Share in other comprehensive income (loss) of associates	(<u>9,746</u>)	<u>54,452</u>
TOTAL COMPREHENSIVE INCOME	(<u>10,804</u>)	P <u>128,868</u>
Net profit (loss) attributable to:		
Equity holders of the Company	P <u>660</u>	P 74,549
Noncontrolling interest	(<u>1,718</u>)	(<u>133</u>)
	(<u><u>1,058</u></u>)	P <u><u>74,416</u></u>
Total comprehensive income (loss) attributable to:		
Equity holders of the Company	(<u>9,086</u>)	P 129,001
Noncontrolling interest	(<u>1,718</u>)	(<u>133</u>)
	(<u><u>10,804</u></u>)	P <u><u>128,868</u></u>
Earnings Per Share - Basic and Diluted	<u>P 0.001</u>	<u>P 0.11</u>

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019
(Amounts in Thousand Philippine Pesos)

Attributable to Owners of the Parent Company

	Capital Stock	Additional Paid-in Capital	Treasury Shares - at Cost	Accumulated Fair Value Gains (Losses)	Cumulative Translation	Reserve for Retirement Plan	Other Reserves	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Noncontrolling Interest	Total Equity
Balance at January 1, 2020	P 7,199,959	P 6,692,697	(9,515)	(29,560)	P 585	(182,711)	(280,515)	P 4,500,000	P 3,963,131	P 21,854,071	P 360,485	P 22,214,556
Restatements	-	-	-	-	-	-	-	-	-	-	-	-
As restated	P 7,199,959	P 6,692,697	(9,515)	(29,560)	P 585	(182,711)	(280,515)	P 4,500,000	P 3,963,131	P 21,854,071	P 360,485	P 22,214,556
Total comprehensive income (loss) for the year	-	-	-	(9,747)	(1,194)	(0)	0	-	660	(10,281)	(1,718)	(11,999)
Balance at December 30, 2020	<u>P 7,199,959</u>	<u>P 6,692,697</u>	<u>(P 9,515)</u>	<u>(P 39,307)</u>	<u>(P 609)</u>	<u>(P 182,711)</u>	<u>(P 280,515)</u>	<u>P 4,500,000</u>	<u>P 3,963,791</u>	<u>P 21,843,790</u>	<u>P 358,767</u>	<u>P 22,202,557</u>
Balance at January 1, 2019	P 6,624,959	P 6,123,447	(P 9,515)	(P 93,022)	P 1,492	(P 81,164)	(P 280,515)	P 4,500,000	P 3,976,329	P 20,762,011	P 362,616	P 21,124,627
Adjustments due to the adoption of IAS 23	-	-	-	-	-	-	-	-	(P 40,662)	(P 40,662)	P 2,171	(P 38,491)
Adjustments due to the adoption of PFRS 16	-	-	-	-	-	-	-	-	2,800	2,800	-	P 2,800
As restated	6,624,959	6,123,447	(9,515)	(93,022)	1,492	(81,164)	(280,515)	4,500,000	3,938,467	20,724,149	364,787	21,088,936
Transactions with owners												
Issuance of shares of stock	575,000	569,250								1,144,250	-	1,144,250
Total comprehensive income (loss) for the year	-	-	-	63,462	(907)	(101,547)	-	-	24,664	(14,328)	(4,302)	(18,630)
Balance at December 30, 2019	<u>P 7,199,959</u>	<u>P 6,692,697</u>	<u>(P 9,515)</u>	<u>(P 29,560)</u>	<u>P 585</u>	<u>(P 182,711)</u>	<u>(P 280,515)</u>	<u>P 4,500,000</u>	<u>P 3,963,131</u>	<u>P 21,854,071</u>	<u>P 360,485</u>	<u>P 22,214,556</u>

SAN MIGUEL PROPERTIES, INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH, 2020 AND 2019
(Amounts in Thousand Philippine Pesos)

	<u>2020 Unaudited</u>		<u>2019 Unaudited</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	15,770	P	99,383
Adjustments for:			
Interest expense	96,968		110,211
Share in profit of associates	26,637	(	53,278)
Depreciation and amortization	51,459		48,772
Interest income	(10,529)	(	14,066)
Fair value gain - net	(692)		14,052
Operating profit before working capital changes	<u>179,613</u>		205,074
Decrease (increase) in receivables	(389,855)		19,024
Decrease in real estate projects	338,680	(	3,871)
Decrease (increase) in raw land inventory	33,200	(	54,949)
Decrease in other assets	(29,249)	(	131,936)
Increase in deposits on land for future development	(242,641)	(	389,207)
Increase (decrease) in trade and other payables	(6,088)		366,038
Increase (decrease) in advance rentals and deposits	3,762		3,828
Increase (decrease) in customers' deposits	(18,847)		41,785
Decrease in retirement benefit liability	(5,328)	(	19,406)
Cash used in operations	<u>(136,753)</u>		36,380
Interest received	7,784		42,241
Cash paid for income taxes	(8,845)	(	46,402)
Net Cash Used/From in Operating Activities	<u>(137,814)</u>		<u>32,219</u>
<i>Balance brought forward</i>	<u>(137,814)</u>	P	<u>32,219</u>

	<u>2020 Unaudited</u>		<u>2019 Unaudited</u>
<i>Balance carried forward</i>	<u>(137,814)</u>	P	<u>32,219</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to investment property	(5,656)	(	103,523)
Acquisitions of property and equipment	(140,549)	(	190,814)
Interest received	2,745		7,432
Collection of lease receivables	321		
Repayment of lease liabilities	(33)		
Disposal of investment properties	19,289		
Additional equity advances	(2,681)	(	7,370)
Acquisition of intangible assets	-	(	351)
Net Cash Used in Investing Activities	<u>(126,564)</u>	(	<u>294,626)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from borrowings	(82,400)		450,800
Interest paid	(101,874)	(	114,012)
Payments(receipts) of advances from related parties	<u>13</u>		<u>-</u>
Net Cash Used/From Financing Activities	<u>(184,261)</u>		<u>336,788</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(448,639)</u>		<u>74,381</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>1,623,055</u>		<u>796,982</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>1,174,416</u>	P	<u>871,363</u>



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Properties, Inc. ("SMPI" or the "Company") and its subsidiaries (collectively referred to as the "Group") as of and for the period ended March 31, 2020 (with comparative figures as of December 31, 2019 and for the period ended March 31, 2019). All necessary adjustments to present fairly the consolidated financial position, performance and cash flows of the Group as of March 31, 2020, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the unaudited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

I. 2020 KEY TRANSACTIONS

(a) Increase in ACS

During the quarter, the Company increases its subscription in the following subsidiaries: (1) P422M in La Belle Plume Inc.; (2) P184M in Moonspring Development Inc. and (3) P4.2M in Newscapes Haven Development Inc.. The subscription was fully paid during the same period.

(b) Acquisition of properties

During the quarter, the Company acquired properties located in Western Visayas and Central Luzon which are accounted under Deposit on Land for Future Development.

II. FINANCIAL PERFORMANCE

2020 vs. 2019

The Group ended first quarter with P660 thousand net income attributable to the net owners of the parent company from P75 million net income last year. This is mainly due to the lower revenue of the Group's hotel business by 23% and the lower gain from sale of properties to related parties and lower share in equity earnings as compared with last year

Real estate sales increased from P286 million to P598 million mainly due to higher sale of properties to related parties this year.

Revenue from the Group's hotel business comprising of room revenues, sale of food and beverages, and others decreased by 23%. This was mainly attributable to the decrease in occupancy rate of Makati Diamond Residences (MDR) from 78% to 57% attributable to the decline in room occupancy and foot traffic because of

the imposed travel restrictions brought about by the outbreak of the new coronavirus disease, COVID-19.

Rental income increased from P89 million to P172 million or 92% mainly due to annual incremental rate and new leasable areas for the period.

Service income decreased this year mainly due to the impact of the COVID19 crisis due to travel restrictions and limited movement of service personnel.

Cost of sales increased from P226 million to P592 million primarily due to the increase in real estate sales.

The Group's operating expenses decreased by 8% as compared to last year mainly due to the taxes paid in relation to the extension of the Company's corporate life in 2019, decrease in commission due to depleting inventory and impact of COVID19 crisis on sales reservation, reduced by the increase in personnel expenses due to additional manpower.

Finance cost decreased by 14% due to the lower interest rates from 6.2% to 4.8% and decrease in loans payable due to payments made in the first quarter of the year.

Share in net earnings of associates decreased by P80 million as compared with last year mainly due to the lower net income earned by Bank of Commerce (BOC), an associate.

Finance income decreased mainly due to fully amortized PAS39, *Financial Instruments: Recognition and Measurement* accounts, wherein the Group used the simplified model of recognizing lifetime expected credit losses and records interest earned as part of Other Income (Charges) in the Statement of Comprehensive Income.

Miscellaneous income decreased from P8 million to P2 million mainly due to lower fair value adjustment of repossessed inventory this year.

Tax expense decreased from P25 million to P17 million this year mainly due to the lower taxable income from sale as compared with last year.

2019 vs. 2018

The Group ended first quarter with P75 million net income attributable to the net owners of the parent company from P9 million net loss in 2018, mainly due to the increase in revenue by P234 million or 62% during 2019.

Real estate sales increased from P78 million to P286 million mainly due to the sale of property to a related party in 2019.

Revenue from the Group's hotel business comprising of room revenues, sale of food and beverages, and others reached P229 million accounting for 38% of the

total revenue. This was mainly attributable to the increase in occupancy rate of Makati Diamond Residences (MDR) from 78% to 79%.

Rental income increased from P82 million to P89 million or 8% mainly due to the new lease contracts.

Service income increased from P4 million to P6 million in 2019 mainly due to the increase in scope of service rendered to a related party.

Cost of sales increased from P189 million to P226 million primarily due to the increase in real estate sales.

The Group's operating expenses increased by 24% as compared to 2018 mainly due to additional manpower and filing fees incurred by the Company in extending its corporate life.

Finance cost increased by 75% due to the increase in bank charges and interest rates from an average of 3% to 6% on loans availed for land acquisition purposes.

Share in net earnings of associates increased by P30 million as against 2018 mainly due to the higher net income earned by Bank of Commerce and Northpine Land, Inc.

Miscellaneous income increased from P7 million to P8 million mainly due to fair value adjustment of repossessed inventory in 2019.

Tax expense (benefit) increased from P9 million benefit to P25 million expense mainly due to the increase in current income tax attributable to the sale of property to a related party amounting to P26 million, net decrease of P3 million in net operating loss carry (NOLCO) recognized for 2019.

III. FINANCIAL POSITION

2020 vs. 2019

Cash decreased by 28% mainly due to the various land acquisition and deposits made for the period, reduced cash generated by the Group's hotel business attributable to the lower revenue.

Receivables current and non-current increased by P390 million mainly due to the sale of properties to related parties for the period.

Real estate projects decreased from P2.04 billion to P1.7 billion attributable to the increased in real estate sales for the period.

Deposit on land for future development increased from P2.2 billion to P2.4 billion mainly due to the additional deposit made for properties in Western Visayas and Central Luzon.

Customers deposit decreased by 10% mainly due to the recognition of receivable attributable to the increase in real estate sales for the period.

Retirement benefit obligation decreased by 30% mainly due to the contribution amounting to P9 million, reduced by recognition of retirement cost of P3 million.

Accumulated fair value losses increased by 33% due to the share in the unrealized loss recognized on BOC's financial assets at fair value through profit and loss (FVTPL).

Cumulative translation adjustment decreased by 204% due to the share in translation adjustments recognized by BOC.

2019 vs. 2018

Receivables increased by 14% in 2019 mainly due to the sale of property to related party and increase in advances to contractors due to construction works in Western Visayas and Central Luzon properties.

Other assets increased by 11% mainly due to the compliance with the new standard PFRS 16 *Leases*, wherein the Company recognized finance lease receivable amounting to P131 million.

Deposit on land for future development increased by 6% in 2019 mainly due to the additional deposits made for Western Visayas and Central Luzon properties.

Deferred tax asset increased by P7 million mainly due to the increase in NOLCO in 2019 for certain subsidiaries.

Advance rentals and deposits decreased by 5% mainly due to the refund made to a related party.

Customers' deposits increased by 26% mainly due to the increase in sales reservation.

Income tax payable increased by 19% mainly due to income tax recognized for a certain subsidiary.

Trade and other payables increased by P155 million mainly due to the compliance with the new standard PFRS 16 *Leases*, wherein the Company recognized lease liability.

Retirement benefit liability decreased mainly due to the contribution to the retirement fund amounting P10 million, reduced by the recognition of retirement cost amounting to P3 million.

Accumulated fair value losses decreased by 57% due to the share in the unrealized loss recognized on BOC's financial assets at fair value through other comprehensive income (FVOCI).

Cumulative translation adjustment increased by 127% due to the share in translation adjustments recognized by BOC resulting from fluctuations in foreign exchange rates.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movement is shown below:

<i>(In thousands)</i>	March 31	
	2020	2019
Net cash used in operating activities	(P 137,814)	(P 32,219)
Net cash used in investing activities	(126,564)	(294,626)
Net cash from (used in) financing activities	(184,261)	336,788

Net cash from operations basically consists of income for the period less changes in noncash current assets, certain current liabilities and others.

Net cash used in investing activities includes the following:

<i>(In thousands)</i>	March 31	
	2020	2019
Additions to investment property	(P 5,656)	(P 103,523)
Acquisitions of property and equipment	(140,549)	(190,814)
Interest received	2,745	7,432
Collection of lease receivables	321	-
Repayment of lease liabilities	(33)	-
Disposal of investment property	19,289	-
Additions in equity advances	(2,681)	(7,370)
Acquisition of intangible assets	-	(351)
Net cash used in investing activities	(P 126,564)	(P 294,626)

Net cash from financing activities includes the following:

<i>(In thousands)</i>	March 31	
	2020	2019
Net proceeds from borrowings	(P 82,400)	P 450,800
Interest paid	(101,874)	(114,012)
Payments(receipts) of advances from related parties	13	-
Net cash from financing activities	(P 184,261)	P 336,788

V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurement based on the financial data of the current periods against the same period of previous year.

Key Performance Indicators	March 31, 2020	December 31, 2019
Current Ratio	0.52 : 1.00	0.57 : 1.00
Total Assets to Equity Ratio	1.65 : 1.00	1.65 : 1.00
Debt to Equity Ratio	0.65 : 1.00	0.66 : 1.00
Return on Average Equity Attributable to Owners of the Parent Company	(0.04%)	0.07%
	Period Ended March 31	
	2020	2019
Volume Growth		
Lease	13.48%	17.66%
Real Estate Sales	(28.00%)	(40.48%)
Hotel	(27.65%)	2.86%
Revenue Growth	54.81%	62.16%
Operating Margin	19.21%	32.98%
Interest Coverage Ratio	1.69 : 1	2.34 : 1

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

Key Performance Indicators	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Total Assets to Equity Ratio	$\frac{\text{Total Assets}}{\text{Equity} + \text{Non-Controlling Interest}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Excluding deferred tax liabilities)}}{\text{Total Equity (Excluding Accumulated Fair Value Loss, CTA, Dilution Loss and Treasury Shares)}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Owners of the Parent Company} *}{\text{Average Equity Attributable to Owners of the Parent Company}}$
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}} \right) - 1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} \right) - 1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$
Interest Rate Coverage Ratio	$\frac{\text{EBITDA}}{\text{Interest Expense and Other Financing Charges}}$

V. OTHER MATTERS

a. Commitments and Contingencies

The following are the significant commitments and contingencies involving the Group:

i. Operating Leases – Group as Lessor

The Group is a lessor under operating leases covering certain real estate properties. The leases have terms ranging from one to five years, with renewal options, and include annual escalation rates of 3% to 7%.

The future minimum lease collections receivable under these operating leases as are presented below.

<i>(In Thousands)</i>	March 31, 2020	December 31, 2019
Within one year	P 421,347	P 443,300
After one year but not more than five years	1,118,816	1,031,935
After five years but not more than ten years	5,840,581	5,869,491
	P 7,380,744	P 7,344,726

ii. Operating Lease – Group as Lessee

The Group is a lessee under lease agreement covering a certain parcel of land. The lease contract which expired by the end of 2016 and was renewed for another 10 years. In 2019, the Company adopted the new standard PFRS 16, *Leases*.

iii. Legal Claims

In 2007, a provision amounting to P4.6 million in connection with Excel Unified's pending settlement of a dispute regarding a right of way in Wedgewoods was recognized. The provision remains outstanding as of the reporting periods. The Group's management, based on the advice of its legal counsels, believes that the recognized provision with regard to its legal case is reasonable and additional liabilities or losses, if any, that may arise from other claims will not have material effect on its consolidated financial statements.