



January 10, 2018

PHILIPPINE DEALING & EXCHANGE CORP.
37/F, Tower 1, The Enterprise Center
6766 Ayala Ave. cor. Paseo de Roxas, Makati City

Attention: **Ms. Vina Vanessa S. Salonga**
Head, Issuer Compliance and Disclosure Department (ICDD)

Re: **PSE Clarification on the news article entitled "SM-
Goldilocks deal gets PCC go-signal"**
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Ladies and Gentlemen:

Please be informed that SM Investments Corporation replied to the Philippine Stock Exchange's request for clarification on the news article entitled "SM-Goldilocks deal gets PCC go-signal" published in the January 10, 2018 issue of BusinessWorld.

See attachment for further information.

Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Elmer B. Serrano', written over a horizontal line.

ELMER B. SERRANO
Corporate Secretary

Encl. a/s



INVESTMENTS
CORPORATION

January 10, 2018

PHILIPPINE STOCK EXCHANGE, INC.

Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Madame:

We reply to your request for clarification on the news article entitled “SM-Goldilocks deal gets PCC go-signal” published in the January 10, 2018 issue of BusinessWorld, the pertinent portion of which reads:

“SM RETAIL, Inc. secured the green light from the Philippine Competition Commission (PCC) to acquire Goldilocks Bakeshop, Inc. after the SM Group committed to resolve possible issues on tenant discrimination and data protection.

In a statement on Tuesday, the antitrust body said it approved the transaction last Dec. 29, 2017, a day after the SM Group submitted an amended and final undertaking outlining its commitment to ensure a level playing field for Goldilocks’ competitors in its malls.

After the transaction, Goldilocks became a subsidiary of SM Retail, which is owned by SM Investments Corp. The Sy-led holding firm controls leading mall operator and developer SM Prime Holdings, Inc. (SMPHI).

The PCC’s Mergers and Acquisition Office (MAO) identified potential competition issues arising from the transaction in a Statement of Concern issued last Dec. 1.

The SM Group responded with a comprehensive undertaking on Dec. 22, which was enhanced following a series of hearings and discussions.

PCC had raised the ‘possibility of partial or total foreclosure in the supply of retail space in SM malls to competitors of Goldilocks after its acquisition by the SM Group.’

‘While selection of tenants in a mall is market-driven and based on consumer preferences, a mall operator should not be allowed to discriminate mall tenants and lease applicants, especially those that compete with stores owned by the mall itself,’ PCC Chairman Arsenio M. Balisacan was quoted in the statement as saying.

‘Such discrimination or unfair treatment can come in the form of arbitrarily assigning competitor tenants to disadvantageous locations or unfavorable lease terms, which amounts to partial foreclosure. It can also come in the form of giving less favorable lease terms or completely refuse

them lease space in the mall, which amounts to total foreclosure,' Mr. Balisacan added.

Another major concern determined by MAO is the 'potential for the SM Group to share a competing mall tenant's business information to Goldilocks, since the mall operator, through its point-of-sale (POS) system, has access to sales records of tenants.'

'Every mall-goer knows that location is important, while every businessman knows that data informs business strategy. In this transaction, what we want is fair opportunities for big and small players,' Mr. Balisacan said.

In its voluntary commitment, SMPHI pledged to give Goldilocks' competitors 'a fair shake in their lease at all times.'

SMPHI vowed not to give Goldilocks access to competing mall tenants' information – including sales data captured by the POS system of mall tenants, whether referring to consolidated sales, product category level or stock keeping unit level information, such as prices or quantities sold.

The PCC noted an 'information firewall' would ensure that 'SM Retail/Goldilocks will not be able to use sales data or information of its competitors to its advantage.'

'The Commission appreciates SM's move to make these voluntary undertakings – proof that PCC and the business community can work together to promote a culture of competition,' Mr. Balisacan said.

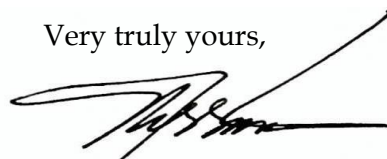
Over a five-year period, a team of experts will conduct periodical monitoring, including random inspections, of the parties.

If the monitoring team identifies violations or deficiencies during inspection, the SM Group will promptly address the concerns, the PCC said. Any breach of the conditions will subject SM to fines, additional remedies, and other measures available to the Commission."

We confirm that the PCC has granted approval for the acquisition of Goldilocks by SM Retail Inc.

Thank you.

Very truly yours,



ELMER B. SERRANO
Corporate Secretary