



INVESTMENTS
CORPORATION

Via EDGE

4 August 2016

PHILIPPINE STOCK EXCHANGE, INC.

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

Attention: **Mr. Jose Valeriano B. Zuño III**
OIC - Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORP.

37th Floor, 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)

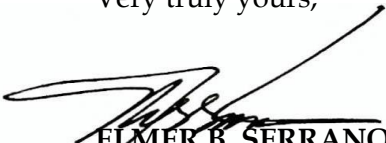
Re: Press Release - SM Reports 8% Growth in Recurring
Income in H1 2016

Ladies and Gentlemen:

Please be informed that SM Investments Corporation is releasing to the press the attached statement entitled "SM Reports 8% Growth in Recurring Income in H1 2016".

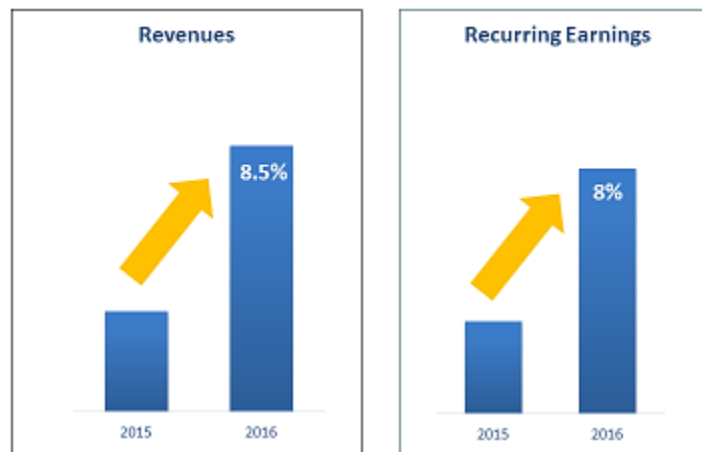
Thank you.

Very truly yours,


ELMER B. SERRANO
Corporate Secretary



SM Reports 8% Growth in Recurring Income in H1 2016



(04 August 2016. Pasay City, Philippines) SM Investments Corporation (SM) posted consolidated net income of PHP15.0 billion for the January to June period, a growth of 11% over last year. Excluding extraordinary items, recurring income grew by 8%.

Consolidated revenues rose 8.5% to PHP151.1 billion in the first half from PHP139.2 billion in the same period last year.

“Our strong first half performance reflects continued economic growth, boosted in part by election spending. We continue to focus on cost efficiencies and operating margin improvements. With the merger of our retail businesses we now cater to a much wider range of consumer needs and we look forward to benefiting from increasing consumer spending,” SM President Harley T. Sy said.

During the period, the property business contributed the most to consolidated net income at 41%. This was followed by banks with 38% and retail with 21%.

Retail

SM Retail reported sustained growth in total sales of 9% to PHP105.1 billion, while net income rose 14% to PHP3.5 billion. Net margin expanded to 3.4% from 3.2% twelve months ago.

At end-June 2016, SM Retail had a total of 328 stores, comprising 55 THE SM STORES, 47 SM Supermarkets, 45 SM Hypermarkets, 147 Savemore stores and 34 WalterMart stores.

The Food Retail Group pursued its aggressive expansion in both urban and rural communities nationwide, adding 12 mid-sized format Savemore stores, two SM Supermarkets, one SM Hypermarket and two WalterMart stores. Meanwhile, Alfamart increased its number of stores to 146 as of end-June from 99 at the start of the year.

THE SM STORE opened two stores in SM San Jose Del Monte in Bulacan in April and in SM Trece Martires in Cavite in May. As of the first half, the total gross selling area of all 55 department stores stood at 729,722 sqm.

Early this year, SM announced the merger of SM Retail with Sy family-owned specialty store assets with over 1,400 outlets. The merger received final approval from the Securities and Exchange Commission on 7 July 2016. The merger is seen to create value and boost earnings given the strong competitive position of the specialty stores and their synergies with SM malls.

Property

SM Prime Holdings reported consolidated net income of PHP12.6 billion. Recurring net income increased by 12% year-on-year.

Consolidated revenues reached PHP39.2 billion, an increase of 9% from PHP35.9 billion in the same period last year. Rental revenues from retail and commercial spaces accounted for 56% of consolidated revenues and grew 13% in the period to PHP22.0 billion.

During the first half, SM Prime opened SM San Jose Del Monte in Bulacan and SM Trece Martires in Cavite, bringing total Philippine operating malls to 58 with a GFA of almost 7.5 million sqm. With an additional six malls in China, SM Prime's total GFA is 8.5 million sqm. The company is expected to open two more malls this year, namely Cherry SM Congressional in Quezon City and SM City East Ortigas. It is also expanding SM Center Molino in Cavite and SM City San Pablo in Laguna this year.

The housing group, led by SM Development Corporation (SMDC), recorded a 6% increase in real estate sales to PHP13.0 billion. As a result, net income stood at PHP3.2 billion, up 7%. Reservation sales rose by 18% to 8,091 units, translating to a 20% increment in sales value worth PHP22.6 billion from PHP18.8 billion. Reservation sales were largely generated from Shore 2 Residences, Coast Residences and S Residences in Pasay City.

For the rest of the year, SM Prime plans to launch additional 6,000 to 8,000 units in cities of Quezon, Pasay and Tagaytay and economic housing in the provinces of Bulacan, Cavite and Cabanatuan.

SM Prime also successfully opened the iconic Conrad Manila in the Mall of Asia Complex in June this year with 347 rooms. This brings the total hotels in the company's portfolio to seven with a combined 1,510 rooms.

Banking

BDO Unibank, Inc. (BDO) recorded an increase by 13% in net income to PHP13.2 billion on broad-based improvement across the bank's businesses and a one-time gain from the consolidation of BDO Life.

Net interest income grew 17% in the six-month period to PHP31.7 billion. Customer loan portfolio grew 21% to PHP1.4 trillion while CASA deposits advanced by 23%.

BDO recently secured final regulatory approval for the acquisition of full interest in Generali Pilipinas Life Assurance Corp. (renamed as BDO Life Assurance). This is part of refocusing efforts on the insurance business to solidify the bank's presence in the middle income market. The bank also announced an agreement with TPG Growth for the latter to acquire a 40% stake in BDO's rural bank subsidiary One Network Bank (ONB). The collaborative partnership is seen accelerating ONB's expansion and coverage of the underserved market segments.

China Banking Corporation reported net income growth of 30% to PHP3.3 billion for the first half, driven by strong growth in its core and fee-based businesses.

Net interest income was up 7% to PHP8.0 billion on the back of higher volume of earning assets. Net loans expanded 12% year-on-year to PHP324.0 billion. The CASA to total deposits ratio stood at 51.7%.

Balance Sheet

As of end-June 2016, total assets of SM grew 7% to PHP770.2 billion. SM maintains a healthy balance sheet with a conservative gearing ratio of 39% net debt to 61% equity.

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About SM Investments Corporation

SM Investments Corporation (SM) is one of the leading conglomerates in the Philippines with highly synergistic businesses in retail, banking and property development. SM has evolved into one of the most highly respected companies in the country owing to its progressive approach in business and its comprehensive sustainability programs for its host communities through SM Foundation and SM Cares.

SM's retail operations enjoy a strong brand franchise consisting of THE SM STORE and its food retail chains namely SM Supermarket, SM Hypermarket, Savemore and WalterMart stores. SM's property arm, SM Prime Holdings, Inc., is among the largest integrated property developers in the Philippines with interests in mall, residential, commercial and tourism development. SM's interests in banking are in BDO Unibank, Inc. (BDO), the country's largest and in China Banking Corporation (China Bank). Combined, these two banks have a network of over 1,000 branches nationwide.

For further information, please contact:

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