

SEC Number 16342
PSE Disclosure Security Code _____

SM INVESTMENTS CORPORATION

(Company's Full Name)

**10th Floor, One E-Com Center, Harbor Drive,
Mall of Asia Complex, CBP-IA, Pasay City 1300**

(Company's Address)

857- 0100

(Telephone Number)

December 31

(Year Ending)
(month & day)

**SEC Form 17-Q
1st Quarter Report**

Form Type

Amendment Designation (If applicable)

March 31, 2017

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended March 31, 2017
2. Commission Identification Number 016342 3. BIR Tax Identification No. 169-020-000
4. Exact name of registrant as specified in its charter SM INVESTMENTS CORPORATION
5. PHILIPPINES
Province, Country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-IA, Pasay City
1300
Address of principal office Postal Code
8. 857-0100
Registrant's telephone number, including area code
9. Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding	Amount of Debt Outstanding
COMMON STOCK P10 PAR VALUE	1,204,582,867	N.A.

11. Are any or all of these securities listed on the Philippine Stock Exchange.
Yes [] No []
12. Indicate by check mark whether the registrant:
(a) has filed all reports required to be filed by Section 11 of the Securities Regulation Code (SRC) and SRC Rule 11(a)-1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);
Yes [] No []
(b) has been subject to such filing requirements for the past 90 days.
Yes [] No []

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PART I FINANCIAL INFORMATION

Item 1. Interim Condensed Consolidated Financial Statements

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements

As at March 31, 2017

and for the Three-Month Periods Ended March 31, 2017 and 2016

(with Comparative Audited Consolidated Balance Sheet as at
December 31, 2016)

SM INVESTMENTS CORPORATION AND SUBSIDIARIES**INTERIM CONSOLIDATED BALANCE SHEETS***(Amounts in Thousands)*

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 23)	₱51,962,647	₱74,947,731
Time deposits (Notes 6 and 23)	17,752,959	24,473,541
Investments held for trading and sale (Notes 7 and 23)	3,185,981	3,456,752
Receivables (Notes 8, 23 and 24)	30,025,211	31,346,702
Merchandise inventories - at cost (Note 21)	26,439,970	25,825,290
Other current assets (Notes 9 and 23)	59,697,952	59,044,139
Total Current Assets	189,064,720	219,094,155
Noncurrent Assets		
Available-for-sale investments (Notes 10 and 23)	21,109,821	18,675,233
Investments in associate companies and joint ventures (Note 11)	221,271,600	181,228,512
Time deposits (Notes 6 and 24)	48,687,647	42,041,227
Property and equipment (Note 12)	20,843,997	20,950,217
Investment properties (Note 13)	276,183,883	270,146,508
Land and development (Note 14)	31,514,919	23,825,558
Intangibles (Note 15)	25,681,669	25,711,767
Deferred tax assets (Note 22)	2,550,519	2,527,745
Other noncurrent assets (Notes 15 and 23)	58,595,543	57,261,459
Total Noncurrent Assets	706,439,598	642,368,226
	₱895,504,318	₱861,462,381
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 16, 20 and 23)	₱29,522,642	₱13,987,765
Accounts payable and other current liabilities (Notes 17 and 23)	80,274,008	89,259,033
Income tax payable	4,423,710	2,683,715
Current portion of long-term debt (Notes 18, 20, 23 and 24)	50,333,773	25,601,582
Dividends payable	3,504,973	3,302,828
Total Current Liabilities	168,059,106	134,834,923
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 18, 20, 23 and 24)	263,511,656	280,254,227
Deferred tax liabilities (Note 22)	7,992,854	7,888,395
Tenants' deposits and others (Notes 23 and 24)	28,485,282	23,737,574
Total Noncurrent Liabilities	299,989,792	311,880,196
Total Liabilities	468,048,898	446,715,119

(Forward)

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Equity Attributable to Owners of the Parent		
Capital stock (Note 19)	₱12,045,829	₱12,045,829
Additional paid-in capital (Note 19)	76,348,301	76,347,229
Equity adjustments from common control transactions (Note 19)	(5,424,455)	(5,424,455)
Cost of Parent common shares held by subsidiaries	(25,386)	(25,386)
Cumulative translation adjustment	997,496	1,216,718
Net unrealized gain on available-for-sale investments	12,633,966	10,780,430
Re-measurement gain on defined benefit asset/obligation	34,895	34,895
Retained earnings (Note 19)		
Appropriated	36,000,000	36,000,000
Unappropriated	177,202,428	169,508,122
Total Equity Attributable to Owners of the Parent	309,813,074	300,483,382
Non-controlling Interests	117,642,346	114,263,880
Total Equity	427,455,420	414,747,262
	₱895,504,318	₱861,462,381

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES**INTERIM CONSOLIDATED STATEMENTS OF INCOME***(Amounts in Thousands Except Per Share Data)*

	Three-Month Periods Ended March 31	
	2017	2016
	(Unaudited)	(Unaudited)
REVENUE		
Sales:		
Merchandise	₱61,354,908	₱57,547,264
Real estate	5,972,731	5,600,142
Rent (Notes 13 and 20)	10,077,579	8,937,864
Equity in net earnings of associate companies and joint ventures	3,492,216	3,239,488
Cinema ticket sales, amusement and others	1,692,618	1,487,660
Dividend, management fees and others	1,883,380	1,611,806
	84,473,432	78,424,224
COST AND EXPENSES		
Cost of sales:		
Merchandise (Note 21)	45,031,222	42,586,017
Real estate	3,142,101	2,949,344
Selling, general and administrative expenses	19,433,069	17,457,533
	67,606,392	62,992,894
OTHER INCOME (CHARGES)		
Interest expense	(3,426,059)	(2,703,013)
Interest income	1,032,105	816,543
Gain on fair value changes on derivatives - net	16,526	–
Foreign exchange gain and others	557,888	97,219
	(1,819,540)	(1,789,251)
INCOME BEFORE INCOME TAX	15,047,500	13,642,079
PROVISION FOR INCOME TAX		
Current	2,989,253	2,522,690
Deferred	68,801	174,047
	3,058,054	2,696,737
NET INCOME	₱11,989,446	₱10,945,342
Attributable to		
Owners of the Parent	₱7,694,306	₱7,108,562
Non-controlling interests	4,295,140	3,836,780
	₱11,989,446	₱10,945,342
Basic/Diluted Earnings Per Common Share		
Attributable to Owners of the Parent (Note 25)	₱6.39	₱5.90

See accompanying notes to Interim Condensed Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Three-Month Periods Ended March 31	
	2017	2016
	(Unaudited)	(Unaudited)
NET INCOME	₱11,989,446	₱10,945,342
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will be reclassified to profit or loss in subsequent periods		
Net unrealized gain (loss) on available-for-sale investments	1,202,231	(1,115,919)
Share in unrealized gain on available-for-sale investments of associates - net	566,041	187,526
Cumulative translation adjustment	(419,534)	(644,615)
Income tax relating to items to be reclassified to profit or loss in subsequent periods	(12,884)	1,010,109
	1,335,854	(562,899)
TOTAL COMPREHENSIVE INCOME	₱13,325,300	₱10,382,443
Attributable to		
Owners of the Parent	₱9,328,620	₱6,794,757
Non-controlling interests	3,996,680	3,587,686
	₱13,325,300	₱10,382,443

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands Except Per Share Data)

	Equity Attributable to Owners of the Parent											
	Capital Stock	Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment	Net Unrealized Gain on Available-for-Sale Investments	Re-measurement Gain on Defined Benefit Asset/Obligation	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2017, as previously reported	P12,045,829	P76,347,229	(P5,424,455)	(P25,386)	P1,216,718	P10,780,430	P34,895	P36,000,000	P169,508,122	P300,483,382	P114,263,880	P414,747,262
Net income	-	-	-	-	-	-	-	-	7,694,306	7,694,306	4,295,140	11,989,446
Other comprehensive income	-	-	-	-	(219,222)	1,853,536	-	-	-	1,634,314	(298,460)	1,335,854
Total comprehensive income	-	-	-	-	(219,222)	1,853,536	-	-	7,694,306	9,328,620	3,996,680	13,325,300
Common control transactions	-	1,072	-	-	-	-	-	-	-	1,072	-	1,072
Decrease in previous year's non-controlling interests	-	-	-	-	-	-	-	-	-	-	(618,214)	(618,214)
As at March 31, 2017 (Unaudited)	P12,045,829	P76,348,301	(P5,424,455)	(P25,386)	P997,496	P12,633,966	P34,895	P36,000,000	P177,202,428	P309,813,074	P117,642,346	P427,455,420
As at January 1, 2016, as previously reported	P8,030,554	P76,399,625	(P1,902,024)	(P25,386)	P1,057,751	P12,724,360	P117,738	P36,000,000	P152,004,710	P284,407,328	P97,291,958	P381,699,286
Effect of merger	-	-	(3,436,924)	-	-	-	125,002	-	(1,063,863)	(4,375,785)	6,664,359	2,288,574
As restated	8,030,554	76,399,625	(5,338,948)	(25,386)	1,057,751	12,724,360	242,740	36,000,000	150,940,847	280,031,543	103,956,317	383,987,860
Effect of common control business combination	-	-	120,078	-	-	-	5,792	-	(85,287)	40,583	79,451	120,034
As adjusted	8,030,554	76,399,625	(5,218,870)	(25,386)	1,057,751	12,724,360	248,532	36,000,000	150,855,560	280,072,126	104,035,768	384,107,894
Net income	-	-	-	-	-	-	-	-	7,108,562	7,108,562	3,836,780	10,945,342
Other comprehensive income	-	-	-	-	(402,697)	88,892	-	-	-	(313,805)	(249,094)	(562,899)
Total comprehensive income	-	-	-	-	(402,697)	88,892	-	-	7,108,562	6,794,757	3,587,686	10,382,443
Common control transactions	-	-	88,003	-	-	-	-	-	-	88,003	-	88,003
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(788,846)	(788,846)
Increase in previous year's non-controlling interests	-	-	-	-	-	-	-	-	-	-	197,939	197,939
As at March 31, 2016 (Unaudited)	P8,030,554	P76,399,625	(P5,130,867)	(P25,386)	P655,054	P12,813,252	P248,532	P36,000,000	P157,964,122	P286,954,886	P107,032,547	P393,987,433

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Three-Month Periods Ended March 31	
	2017	2016
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱15,047,500	₱13,642,079
Adjustments for:		
Equity in net earnings of associate companies and joint ventures	(3,492,216)	(3,239,488)
Interest expense	3,426,059	2,703,013
Depreciation and amortization (Notes 12, 13 and 15)	3,393,864	3,142,389
Interest income	(1,032,105)	(816,543)
Dividend, management fees and others	(67,985)	(33,933)
Unrealized foreign exchange loss and others	(368,181)	243,564
Gain on fair value changes on derivatives - net	(16,526)	-
Income before working capital changes	16,890,410	15,641,081
Decrease (increase) in:		
Receivables	286,701	702,458
Merchandise inventories	(614,680)	170,154
Other current assets	(2,241,813)	2,545,376
Land and development	(10,380,575)	(2,297,143)
Increase (decrease) in:		
Accounts payable and other current liabilities	(11,735,964)	(16,276,220)
Tenants' deposits and others	4,698,663	1,140,568
Net cash generated from operations	(3,097,258)	1,626,274
Income tax paid	(1,251,366)	(973,297)
Net cash provided by (used in) operating activities	(4,348,624)	652,977
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Available-for-sale and held for trading investments	318,332	1,495,894
Property and equipment	95,662	213,937
Investment properties	40,326	-
Additions to:		
Investment properties (Note 13)	(7,666,388)	(5,722,577)
Property and equipment (Note 12)	(1,146,736)	(1,182,427)
Available-for-sale and held for trading investments	-	(1,704,157)
Investments in associate companies and joint ventures	(37,066,668)	(137,050)
Decrease (increase) in:		
Time deposits	539,633	6,064
Other noncurrent assets	4,778,235	(5,954,898)
Dividends received	1,002,772	985,397
Interest received	592,793	466,271
Net cash used in investing activities	(38,512,039)	(11,533,546)

(Forward)

	Three-Month Periods Ended March 31	
	2017	2016
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of:		
Long-term debt	₱7,466,880	₱12,938,792
Bank loans	28,847,718	35,000
Payments of:		
Long-term debt	(767,699)	(13,476,712)
Bank loans	(13,328,041)	(4,342,391)
Interest	(1,991,999)	(2,142,786)
Dividend	(530,791)	(485,292)
Net cash provided by (used in) financing activities	19,696,068	(7,473,389)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(23,164,595)	(18,353,958)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	179,511	(89,036)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD (Note 5)	74,947,731	58,282,731
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	₱51,962,647	₱39,839,737

See accompanying notes to Interim Condensed Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

SM Investments Corporation (SMIC or Parent Company) was incorporated in the Philippines on January 15, 1960. On June 3, 2009, the Philippine Securities and Exchange Commission (SEC) approved the amendment of Parent Company's articles of incorporation for the extension of its corporate life for another 50 years from January 15, 2010. Its registered office address is 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300.

The Parent Company and its subsidiaries (collectively referred to as the Group), and its associates and joint ventures are involved primarily in the property, retail and financial services and other businesses.

The Parent Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) as approved and recommended for issue by Audit Committee on May 10, 2017.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The interim condensed consolidated financial statements of the Group have been prepared on the historical cost basis, except for derivative financial instruments, investments held for trading and available-for sale (AFS) investments which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso which is the Parent Company's functional currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest thousands except when indicated otherwise.

The interim condensed consolidated financial statements as at March 31, 2017 and for the three-month periods ended March 31, 2017 and 2016 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. The interim condensed consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest thousand Peso, except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2016.

Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and all of its subsidiaries. As at March 31, 2017, there were no significant changes in the Parent Company's ownership interests in the subsidiaries.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Changes in these estimates and assumptions could

result in outcomes that may require material adjustments to the carrying amounts of the affected assets or liabilities in the future.

Except as otherwise stated, there were no significant changes in accounting judgments, estimates, and assumptions used by the Group for the three-month periods ended March 31, 2017 and 2016.

3. Summary of Significant Accounting Policies, Changes and Improvements

Changes in Accounting Policies and Disclosures

The accounting policies and method of computation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2016, except for those which the Group has adopted starting January 1, 2017:

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRS 2014–2016 Cycle*), clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments did not have any impact on the Group's consolidated financial statements.
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*, require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. The Group is currently assessing the impact of adopting this standard.
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*, clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. The amendments did not have any impact on the Group's consolidated financial statements.

4. Segment Information

The Group has identified three reportable operating segments as follows: property, retail, and financial services and others.

The property segment is involved in mall, residential and commercial development and hotels and convention centers operations. The mall segment develops, conducts, operates and maintains the business of modern commercial shopping centers and all businesses related thereto such as the

conduct, operation and maintenance of shopping center spaces for rent, amusement centers and cinemas within the compound of the shopping centers. Residential and commercial segments are involved in the development and transformation of major residential, commercial, entertainment and tourism districts through sustained capital investments in buildings and infrastructure. The hotels and convention centers segment engages in and carries on the business of hotels and convention centers and operates and maintains any and all services and facilities incident thereto.

The retail segment is engaged in the retail/wholesale trading of merchandise, such as dry goods, wearing apparels, food and other merchandise.

The financial services and others segment primarily includes the Parent Company which engages in asset management and capital investments, and associates which are involved in financial services.

The BOD monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the consolidated financial statements.

Operating Segment Financial Data

Three-Month Period Ended March 31, 2017 (Unaudited)					
	Property	Retail	Financial Services and Others	Eliminations	Consolidated
<i>(In Thousands)</i>					
Revenue:					
External customers	₱18,689,026	₱62,668,971	₱3,115,435	₱-	₱84,473,432
Inter-segment	2,779,785	715	(1,378,680)	(1,401,820)	-
	₱21,468,811	₱62,669,686	₱1,736,755	(₱1,401,820)	₱84,473,432
Segment results:					
Income before income tax	₱9,209,213	₱3,533,997	₱268,661	₱2,035,629	₱15,047,500
Provision for income tax	(1,991,537)	(1,035,424)	(23,930)	(7,163)	(3,058,054)
Net income	₱7,217,676	2,498,573	₱244,731	₱2,028,466	₱11,989,446
Net income attributable to:					
Owners of the Parent	₱7,067,864	₱2,271,837	₱244,731	(₱1,890,126)	₱7,694,306
Non-controlling interests	149,812	226,736	-	3,918,592	4,295,140

Three-Month Period Ended March 31, 2016 (Unaudited)					
	Property	Retail	Financial Services and Others	Eliminations	Consolidated
<i>(In Thousands)</i>					
Revenue:					
External customers	₱16,657,636	₱58,863,330	₱2,903,258	₱-	₱78,424,224
Inter-segment	2,564,336	811	(1,124,551)	(1,440,596)	-
	₱19,221,972	₱58,864,141	₱1,778,707	(₱1,440,596)	₱78,424,224
Segment results:					
Income before income tax	₱8,114,475	₱3,382,317	₱213,322	₱1,931,965	₱13,642,079
Provision for income tax	(1,679,238)	(963,378)	(25,223)	(28,898)	(2,696,737)
Net income	₱6,435,237	₱2,418,939	₱188,099	₱1,903,067	₱10,945,342
Net income attributable to:					
Owners of the Parent	₱6,291,757	₱2,210,762	₱188,099	(₱1,582,056)	₱7,108,562
Non-controlling interests	143,480	208,177	-	3,485,123	3,836,780

5. Cash and Cash Equivalents

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Cash on hand and in banks (Note 20)	₱10,785,501	₱8,260,508
Temporary investments (Note 20)	41,177,146	66,687,223
	₱51,962,647	₱74,947,731

Cash in banks earn interest at the respective bank deposit rates. Temporary investments earn interest at prevailing rates.

6. Time Deposits

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Current portion	₱17,752,959	₱24,473,541
Noncurrent portion	48,687,647	42,041,227
	₱66,440,606	₱66,514,768

The time deposits as at March 31, 2017 and December 31, 2016 bear annual interest ranging from 0.5% to 4.9%.

Time deposits with maturities of up to 12 months are used as collateral for interest-bearing debt.

7. Investments Held for Trading and Sale

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Investments held for trading -		
Bonds	₱298,950	₱296,596
AFS investments (Note 10):		
Bonds and corporate notes	2,197,876	2,495,550
Shares of stock -		
Listed	689,155	664,606
	2,887,031	3,160,156
	₱3,185,981	₱3,456,752

8. Receivables

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
<i>(In Thousands)</i>		
Trade:		
Real estate buyers	₱36,376,840	₱34,702,526
Third-party tenants	6,728,390	6,390,291
Related-party tenants (Note 20)	387,935	582,146
Others	53,064	143,754
Due from related parties (Note 20)	275,410	631,342
Management and service fees (Note 20)	325,240	303,340
Dividends (Note 20)	239,682	87,273
Total	44,386,561	42,840,672
Less allowance for impairment loss	970,894	967,343
	43,415,667	41,873,329
Less noncurrent portion of receivables from real estate buyers (Note 15)	13,390,456	10,526,627
Current portion	₱30,025,211	₱31,346,702

Allowance for impairment loss pertains to receivables from tenants which were identified to be impaired based on specific assessment.

Receivables other than those identified as impaired, are assessed by the Group's management as good and collectible.

9. Other Current Assets

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
<i>(In Thousands)</i>		
Land and development (Note 14)	₱25,197,912	₱27,228,525
Prepaid taxes and other prepayments	8,872,579	7,881,610
Advances and deposits	10,686,219	6,797,245
Condominium and residential units for sale (Note 14)	6,988,898	5,241,346
Receivable from banks	990,494	3,365,644
Non-trade receivables	2,840,720	3,605,983
Input tax	2,213,343	2,281,727
Notes receivable (Notes 15 and 20)	-	981,435
Accrued interest receivable (Note 20)	1,050,687	611,375
Escrow fund (Notes 15 and 20)	102,792	209,974
Others	754,308	839,275
	₱59,697,952	₱59,044,139

10. Available-for-sale Investments

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Shares of stock:		
Listed	₱19,295,292	₱16,864,874
Unlisted	61,405	61,405
Bonds and corporate notes	4,625,175	4,893,300
Club shares	14,980	15,810
	23,996,852	21,835,389
Less current portion (Note 7)	2,887,031	3,160,156
Noncurrent portion	₱21,109,821	₱18,675,233

Investments in bonds and corporate notes bear fixed interest rates ranging from 3.9% to 7.5%. These investments will mature on various dates beginning April 2016 to October 2023.

11. Investments in Associate Companies and Joint Ventures

The ₱40.0 billion increase in this account pertains mainly to additional investments in BDO Unibank Inc. (BDO) and Premium Leisure Corp. (PLC) as well as the acquisition 34.5% in the parent company of 2GO Group, Inc.

12. Property and Equipment

The movements in this account follow:

	Buildings and Improvements	Store Equipment and Improvements	Data Processing Equipment	Furniture, Fixtures and Office Equipment	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Construction in Progress	Total
<i>(In Thousands)</i>									
Cost									
As at December 31, 2015	P11,523,237	P3,477,000	P5,735,601	P7,966,207	P6,120,244	P12,720,533	P953,383	P1,124,617	P49,620,822
Additions	574,036	242,290	571,425	897,467	672,358	1,271,631	142,893	877,098	5,249,198
Reclassifications	(54,298)	(643,406)	80,542	(450,675)	199,312	1,717,990	4,596	(599,319)	254,742
Disposals/retirements	(65,578)	(30,104)	(78,386)	(49,937)	(49,534)	(176,053)	(5,301)	(193,598)	(648,491)
As at December 31, 2016 (Audited)	11,977,397	3,045,780	6,309,182	8,363,062	6,942,380	15,534,101	1,095,571	1,208,798	54,476,271
Additions	121,237	34,706	220,759	144,283	140,813	359,368	19,411	106,159	1,146,736
Reclassifications	42,651	53,126	35,137	1,322	31,390	109,675	–	(276,960)	(3,659)
Disposals/retirements	–	–	(1,068)	(570)	(229)	(374)	(1,520)	(95,056)	(98,817)
As at March 31, 2017 (Unaudited)	P12,141,285	P3,133,612	P6,564,010	P8,508,097	P7,114,354	P16,002,770	P1,113,462	P942,941	P55,520,531
Accumulated Depreciation and Amortization									
As at December 31, 2015	P3,464,366	P2,410,102	P4,361,593	P4,995,562	P3,899,309	P9,252,128	P600,281	P–	P28,983,341
Depreciation and amortization	840,169	288,269	617,703	770,536	699,670	1,380,577	95,238	–	4,692,162
Reclassifications	5,529	(628,201)	2,484	(429,953)	47,459	1,197,925	996	–	196,239
Disposals/retirements	(50,823)	(26,474)	(35,370)	(24,320)	(28,914)	(174,486)	(5,301)	–	(345,688)
As at December 31, 2016 (Audited)	4,259,241	2,043,696	4,946,410	5,311,825	4,617,524	11,656,144	691,214	–	33,526,054
Depreciation and amortization	198,773	79,125	145,933	188,151	180,457	348,510	26,480	–	1,167,429
Reclassifications	(406)	–	(3)	4,336	64	(17,641)	–	–	(13,650)
Disposals/retirements	–	–	(937)	(244)	(214)	(384)	(1,520)	–	(3,299)
As at March 31, 2017 (Unaudited)	P4,457,608	P2,122,821	P5,091,403	P5,504,068	P4,797,831	P11,986,629	P716,174	P–	P34,676,534
Net Book Value									
As at March 31, 2017 (Unaudited)	P7,683,677	P1,010,791	P1,472,607	P3,004,029	P2,316,523	P4,016,141	P397,288	P942,941	P20,843,997
As at December 31, 2016 (Audited)	7,718,156	1,002,084	1,362,772	3,051,237	2,324,856	3,877,957	404,357	1,208,798	20,950,217

13. Investment Properties

The movements in this account follow:

	Land and Improvements	Buildings and Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
<i>(In Thousands)</i>					
Cost					
As at December 31, 2015	₱65,246,048	₱175,926,710	₱29,094,102	₱32,295,808	₱302,562,668
Effect of common control business combination	34,819	–	102,634	–	137,453
Additions	5,860,299	7,008,421	3,584,292	10,316,258	26,769,270
Reclassifications	(1,521,882)	21,479,585	354,248	(17,633,329)	2,678,622
Translation adjustment	(18,575)	(271,994)	(30,711)	(162,890)	(484,170)
Disposals	(199,387)	(10,535)	(29,063)	(354,798)	(593,783)
As at December 31, 2016 (Audited)	69,401,322	204,132,187	33,075,502	24,461,049	331,070,060
Additions	899,726	1,178,530	444,700	5,143,432	7,666,388
Reclassifications	(356,919)	3,041,714	(43,957)	(2,642,123)	(1,285)
Translation adjustment	18,248	592,926	46,727	52,055	709,956
Disposals	–	(62,480)	(252)	–	(62,732)
As at March 31, 2017 (Unaudited)	₱69,962,377	₱208,882,877	₱33,522,720	₱27,014,413	₱339,382,387
Accumulated Depreciation, Amortization and Impairment Loss					
As at December 31, 2015	₱1,666,642	₱34,608,274	₱16,704,250	₱–	₱52,979,166
Effect of common control business combination	20,972	89,402	–	–	110,374
Depreciation and amortization	205,701	5,367,781	2,471,626	–	8,045,108
Reclassifications	(53,910)	84,058	(67,645)	–	(37,497)
Translation adjustment	(5,838)	(42,624)	(13,615)	–	(62,077)
Disposals	(78,986)	(10,535)	(22,001)	–	(111,522)
As at December 31, 2016 (Audited)	1,754,581	40,096,356	19,072,615	–	60,923,552
Depreciation and amortization	39,968	1,501,784	654,548	–	2,196,300
Reclassifications	–	5,931	(5,983)	–	(52)
Translation adjustment	8,555	71,503	21,622	–	101,680
Disposals	–	(22,746)	(230)	–	(22,976)
As at March 31, 2017	₱1,803,104	₱41,652,828	₱19,742,572	₱–	₱63,198,504
Net Book Value					
As at March 31, 2017 (Unaudited)	₱68,159,273	₱167,230,049	₱13,780,148	₱27,014,413	₱276,183,883
As at December 31, 2016 (Audited)	67,646,741	164,035,831	14,002,887	24,461,049	270,146,508

Construction in progress as at March 31, 2017 pertains to construction costs incurred for SM CDO Downtown Premier, SM City Puerto Princesa, SM Center Tuguegarao Downtown, SM Center Lemery and SM Mall of Asia.

Interest capitalized to the construction of investment properties amounted to ₱600.0 million and ₱2,921.0 million as at March 31, 2017 and December 31, 2016, respectively. Capitalization rates used in 2017 and 2016 ranged from 2.4% to 4.1% and 2.4% to 4.8%, respectively.

The fair value of substantially all investment properties amounting to ₱833,282.7 million as at March 31, 2017 and December 31, 2016, respectively, was determined by accredited independent appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The fair value of investment properties is categorized under Level 3 since valuation is based on unobservable inputs.

14. Land and Development and Condominium and Residential Units for Sale

Condominium and Residential Units for Sale

Condominium units for sale pertain to the completed projects of SM Development Corporation (SMDC), Highlands Prime Inc., Costa del Hamilo, Inc. and Intercontinental Development Corporation.

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of period	₱5,241,346	₱8,294,523
Transfer from land and development	2,537,212	3,516,449
Recognized as cost of real estate sold	(815,069)	(6,537,177)
Adjustment to cost	25,409	(32,449)
Balance at end of period (Note 9)	₱6,988,898	₱5,241,346

Land and Development

Land and development include the cost of land as well as construction cost of ongoing residential projects.

The movements in this account follow:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of period	₱51,054,083	₱47,201,323
Development cost incurred	2,938,739	12,800,026
Cost of real estate sold	(2,327,032)	(6,659,341)
Transfer to condominium and residential units for sale	(2,537,212)	(3,516,449)
Land acquisition	7,441,836	1,145,980
Borrowing cost capitalized	118,377	37,060
Transfer from (to) property and equipment and others	24,040	45,484
Balance at end of period	56,712,831	51,054,083
Less current portion (Note 9)	25,197,912	27,228,525
Noncurrent portion	₱31,514,919	₱23,825,558

The average rates used to determine the amount of borrowing costs eligible for capitalization range from 2.7% to 5.2% in 2017 and 3.5% to 4.2% in 2016.

15. Intangibles and Other Noncurrent Assets

Intangible Assets

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Goodwill	₱17,398,491	₱17,398,491
Less accumulated impairment loss	91,620	91,620
Net book value	17,306,871	17,306,871
Trademarks and brand names	8,374,798	8,404,896
	₱25,681,669	₱25,711,767

Other Noncurrent Assets

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Deposits and advance rentals	₱15,172,001	₱17,767,510
Receivables from real estate buyers (Note 8)	13,390,456	10,526,627
Land use rights	10,298,445	9,727,575
Long-term notes (Notes 20 and 24)	7,558,736	6,876,128
Derivative assets (Notes 23 and 24)	6,239,716	6,757,361
Deferred input VAT	2,538,781	2,544,100
Defined benefit asset	633,986	629,658
Escrow fund (Note 20)	132,460	132,460
Others	2,630,962	2,300,040
	₱58,595,543	₱57,261,459

- Long-term notes pertain to loans extended by the Parent Company to Atlas Consolidated Mining and Development Corporation (Atlas) at various dates in 2016 and 2015. The loans bear interest ranging from 4.0% to 5.0% per annum, payable quarterly and semi-annually within five years, subject to repricing at prevailing market rates and with prepayment option in full or in part, prior to maturity. A portion of the notes that is due on June 9, 2018 and bearing a fixed interest rate of 4.0% contains multiple derivatives such as conversion, call and put option (Note 24). These loans were settled in March 2017. Simultaneously, a 7-year loan amounting to US\$150.7 million was extended to Carmen Copper Corporation, a wholly owned subsidiary of Atlas. The loan bears fixed interest that starts at 5.0% and escalates annually up to 10.0%, payable quarterly.

16. Bank Loans

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Parent Company:		
U.S. dollar-denominated	₱4,915,680	₱2,983,200
Peso-denominated	8,000,000	4,800,000
Subsidiaries -		
Peso-denominated	16,606,962	6,204,565
	₱29,522,642	₱13,987,765

The unsecured U.S. dollar-denominated loans bear interest ranging from 1.3% to 2.5% and 1.2% to 2.0% in 2017 and 2016, respectively, whereas the peso-denominated loans bear interest ranging from 1.3% to 3.8% and 2.5% to 3.0% in 2017 and 2016, respectively.

17. Accounts Payable and Other Current Liabilities

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Trade	₱46,397,974	₱54,189,536
Accrued expenses	12,752,791	12,083,636
Nontrade payables	6,391,929	5,825,072
Tenants and customers' deposits	4,776,641	5,938,921
Payable arising from acquisition of land	3,258,879	3,067,669
Payable to government agencies	1,813,641	2,949,740
Accrued interest payable (Note 20)	3,711,859	2,335,604
Due to related parties (Note 20)	557,900	708,767
Gift checks redeemable and others	612,394	2,160,088
	₱80,274,008	₱89,259,033

18. Long-term Debt

This account consists of:

	Availment	Maturity	Interest rate/Term	Security	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
<i>(In Thousands)</i>						
Parent Company						
U.S. dollar-denominated	October 13, 2010 - March 31, 2017	October 13, 2017 - June 10, 2024	Fixed 4.2%-5.5%; Floating six-month LIBOR + margin; semi-annual	Unsecured	₱81,377,316	₱75,660,072
Peso-denominated	July 16, 2012 - December 9, 2016	January 14, 2019 - June 20, 2024	Fixed 4.4%-9.1%; PDST-R2 + margin; semi-annual and quarterly	Unsecured	66,327,220	66,327,220
Subsidiaries						
U.S. dollar-denominated	December 7, 2012 - March 21, 2016	August 30, 2017 - January 29, 2021	LIBOR + spread; semi- annual	Unsecured	55,766,741	55,241,172
China Yuan Renminbi- denominated	July 28, 2015 - March 29, 2017	December 31, 2019 - June 1, 2020	CBC rate less 10.0%; quarterly	Secured	980,984	524,743
Peso-denominated	January 12, 2012 - March 9, 2017	January 13, 2017 - July 26, 2026	Fixed 3.1%-6.7%; PDST-R2 + margin; semi-annual and quarterly	Unsecured	111,157,772	109,920,285
					315,610,033	307,673,492
Less debt issue cost					1,764,604	1,817,683
					313,845,429	305,855,809
Less current portion					50,333,773	25,601,582
					₱263,511,656	₱280,254,227

LIBOR – London Interbank Offered Rate

PDST-R2 – Philippine Dealing System Treasury Reference Rate – PM

CBC – Central Bank of China

Repayment Schedule

The repayment schedule of long-term debt as at March 31, 2017 follows:

	Gross Loan	Debt Issue Cost	Net
			<i>(In Thousands)</i>
Within 1 year	₱ 50,378,658	₱44,885	₱50,333,773
More than 1 year to 5 years	166,524,124	1,064,897	165,459,227
More than 5 years	98,707,251	654,822	98,052,429
	₱315,610,033	₱1,764,604	₱313,845,429

Covenants

The long-term debt of the Group is covered with certain covenants including adherence to financial ratios. The Parent Company's loan covenants include adherence to certain financial ratios namely: (1) debt-to-equity ratio not to exceed 80:20, and, (2) current ratio at a minimum of 0.30, and, certain restrictions with respect to material change in ownership or control. As at March 31, 2017 and December 31, 2016, the Group is in compliance with the terms of its debt covenants.

19. **Equity**

Capital Stock

a. Common stock

	Number of Shares	
	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Authorized - ₱10 par value per share	2,790,000,000	2,790,000,000
Issued and subscribed:		
Balance at beginning of period	1,204,582,867	803,055,405
Issuance:		
50% stock dividends	–	401,527,462
Balance at end of period	1,204,582,867	1,204,582,867

As at March 31, 2017 and December 31, 2016, the Parent Company is compliant with the minimum public float as required by the PSE.

The total number of shareholders of the Parent Company is 1,250 and 1,244 as at March 31, 2017 and December 31, 2016, respectively.

b. Redeemable preferred shares

	Number of shares	
	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Authorized - ₱10 par value per share	10,000,000	10,000,000

There are no issued and subscribed preferred shares as at March 31, 2017 and December 31, 2016.

Equity Adjustments from Common Control Transactions

Equity adjustments from common control transactions include the following:

- Acquisition of various SM China Companies by SM Prime in 2007.
- Acquisition of various service companies by SM Retail in 2009.
- Corporate restructuring to consolidate the Group's real estate subsidiaries and real estate assets in SM Prime in 2013.
- Merger of SM Retail with other retail affiliates.
- SM Prime common control business acquisition in 2016.

These acquisitions were considered as a combination of businesses under common control for which pooling of interests method was applied in the preparation of the consolidated financial statements.

Retained Earnings

a. Appropriated

Retained earnings appropriated as at March 31, 2017 and December 31, 2016 is intended for the payment of certain long-term debt and new investments as follows:

	Timeline	Amount
		<i>(In Thousands)</i>
Debt servicing		
US\$400.0 million	2017	₱18,800,000
US\$180.0 million	2018	8,200,000
New investments	2016–2020	9,000,000
		<u>₱36,000,000</u>

b. Unappropriated

The Parent Company's cash dividend declaration in 2016 follows:

Declaration Date	Record Date	Payment Date	Per Share	Total
				<i>(In Thousands)</i>
April 27, 2016	May 12, 2016	May 26, 2016	₱10.63	₱8,536,467

Unappropriated retained earnings include the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱162,284.9 million and ₱154,730.7 million as at March 31, 2017 and December 31, 2016, respectively, that is not available for distribution until such time that the Parent Company receives the dividends from the respective subsidiaries, associates and joint ventures.

20. Related Party Disclosures

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The related party transactions and outstanding balances follow:

	Transaction Amount		Outstanding Amount		Terms	Conditions
	March 31, 2017 (Unaudited)	March 31, 2016 (Audited)	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)		
<i>(In Thousands)</i>						
Banking Group						
Cash placement and investment in marketable securities			104,489,750	130,427,891	Interest-bearing	Unsecured; no impairment
Interest receivable			774,277	431,533	Interest-bearing	Unsecured; no impairment
Interest income	612,943	546,819				
Interest-bearing debt			14,078,118	9,831,165	Interest-bearing	Unsecured
Interest payable			29,393	36,915	Interest-bearing	Unsecured
Interest expense	120,099	114,432				
Rent receivable			140,519	110,669	Noninterest-bearing	Unsecured; no impairment
Rent income	216,171	190,500				
Dividend receivable			102,693	2,162	Noninterest-bearing	Unsecured; no impairment
Management and service fee receivable			28,698	31,905	Noninterest-bearing	Unsecured; no impairment
Management and service fee income	1,224	504				
Escrow fund			232,792	339,974	Interest-bearing 1.4% to 1.6%	Unsecured; no impairment
Retail and Other Entities						
Rent receivable			247,416	471,477	Noninterest-bearing	Unsecured; no impairment
Rent income	355,232	327,599				
Management and service fee receivable			266,873	218,757	Noninterest-bearing	Unsecured; no impairment
Management and service fee income	88,456	64,429				
Dividend receivable			69,878	24,000	Noninterest-bearing	Unsecured; no impairment
Dividend income						
Due from related parties			275,410	631,342	Noninterest-bearing	Unsecured; no impairment
Due to related parties			557,900	708,767	Noninterest-bearing	Unsecured
Interest receivable			10,498	35,760	Interest-bearing	Unsecured; no impairment
Interest income	97,944	49,106				
Notes receivable			7,558,736	7,857,563	Interest-bearing	Unsecured; no impairment

Terms and Conditions of Transactions with Related Parties

The Group did not make any provision for impairment loss relating to amounts owed by related parties. There have been no guarantees provided or received for any related party receivables or payables.

21. Cost of Merchandise Sales

This account consists of:

	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
	<i>(In Thousands)</i>	
Merchandise inventories at beginning of period	₱25,825,290	₱21,589,701
Purchases	45,645,902	42,415,864
Total goods available for sale	71,471,192	64,005,565
Less merchandise inventories at end of period	26,439,970	21,419,548
	₱45,031,222	₱42,586,017

22. Income Tax

Deferred tax assets of ₱2.6 million and ₱2.5 million as at March 30, 2017 and December 31, 2016, respectively, consist of the tax effects of unrealized gain on inter-company sale of investment properties, unamortized past service cost and defined benefit liability, provision for doubtful accounts and others, accrued leases, MCIT, deferred rent expense and NOLCO.

Deferred tax liabilities of ₱8.0 million and ₱7.9 million as at March 31, 2017 and December 31, 2016, respectively, consist of the tax effects of appraisal increment on investment property, trademarks and brand names, capitalized interest, unrealized gross profit on sale of real estate, accrued/deferred rent income and unamortized past service cost and defined benefit asset. The disproportionate relationship between income before income tax and the provision for income tax is due to various factors such as interest income already subjected to final tax, non-deductible interest expense, equity in net earnings of associates, and dividend income exempt from tax.

23. Financial Risk Management Objectives and Policies

The main risks arising from the Group's financial instruments follow:

- *Interest rate risk.* Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Repricing of floating rate financial instruments is mostly done at intervals of three months or six months.
- *Foreign currency risk.* The Group's exposure to foreign currency risk arises as the Parent Company and SM Prime have significant investments and debt issuances which are denominated in U.S. Dollar and China Yuan Renminbi.
- *Liquidity risk.* Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.
- *Credit risk.* Refers to the risk that a borrower will default on any type of debt by failing to make required payments.
- *Equity price risk.* The Group's exposure to equity price risk pertains to its investments in quoted equity shares which are classified as AFS investments in the consolidated balance sheets. Equity price risk arises from the changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

The BOD reviews and approves policies for managing each of these risks.

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations (Note 18).

The Group maintains a conservative financing strategy and has preference for longer tenor credit with fixed interest rate that matches the nature of its investments. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps and cross-currency swaps in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed notional amount. The interest rate swaps economically hedge the underlying debt obligations. The cross-currency swaps were designated by the Group under cash flow hedge accounting.

As at March 31, 2017 and December 31, 2016, after taking into account the effect of the swaps, approximately 73.7% and 76.9%, respectively of the Group's gross borrowings are kept at fixed interest rates.

Foreign Currency Risk

The Group aims to reduce foreign currency risks by employing on-balance sheet hedges and derivatives such as foreign currency swap contracts, foreign cross-currency swaps, foreign currency call options, non-deliverable forwards and foreign currency range options.

As at March 31, 2017, the Group's foreign currency-denominated assets and liabilities amounted to P 80,499.1 million (\$1,604.8 million) and P93,466.8 million (\$1,863.4 million), respectively.

As at December 31, 2016, the Group's foreign currency-denominated assets and liabilities amounted to P74,131.6 million (\$1,491.0 million) and P89,285.6 million (\$1,795.8 million), respectively.

As at March 31, 2017 and December 31, 2016, approximately 41.4% and 41.8%, respectively, of the Group's gross borrowings are denominated in foreign-currency.

The following exchange rates were used in translating foreign currency-denominated assets and liabilities:

	March 31, 2017	December 31, 2016
Philippine Peso to U.S. Dollar	P50.16	P49.72

Liquidity Risk

The Group manages its liquidity to ensure adequate financing of capital expenditures and debt service. Financing consists of internally generated funds, proceeds from debt and equity issues, and/or proceeds from sales of assets.

The Group regularly evaluates its projected and actual cash flow information and assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives including bank loans, export credit agency-guaranteed facilities, bonds and equity market issues.

Credit Risk

The Group trades only with recognized and creditworthy related and third parties. The Group policy requires customers who wish to trade on credit terms to undergo credit verification.

In addition, receivable balances are monitored on a regular basis to keep exposure to bad debts at the minimum. Given the Group's diverse base of customers, it is not exposed to large concentrations of credit risk.

As at March 31, 2017 and December 31, 2016, the financial assets, except for certain receivables and AFS investments, are generally viewed by management as good and collectible considering the credit history of the counterparties. Past due or impaired financial assets are very minimal in relation to the Group's total financial assets.

Equity Price Risk

Management closely monitors the equity securities in its investment portfolio. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.

Capital Management

The Group manages its capital structure and makes appropriate adjustments based on changes in economic conditions. Accordingly, the Group may adjust dividend payments to shareholders, secure new and/or pay off existing debts, return capital to shareholders or issue new shares.

The Group monitors its capital gearing by maintaining its net debt at no higher than 50% of the sum of net debt and equity.

The Group's gearing ratios follow:

	March 31, 2017	December 31, 2016
Gross	53%	52%
Net	42%	37%

24. Financial Instruments

The Group's financial assets and liabilities by category and by class, except for those with carrying amounts that are reasonable approximations of fair values, follow:

March 31, 2017 (Unaudited)					
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
Assets Measured at Fair Value					
Financial assets at FVPL -					
Derivative assets	P6,239,716	P6,239,716	P-	P6,239,716	P-
Assets for which Fair Values are Disclosed					
Loans and receivables:					
Time deposits - noncurrent portion	48,687,647	51,623,746	-	-	51,623,746
Receivables - net (including noncurrent portion of receivables from real estate buyers)	43,415,667	42,930,117	-	-	42,930,117
Long-term notes (included under "Other noncurrent assets" account in the consolidated balance sheet)	7,558,736	9,984,820	-	-	9,984,820
	99,662,050	104,538,683	-	-	104,538,683
	P105,901,766	P110,778,399	P-	P6,239,716	P104,538,683
Liabilities Measured at Fair Value					
Financial liabilities at FVPL -					
Derivative liabilities	P-	P-	P-	P-	P-
Liabilities for which Fair Values are Disclosed					
Other Financial Liabilities:					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	263,511,656	273,518,400	-	-	273,518,400
Tenants' deposits and others*	26,402,280	25,426,552	-	-	25,426,552
	289,913,936	298,944,952	-	-	298,944,952
	P289,913,936	P298,944,952	P-	P-	298,944,952

*Excluding nonfinancial liabilities amounting to P1,744.5 million.

December 31, 2016 (Audited)					
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
Assets Measured at Fair Value					
Financial assets at FVPL -					
Derivative assets	P6,757,361	P6,757,361	P-	P6,757,361	P-
Assets for which Fair Values are Disclosed					
Loans and receivables:					
Time deposits - noncurrent portion	42,041,227	45,124,026	-	-	45,124,026
Receivables - net (including noncurrent portion of receivables from real estate buyers)	41,873,329	41,496,950	-	-	41,496,950
Long-term notes (included under "Other noncurrent assets" account in the consolidated balance sheet)	6,876,128	7,160,804	-	-	7,160,804
	90,790,684	93,781,780	-	-	93,781,780
	P97,548,045	P100,539,141	P-	P6,757,361	P93,781,780
Liabilities Measured at Fair Value					
Financial liabilities at FVPL -					
Derivative liabilities	P9,931	P9,931	P-	P9,931	P-
Liabilities for which Fair Values are Disclosed					
Other Financial Liabilities:					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	280,254,227	290,118,678	-	-	290,118,678
Tenants' deposits and others*	21,518,256	20,841,472	-	-	20,841,472
	301,772,483	310,960,150	-	-	310,960,150
	P301,782,414	P310,970,081	P-	P9,931	P310,960,150

*Excluding nonfinancial liabilities amounting to P1,624.9 million.

There were no transfers into and out of Levels 1, 2 and 3 fair value measurements as at March 31, 2017 and December 31, 2016.

Derivative Instruments Accounted for as Cash Flow Hedges

Cross-currency Swaps. In 2013, the Parent Company and SM Prime entered into cross-currency swap transactions to hedge both the foreign currency and interest rate exposures on its U.S. Dollar-denominated five-year term loans (the hedged loans).

Under the floating-to-fixed cross-currency swap, the hedged U.S. Dollar-denominated loans have been converted into Philippine peso:

- Swap the face amount of the loans in US\$ for their agreed Philippine peso equivalents with the counterparty banks and exchange, at maturity date, the principal amount originally swapped.
- Pay fixed interest in the Philippine peso notional amount and receive floating interest on the US\$ notional amount, on a semi-annual basis, simultaneous with interest payments on the hedged loans.

The outstanding hedged loans follow:

	Principal Balance	
	<i>In US\$</i>	<i>In PhP</i>
<i>(In Thousands)</i>		
Parent -		
Unsecured loans	US\$180,000	₱9,028,800
SM Prime:		
Unsecured loan	620,000	30,903,824
Unsecured advances	200,000	10,032,000

Details of the cross-currency swaps follow:

	Notional Amount				US\$:P Rate	Maturity	Fair Value
	<i>In US\$</i>	<i>In PhP</i>					
<i>(In Thousands)</i>							
Parent:							
Floating-to-Fixed	US\$50,000	₱2,059,250	6M US LIBOR + 170 bps	4.1%	₱41.19	May 15, 2018	₱475,656
Floating-to-Fixed	60,000	2,478,000	6M US LIBOR + 170 bps	4.0%	41.30	May 15, 2018	564,400
Floating-to-Fixed	70,000	2,888,200	6M US LIBOR + 170 bps	4.0%	41.26	May 15, 2018	663,359
SM Prime:							
Floating-to-Fixed	200,000	8,134,000	6M US LIBOR + 170 bps	3.7%	40.67	January 29, 2018	2,004,267
Floating-to-Fixed	150,000	6,165,000	6M US LIBOR + 170 bps	3.9%	41.10	March 25, 2018	1,434,870

Principal Only Swaps. In 2017 and 2016, SM Prime entered into principal only swap transactions to hedge the foreign-currency exposure on its U.S. Dollar-denominated five-year term syndicated loans and advances (the hedged loans and advances).

The outstanding hedged loans and advances follow:

	Notional Amount	US\$:¥ Rate	Maturity	Fair Value
<i>(In Thousands)</i>				
Principal only	US\$150,000	6.528-6.569	March 23, 2018	₱179,996
Principal only	270,000	6.458-6.889	January 29, 2021	525,723
Principal only	50,000	6.514	August 30, 2017	108,094

As the terms of the swaps have been negotiated to match the terms of the hedged loans and advances, the hedges were assessed to be highly effective.

25. EPS Computation

	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
	<i>(In Thousands Except Per Share Data)</i>	
Net income attributable to owners of the Parent (a)	₱7,694,306	₱7,108,562
Weighted average number of common shares outstanding (b)	1,204,583	1,204,583
EPS (a/b)	₱6.39	₱5.90

26. Events After the Reporting Period

On April 26, 2017, the BOD approved the declaration of cash dividends of ₱7.77 per share for a total amount of ₱9,361.3 million in favor of stockholders on record as at May 11, 2017, payable on May 25, 2017.

PART 1 FINANCIAL INFORMATION

Item 2. Management Discussion and Analysis or Plan of Operation

Result of Operations

For the Three Months Ended March 31, 2017 and 2016

(amounts in billion pesos)

Accounts	03 / 31 / 2017	Restated 03 / 31 / 2016	% Change
Revenue	P 84.5	P 78.4	7.7%
Cost and Expenses	67.6	63.0	7.3%
Income from Operations	16.9	15.4	9.3%
Other Charges	1.8	1.8	-1.7%
Provision for Income Tax	3.1	2.7	13.4%
Non-controlling Interests	4.3	3.8	11.9%
Net Income Attributable to Owners of the Parent	P 7.7	P 7.1	8.2%

SM Investments Corporation and Subsidiaries (the Group) reported P7.7 billion *Net Income Attributable to Owners of the Parent*, 8.2% higher than 2016, and P84.5 billion *Revenues*, 7.7% higher than 2016.

Income from Operations increased by 9.3% to P16.9 billion from P15.4 billion in 2016. Operating Margin and Net Margin is at 20.0% and 14.2%, respectively.

The *Non-Food* and *Food Group* comprised 46% and 54%, respectively, of merchandise sales in 2017 and 2016.

As of March 31, 2017, *SM Retail* had 1,939 stores nationwide, namely: 57 *SM Stores*, 48 *SM Supermarkets*, 165 *Savemore* stores, 44 *SM Hypermarkets*, 39 *WalterMart* stores and 1,584 Specialty stores.

Real Estate Sales increased by 6.7% to P6.0 billion from P5.6 billion in 2016 due primarily to higher construction accomplishment of projects launched from 2014 to 2015 namely, *Shore 2 Residences* in Pasay, *Air Residences* in Makati, *Cool Residences* in Tagaytay, *Fame Residences* in Mandaluyong and *South Residences* in Las Piñas and continued increase in sales take-up of Ready-for-Occupancy (RFO) projects due to strong demand.

Real Estate Gross Margin improved to 47.4% from 47.3% in 2016. This is attributable to efficient management and tighter monitoring and control of construction costs.

Rent Revenue, derived mainly from the mall operations of SM Prime Holdings, Inc. (SM Prime), increased by 12.8% to P10.1 billion from P8.9 billion in 2016. The increase in *Rent Revenue* is primarily due to the new malls which opened in 2015 and 2016, namely, *SM Seaside City Cebu*, *SM City East Ortigas*, *SM City Cabanatuan*, *SM City San Mateo*, *SM San Jose Del Monte* and *SM City Trece Martires* as well as the expansion of shopping spaces in *SM City Iloilo*, *SM Center Molino* and *S Maison* in SM Mall of Asia. In addition, retail podiums of *Light*, *Shine*, *Shell* and *Green Residences* opened in 2015 and 2016. Excluding the new malls and expansions, same-store rental growth is at 7%. Rentals from hotels and convention centers also contributed to the increase due to the opening of Conrad Manila in June 2016 and the improvement in average room and occupancy rates.

As of March 31, 2017, *SM Prime* had 60 malls in the Philippines and 7 malls in China.

Cinema Ticket Sales, Amusement and Others increased by 13.8% to P1.7 billion from P1.5 billion in 2016 due to the increase in international movie sales and higher event ticket sales.

Equity in Net Earnings of Associate Companies and Joint Ventures increased by 7.8% to P3.5 billion from P3.2 billion in 2016. The increase is attributable mainly to BDO and Belle.

Dividend, Management Fees and Others increased by 16.8% to P1.9 billion from P1.6 billion in 2016 due mainly to higher dividends received from certain associates in 2017 and increase in hotels' food and beverage income due to the opening of *Conrad Manila*.

Selling, General and Administrative Expenses increased by 11.3% to P19.4 billion from P17.5 billion in 2016 due mainly to additional operating expenses associated with new or renovated retail stores and malls and new real estate projects.

Other Charges (net) remained at P1.8 billion in 2017. *Other Charges* consist mainly of *Interest Expense* which increased by 26.7% to P3.4 billion from P2.7 billion in 2016, *Interest Income* which increased by 26.4% to P1.0 billion from P0.8 billion in 2016, and *Foreign Exchange Gains and Others* which increased to P0.6 billion from P0.1 billion in 2016.

Provision for Income Tax increased by 13.4% to P3.1 billion from P2.7 billion in 2016 due to higher taxable income. The effective income tax rate is 20.3% in 2017 and 19.8% in 2016.

Non-controlling Interests increased by 11.9% to P4.3 billion in 2017 from P3.8 billion in 2016 due to the increase in net income of certain partly-owned subsidiaries.

Financial Position
As of March 31, 2017 and December 31, 2016
(amounts in billion pesos)

Accounts	03 / 31 / 2017	12 / 31 / 2016	% Change
Current Assets	P 189.1	P 219.1	-13.7%
Noncurrent Assets	706.4	642.4	10.0%
Total Assets	P 895.5	P 861.5	4.0%
Current Liabilities	P 168.1	P 134.8	24.6%
Noncurrent Liabilities	300.0	311.9	-3.8%
Total Liabilities	468.1	446.7	4.8%
Total Equity	427.4	414.8	3.1%
Total Liabilities and Equity	P 895.5	P 861.5	4.0%

Total *Assets* increased by 4.0% to P895.5 billion from P861.5 billion in 2016. On the other hand, total *Liabilities* increased by 4.8% to P468.1 billion from P446.7 billion in 2016.

Current Assets

Current Assets decreased by 13.7% to P189.1 billion from P219.1 billion in 2016.

Cash and Cash Equivalents decreased by 30.7% to P52.0 billion from P74.9 billion in 2016 due mainly to additional investments in associate companies and payment of trade payables.

Time Deposits decreased by 27.5% to P17.8 billion from P24.5 billion in 2016 is attributable to deposits which matured during the period.

Investments Held for Trading and Sale decreased by 7.8% to P3.2 billion from P3.5 billion in 2016 due mainly to maturity of certain investments in bonds.

Receivables decreased by 4.2% to P30.0 billion from P31.3 billion in 2016 due mainly to collections from recently completed projects and rent receivables.

Noncurrent Assets

Noncurrent Assets increased by 10.0% to P706.4 billion from P642.4 billion in 2016.

AFS Investments increased by 13.0% to P21.1 billion from P18.7 billion in 2016 due mainly to the increase in market value of certain AFS investments.

Investments in Associate Companies and Joint Ventures increased by 22.1% to P221.3 billion from P181.2 billion in 2016. The increase mainly represents additional and new investments in associate companies and equity in net earnings of associates in 2017 partially offset by dividends received from these associate companies.

Time Deposits increased by 15.8% to P48.7 billion from P42.0 billion in 2016 due mainly to new investments.

Land and Development increased by 32.3% to P31.5 billion from P23.8 billion in 2016 due mainly to new land acquisitions.

Other Noncurrent Assets increased by 2.3% to P58.6 billion from P57.3 billion in 2016. The increase is attributable to higher receivable from real estate buyers, additional land use rights and long-term notes.

Current Liabilities

Current Liabilities increased by 24.6% to P168.1 billion from P134.8 billion in 2016.

Bank Loans increased by 111.1% to P29.5 billion from P14.0 billion in 2016 due mainly to loan availments.

Current Portion of Long-term Debt increased by 96.6% to P50.3 billion from P25.6 billion in 2016 due mainly to maturing debts.

Accounts Payable and Other Current Liabilities decreased by 10.1% to P80.3 billion from P89.3 billion in 2016 due to settlement of trade payables.

Dividends Payable increased by 6.1% to P3.5 billion from P3.3 billion in 2016. This mainly represents dividends due to minority stockholders of certain subsidiaries.

Income Tax Payable increased by 64.8% to P4.4 billion from P2.7 billion in 2016 due mainly to higher taxable income in 2017.

Noncurrent Liabilities

Noncurrent Liabilities decreased by 3.8% to P300.0 billion from P311.9 billion in 2016.

Long-term Debt - Net of Current Portion decreased by 6.0% to P263.5 billion from P280.3 billion in 2016 due mainly to reclassification of maturing debts to current, partially offset by new availments.

Tenants' Deposits and Others increased by 20.0% to P28.5 billion from P23.7 billion in 2016. This is due mainly to the increase in retention payable and output VAT on residential sales.

Equity

Total *Equity* increased by 3.1% to P427.4 billion from P414.8 billion in 2016. The increase pertains mainly to the P7.7 billion net income in the first quarter of 2017, P3.4 billion increase in *Non-controlling Interests* and P1.8 billion higher *Net Unrealized Gain on Available-for-sale Investments*.

The Company has no known direct or contingent financial obligation that is material to the Company operations, including any default or acceleration of an obligation. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting period and as of the 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.

Key Performance Indicators

The following are the key financial ratios of the Group as at March 31, 2017 and December 31, 2016 and for the periods ended March 31, 2017 and 2016:

	03 / 31 / 2017	12 / 31 / 2016
Current Ratio	1.1	1.6
Asset to Equity	2.1	2.1
Debt-equity Ratios:		
On Gross Basis	53 : 47	52 : 48
On Net Basis	42 : 58	37 : 63
Return on Equity	10.7%	10.7%

	03 / 31 / 2017	03 / 31 / 2016
Revenue Growth	7.7%	7.9%
Net Income to Revenues	14.2%	14.0%
Net Income Growth	8.2%	4.2%
EBITDA (<i>in billions of Pesos</i>)	P20.3B	P18.6B
Interest Cover	5.9x	6.9x

Current ratio decreased to 1.1 from 1.6 in 2016 due mainly to the decrease in *Current Assets* of 13.7% coupled with an increase in *Current Liabilities* of 24.6%.

Gross debt-equity ratio slid to 53:47 in 2017 from 52:48 in 2016 due to higher increase in gross debts of 7.4% compared to increase in *Equity Attributable to Owners of the Parent* of only 3.1%.

Net Debt-equity ratio slid to 42:58 from 37:63 in 2016 due to the 26.8% increase in net debts from P174.8 billion to P221.5 billion in 2017 attributable mainly to the decrease in *Cash and Cash Equivalents*.

The drop in revenue growth to 7.7% from 7.9% in 2016 is attributable mainly to the lower growth of *Merchandise Sales* of 6.6% in 2017 compared with 9.1% in 2016.

The higher net income growth of 8.2% in 2017 from 4.2% in 2016 is attributable to the higher gross profit margin of merchandise and real estate in 2017 compared with 2016 and lower growth of income tax in 2017 compared with 2016 due to a deferred tax benefit in 2015.

EBITDA increased by 9.1% to P20.3 billion from P18.6 billion in 2016 due mainly to the 9.3% increase in income from operations.

Interest cover decreased to 5.9x from 6.9x in 2016 due to 9.1% increase in EBITDA vs. 26.7% increase in *Interest Expense*.

The manner by which the Company calculates the foregoing indicators is as follows:

1. Current Ratio $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Asset to Equity Ratio $\frac{\text{Total Assets}}{\text{Total Equity}}$
3. Debt – Equity Ratio
 - a. Gross Basis $\frac{\text{Total Interest Bearing Debt}}{\text{Total Equity Attributable to Owners of the Parent} + \text{Total Interest Bearing Debt}}$
 - b. Net Basis $\frac{\text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on hand), Time Deposits, Investment in Bonds Held for Trading and Available for Sale}}{\text{Total Equity Attributable to Owners of the Parent} + \text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on hand), Time Deposits, Investments in Bonds Held for Trading and Available for Sale}}$
4. Revenue Growth $\frac{\text{Total Revenues (Current Period)} - 1}{\text{Total Revenues (Prior Period)}}$
5. Net Income to Revenue $\frac{\text{Net Income After Tax}}{\text{Total Revenues}}$
6. Net Income Growth $\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - 1}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
7. Return on Equity $\frac{\text{Net Income Attributable to Owners of the Parent (Annualized)}}{\text{Average Equity Attributable to Owners of the Parent}}$
8. EBITDA Income from Operations + Depreciation & Amortization
9. Interest Cover $\frac{\text{EBITDA}}{\text{Interest Expense}}$

Expansion Plans / Prospects for the Future

Property Group

SM Prime plans to spend at least P50.0 billion over the next two years to support its development goals.

For the rest of 2017, 5 new malls will be launched namely, *SM CDO Downtown Premier* in Cagayan de Oro, *SM Cherry Antipolo* in Rizal, *SM Center Tuguegarao Downtown* in Cagayan, *SM City Puerto Princesa* in Palawan and *SM Center Lemery* in Batangas. By yearend, SM Prime will have 65 malls in the Philippines and 7 malls in China with an estimated combined GFA of 9.2 million sq. m. In addition, 15,000 to 18,000 residential units in high-rise, mid-rise and house and lot developments will be launched. These new units will be located in the cities of Pasay, Quezon City, Makati, Parañaque and in the provinces of Bulacan, Rizal, Cavite, Pampanga, Bacolod, Iloilo, Davao, Laguna and Batangas.

In the commercial segment, the construction of *Three E-com Center* and *Four E-com Center* will continue with completion scheduled in 2018 and 2020, respectively.

Retail Group

For the rest of 2017, the Retail Group will be opening 2 *SM Stores*, 3 *SM Supermarkets*, 8 *Savemore* stores, 1 *Hypermarket*, 7 *WalterMart* stores and 122 Specialty stores.

Banking Group

In 2017, BDO plans to put up 50 to 70 branches, mostly outside the National Capital Region. BDO will continue its investments in technology and staff development. On the other hand, China Bank is set to open 50 branches in both development and unbanked regions complemented by over 900 ATMS and other electronic banking channels. China Bank also plans to actively undertake customer acquisition and retention programs.

The above expenditures will be funded through internally generated sources and other capital raising initiatives such as bond issuances and loan availments.

PART I FINANCIAL INFORMATION

Item 3. Aging of Accounts Receivable – Trade

SM Investments Corporation and Subsidiaries

Aging of Accounts Receivable - Trade

As of March 31, 2017

(in Thousands)

Receivable from tenants		
Third-party tenants	P	6,728,390
Related-party tenants		387,935
Receivable from real estate buyers		
- net of non-current portion		<u>23,039,448</u>
Total	P	<u><u>30,155,773</u></u>

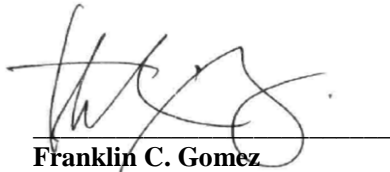
Aging:

Neither past due nor impaired	P	25,800,021
31-90 days		1,039,583
91-120 days		457,647
Over 120 days		1,887,628
Impaired		<u>970,894</u>
Total	P	<u><u>30,155,773</u></u>

PART II - SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **SM INVESTMENTS CORPORATION**



Franklin C. Gomez
Senior Vice President – Finance
Corporate Information Officer

Date: 5-10-17