

111162017003601



# SECURITIES AND EXCHANGE COMMISSION

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Industry Classification FINANCING COMPANY OPERATIONS  
Company Type Stock Corporation

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SEC Number 16342  
PSE Disclosure Security Code \_\_\_\_\_

**SM INVESTMENTS CORPORATION**

\_\_\_\_\_  
(Company's Full Name)

**10<sup>th</sup> 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  
3<sup>rd</sup> Quarter Report**

\_\_\_\_\_  
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**September 30, 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 September 30, 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. 10<sup>th</sup> 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
<b>COMMON STOCK P10 PAR VALUE</b>	<b>1,204,582,867</b>	<b>N.A.</b>

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 II – SIGNATURE

<b>PART I FINANCIAL INFORMATION</b>
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**Item 1. Interim Condensed Consolidated Financial Statements**

**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**

Interim Condensed Consolidated Financial Statements  
As at September 30, 2017  
and for the Nine-Month Periods Ended September 30, 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)*

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 5)	<b>₱66,426,466</b>	₱74,947,731
Time deposits (Note 6)	<b>18,873,957</b>	24,473,541
Investments held for trading and sale (Note 7)	<b>2,319,686</b>	3,456,752
Receivables (Notes 8 and 24)	<b>30,996,840</b>	31,346,702
Merchandise inventories - at cost (Note 21)	<b>28,959,949</b>	25,825,290
Other current assets (Note 9)	<b>64,738,299</b>	59,044,139
Total Current Assets	<b>212,315,197</b>	219,094,155
<b>Noncurrent Assets</b>		
Available-for-sale investments (Note 10)	<b>25,557,359</b>	18,675,233
Investments in associate companies and joint ventures (Note 11)	<b>233,121,520</b>	181,228,512
Time deposits (Notes 6 and 24)	<b>43,236,802</b>	42,041,227
Property and equipment (Note 12)	<b>20,854,754</b>	20,950,217
Investment properties (Note 13)	<b>284,855,647</b>	270,146,508
Land and development (Note 14)	<b>36,416,193</b>	23,825,558
Intangibles (Note 15)	<b>25,621,366</b>	25,711,767
Deferred tax assets (Note 22)	<b>2,580,978</b>	2,527,745
Other noncurrent assets (Note 15)	<b>57,820,253</b>	57,261,459
Total Noncurrent Assets	<b>730,064,872</b>	642,368,226
	<b>₱942,380,069</b>	₱861,462,381
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Bank loans (Notes 16 and 23)	<b>₱20,175,179</b>	₱13,987,765
Accounts payable and other current liabilities (Note 17)	<b>86,571,301</b>	89,259,033
Income tax payable	<b>1,998,128</b>	2,683,715
Current portion of long-term debt (Notes 18 and 23)	<b>60,463,549</b>	25,601,582
Dividends payable	<b>2,883,192</b>	3,302,828
Total Current Liabilities	<b>172,091,349</b>	134,834,923
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Notes 18, 23 and 24)	<b>288,906,281</b>	280,254,227
Deferred tax liabilities (Note 22)	<b>8,117,531</b>	7,888,395
Tenants' deposits and others (Note 24)	<b>30,983,457</b>	23,737,574
Total Noncurrent Liabilities	<b>328,007,269</b>	311,880,196
Total Liabilities	<b>500,098,618</b>	446,715,119

*(Forward)*

	<b>September 30, 2017 (Unaudited)</b>	December 31, 2016 (Audited)
<b>Equity Attributable to Owners of the Parent</b>		
Capital stock (Note 19)	<b>₱12,045,829</b>	₱12,045,829
Additional paid-in capital (Note 19)	<b>76,358,300</b>	76,347,229
Equity adjustments from common control transactions (Note 19)	<b>(5,424,455)</b>	(5,424,455)
Cost of Parent common shares held by subsidiaries	<b>(25,386)</b>	(25,386)
Cumulative translation adjustment	<b>1,042,841</b>	1,216,718
Net unrealized gain on available-for-sale investments	<b>14,562,690</b>	10,780,430
Re-measurement gain on defined benefit asset/obligation	<b>34,895</b>	34,895
Retained earnings (Note 19)		
Appropriated	<b>36,000,000</b>	36,000,000
Unappropriated	<b>183,941,205</b>	169,508,122
Total Equity Attributable to Owners of the Parent	<b>318,535,919</b>	300,483,382
<b>Non-controlling Interests</b>	<b>123,745,532</b>	114,263,880
Total Equity	<b>442,281,451</b>	414,747,262
	<b>942,380,069</b>	₱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)*

	<b>Nine-Month Periods Ended September 30</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUES</b>		
Sales:		
Merchandise	<b>₱197,910,568</b>	₱186,044,758
Real estate	<b>20,132,684</b>	18,437,453
Rent	<b>31,030,217</b>	27,294,682
Equity in net earnings of associate companies and joint ventures	<b>12,064,364</b>	11,198,023
Cinema ticket sales, amusement and others	<b>4,639,292</b>	4,704,420
Dividend, management fees and others	<b>6,407,092</b>	5,024,791
	<b>272,184,217</b>	252,704,127
<b>COST AND EXPENSES</b>		
Cost of sales:		
Merchandise (Note 21)	<b>146,089,517</b>	138,233,940
Real estate	<b>10,382,973</b>	9,677,477
Selling, general and administrative expenses	<b>62,061,657</b>	56,767,638
	<b>218,534,147</b>	204,679,055
<b>OTHER INCOME (CHARGES)</b>		
Interest expense	<b>(10,395,062)</b>	(8,524,527)
Interest income	<b>2,954,438</b>	2,553,974
Gain on fair value changes on derivatives - net	<b>19,500</b>	33,085
Foreign exchange gain and others	<b>655,236</b>	108,551
	<b>(6,765,888)</b>	(5,828,917)
<b>INCOME BEFORE INCOME TAX</b>	<b>46,884,182</b>	42,196,155
<b>PROVISION FOR INCOME TAX</b>		
Current	<b>9,390,979</b>	8,232,366
Deferred	<b>156,553</b>	141,329
	<b>9,547,532</b>	8,373,695
<b>NET INCOME</b>	<b>₱37,336,650</b>	₱33,822,460
<b>Attributable to</b>		
Owners of the Parent	<b>₱23,792,692</b>	₱22,014,498
Non-controlling interests	<b>13,543,958</b>	11,807,962
	<b>₱37,336,650</b>	₱33,822,460
<b>Basic/Diluted Earnings Per Common Share</b>		
<b>Attributable to Owners of the Parent (Note 25)</b>	<b>₱19.75</b>	₱18.28

*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)*

	<b>Three-Month Periods Ended September 30</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUES</b>		
Sales:		
Merchandise	<b>₱66,299,973</b>	₱61,716,866
Real estate	<b>6,421,722</b>	5,317,643
Rent	<b>10,527,753</b>	9,128,873
Equity in net earnings of associate companies and joint ventures	<b>4,212,505</b>	3,633,554
Cinema ticket sales, amusement and others	<b>1,363,973</b>	1,434,133
Dividend, management fees and others	<b>1,797,678</b>	1,805,272
	<b>90,623,604</b>	83,036,341
<b>COST AND EXPENSES</b>		
Cost of sales:		
Merchandise	<b>48,794,602</b>	45,948,911
Real estate	<b>3,362,851</b>	2,675,665
Selling, general and administrative expenses	<b>21,252,443</b>	19,527,886
	<b>73,409,896</b>	68,152,462
<b>OTHER INCOME (CHARGES)</b>		
Interest expense	<b>(3,799,988)</b>	(3,017,720)
Interest income	<b>981,782</b>	895,204
Gain on fair value changes on derivatives - net	<b>2,673</b>	-
Foreign exchange gain (loss) and others	<b>(105,537)</b>	30,466
	<b>(2,921,070)</b>	(2,092,050)
<b>INCOME BEFORE INCOME TAX</b>	<b>14,292,638</b>	12,791,829
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>		
Current	<b>3,116,335</b>	2,568,180
Deferred	<b>(38,284)</b>	42,264
	<b>3,078,051</b>	2,610,444
<b>NET INCOME</b>	<b>₱11,214,587</b>	₱10,181,385
<b>Attributable to</b>		
Owners of the Parent	<b>₱7,200,562</b>	₱6,796,515
Non-controlling interests	<b>4,014,025</b>	3,384,870
	<b>₱11,214,587</b>	₱10,181,385
<b>Basic/Diluted Earnings Per Common Share</b>		
<b>Attributable to Owners of the Parent</b>	<b>₱5.98</b>	₱5.64

*See accompanying notes to Interim Condensed Consolidated Financial Statements.*

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

	<b>Nine-Month Periods Ended September 30</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
<b>NET INCOME</b>	<b>P37,336,650</b>	P33,822,460
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that will be reclassified to profit or loss in subsequent periods</b>		
Net unrealized gain on available-for-sale investments	3,815,269	1,615,209
Share in unrealized gain on available-for-sale investments of associates - net	458,465	31,945
Cumulative translation adjustment	(292,236)	(1,128,924)
Income tax relating to items to be reclassified to profit or loss in subsequent periods	(19,350)	551,026
	<b>3,962,148</b>	1,069,256
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P41,298,798</b>	P34,891,716
<b>Attributable to</b>		
Owners of the Parent	P27,401,075	P23,020,917
Non-controlling interests	13,897,723	11,870,799
	<b>P41,298,798</b>	P34,891,716

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

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

	<b>Three-Month Periods Ended September 30</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>NET INCOME</b>	<b>₱11,214,587</b>	<b>₱10,181,385</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<b>Items that will be reclassified to profit or loss in subsequent periods</b>		
Net unrealized gain on available-for-sale investments	2,535,062	2,706
Share in unrealized gain (loss) on available-for-sale investments of associates - net	183,962	(478,394)
Cumulative translation adjustment	226,153	(176,675)
Income tax relating to items to be reclassified to profit or loss in subsequent periods	29,075	161,168
	<b>2,974,252</b>	<b>(491,195)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱14,188,839</b>	<b>₱9,690,190</b>
<b>Attributable to</b>		
Owners of the Parent	₱9,390,566	₱6,389,563
Non-controlling interests	4,798,273	3,300,627
	<b>₱14,188,839</b>	<b>₱9,690,190</b>

*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	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	-	-	-	-	-	-	-	-	23,792,692	23,792,692	13,543,958	37,336,650
Other comprehensive income	-	-	-	-	(173,877)	3,782,260	-	-	-	3,608,383	353,765	3,962,148
Total comprehensive income	-	-	-	-	(173,877)	3,782,260	-	-	23,792,692	27,401,075	13,897,723	41,298,798
Sale of non-controlling interests by a subsidiary	-	11,071	-	-	-	-	-	-	-	11,071	-	11,071
Cash dividends - P7.77 per share	-	-	-	-	-	-	-	-	(9,359,609)	(9,359,609)	-	(9,359,609)
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,595,628)	(4,595,628)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	179,557	179,557
As at September 30, 2017 (Unaudited)	P12,045,829	P76,358,300	(P5,424,455)	(P25,386)	P1,042,841	P14,562,690	P34,895	P36,000,000	P183,941,205	P318,535,919	P123,745,532	P442,281,451
As at January 1, 2016	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	-	-	-	-	(701,021)	1,707,440	-	-	22,014,498	22,014,498	11,807,962	33,822,460
Other comprehensive income	-	-	-	-	-	-	-	-	-	1,006,419	62,837	1,069,256
Total comprehensive income	-	-	-	-	(701,021)	1,707,440	-	-	22,014,498	23,020,917	11,870,799	34,891,716
Common control transactions	-	-	502,706	-	-	-	-	-	-	502,706	-	502,706
Stock dividends - 50%	4,015,275	(52,396)	-	-	-	-	-	-	(4,015,275)	(52,396)	-	(52,396)
Cash dividends - P10.63 per share	-	-	-	-	-	-	-	-	(8,536,467)	(8,536,467)	-	(8,536,467)
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,100,578)	(4,100,578)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(257,797)	(257,797)
As at September 30, 2016 (Unaudited)	P12,045,829	P76,347,229	(P4,716,164)	(P25,386)	P356,730	P14,431,800	P248,532	P36,000,000	P160,318,316	P295,006,886	P111,548,192	P406,555,078

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	<b>Nine-Month Periods Ended September 30</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱46,884,182</b>	₱42,196,155
Adjustments for:		
Equity in net earnings of associate companies and joint ventures	<b>(12,064,364)</b>	(11,198,023)
Interest expense	<b>10,395,062</b>	8,524,527
Depreciation and amortization (Notes 12, 13 and 15)	<b>10,395,316</b>	9,512,333
Interest income	<b>(2,954,438)</b>	(2,553,974)
Dividend, management fees and others	<b>(139,107)</b>	(108,173)
Unrealized foreign exchange loss and others	<b>147,965</b>	191,454
Gain on fair value changes on derivatives - net	<b>(19,500)</b>	(33,085)
Income before working capital changes	<b>52,645,116</b>	46,531,214
Decrease (increase) in:		
Receivables	<b>1,259,814</b>	1,707,017
Merchandise inventories	<b>(3,134,659)</b>	(4,070,534)
Other current assets	<b>3,653,680</b>	6,150,589
Land and development	<b>(27,302,312)</b>	(11,869,091)
Increase (decrease) in:		
Accounts payable and other current liabilities	<b>(5,293,100)</b>	(12,288,901)
Tenants' deposits and others	<b>6,902,638</b>	1,185,610
Net cash generated from operations	<b>28,731,177</b>	27,345,904
Income tax paid	<b>(10,084,694)</b>	(8,072,320)
Net cash provided by operating activities	<b>18,646,483</b>	19,273,584
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of:		
Held for trading investments	<b>30,000</b>	-
Property and equipment	<b>138,254</b>	404,949
Investment properties	<b>46,629</b>	16,896
Proceeds from sale and maturity of available-for-sale investments	<b>1,844,234</b>	1,872,991
Additions to:		
Investment properties (Note 13)	<b>(18,265,447)</b>	(18,408,981)
Property and equipment (Note 12)	<b>(3,539,650)</b>	(3,908,802)
Available-for-sale and held for trading investments	<b>(2,540,750)</b>	(2,156,539)
Investments in associate companies and joint ventures	<b>(42,357,598)</b>	(188,050)
Decrease (increase) in:		
Time deposits	<b>5,600,490</b>	903,129
Other noncurrent assets	<b>4,660,792</b>	(9,079,221)
Dividends received	<b>3,122,095</b>	3,536,513
Interest received	<b>2,504,658</b>	2,149,778
Net cash used in investing activities	<b>(48,756,293)</b>	(24,857,337)

(Forward)

	<b>Nine-Month Periods Ended September 30</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Availments of:		
Long-term debt	<b>₱44,011,508</b>	₱41,852,823
Bank loans	<b>44,694,425</b>	8,075,500
Payments of:		
Long-term debt	<b>(4,351,837)</b>	(31,401,375)
Bank loans	<b>(38,507,011)</b>	(6,412,824)
Interest	<b>(10,405,163)</b>	(8,865,080)
Dividends	<b>(14,374,874)</b>	(12,800,884)
Net cash provided by (used in) financing activities	<b>21,067,048</b>	(9,551,840)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(9,042,762)</b>	(15,135,593)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>521,497</b>	33,448
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 5)</b>	<b>74,947,731</b>	58,282,731
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)</b>	<b>₱66,426,466</b>	₱43,180,586

*See accompanying notes to Interim Condensed Consolidated Financial Statements.*

**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**

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**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 the 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 the Audit Committee on November 8, 2017.

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**2. Basis of Preparation and Statement of Compliance**

Basis of Preparation

The interim condensed consolidated financial statements of the Group have been prepared on a 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 interim condensed consolidated financial statements as at September 30, 2017 and for the nine-month periods ended September 30, 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 audited 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 September 30, 2017, there were no significant changes in the Parent Company's ownership interests in its 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 that affect the amounts reported in the consolidated financial statements and accompanying notes.

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### 3. Summary of Significant Accounting Policies, Changes and Improvements

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous year 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 cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, effect of changes in foreign exchange rates and fair values. 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 the accounting for deferred tax assets related to debt instruments measured at fair value. Early application of the amendments is permitted. The amendments did not have any impact on the Group's consolidated financial statements.

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### 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

<b>Nine-Month Period Ended September 30, 2017 (Unaudited)</b>					
	Property	Retail	Financial Services and Others	Eliminations	Consolidated
<i>(In Thousands)</i>					
Revenue:					
External customers	P59,210,294	P202,315,014	P10,658,909	P-	P272,184,217
Inter-segment	8,695,261	4,007	(1,367,397)	(7,331,871)	-
	<b>P67,905,555</b>	<b>P202,319,021</b>	<b>P9,291,512</b>	<b>(P7,331,871)</b>	<b>P272,184,217</b>
Income before income tax	P27,951,699	P12,070,514	P3,442,215	P3,419,754	P46,884,182
Provision for income tax	(5,991,344)	(3,520,630)	(64,499)	28,941	(9,547,532)
Net income	<b>P21,960,355</b>	<b>P8,549,884</b>	<b>P3,377,716</b>	<b>P3,448,695</b>	<b>P37,336,650</b>
Net income attributable to:					
Owners of the Parent	P21,508,445	P7,730,871	P3,377,716	(P8,824,340)	P23,792,692
Non-controlling interests	451,910	819,013	-	12,273,035	13,543,958
<b>-----</b>					
<b>Nine-Month Period Ended September 30, 2016 (Unaudited)</b>					
	Property	Retail	Financial Services and Others	Eliminations	Consolidated
<i>(In Thousands)</i>					
Revenue:					
External customers	P52,888,263	P189,823,865	P9,991,999	P-	P252,704,127
Inter-segment	8,683,380	208,790	9,042,752	(17,934,922)	-
	<b>P61,571,643</b>	<b>P190,032,655</b>	<b>P19,034,751</b>	<b>(P17,934,922)</b>	<b>P252,704,127</b>
Income before income tax	P24,320,314	P10,949,069	P3,441,729	P3,485,043	P42,196,155
Provision for income tax	(5,017,564)	(3,208,550)	(67,642)	(79,939)	(8,373,695)
Net income	<b>P19,302,750</b>	<b>7,740,519</b>	<b>P3,374,087</b>	<b>P3,405,104</b>	<b>P33,822,460</b>
Net income attributable to:					
Owners of the Parent	P18,860,746	P7,027,443	P3,374,087	(P7,247,778)	P22,014,498
Non-controlling interests	442,004	713,076	-	10,652,882	11,807,962
<b>-----</b>					

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## 5. Cash and Cash Equivalents

This account consists of:

	<b>September 30, 2017 (Unaudited)</b>	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Cash on hand and in banks (Note 20)	<b>₱6,788,862</b>	₱8,260,508
Temporary investments (Note 20)	<b>59,637,604</b>	66,687,223
	<b>₱66,426,466</b>	₱74,947,731

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

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## 6. Time Deposits

This account consists of:

	<b>September 30, 2017 (Unaudited)</b>	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Current	<b>₱18,873,957</b>	₱24,473,541
Noncurrent	<b>43,236,802</b>	42,041,227
	<b>₱62,110,759</b>	₱66,514,768

The time deposits as at September 30, 2017 and December 31, 2016 bear annual interest ranging from 1.0% to 4.9% and 0.5% to 4.9%, respectively.

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## 7. Investments Held for Trading and Sale

This account consists of:

	<b>September 30, 2017 (Unaudited)</b>	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Investments held for trading - Bonds	<b>₱271,804</b>	₱296,596
AFS investments (Note 10):		
Bonds and corporate notes	<b>1,391,806</b>	2,495,550
Shares of stock - Listed	<b>656,076</b>	664,606
	<b>2,047,882</b>	3,160,156
	<b>₱2,319,686</b>	₱3,456,752

## 8. Receivables

This account consists of:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
<i>(In Thousands)</i>		
Trade:		
Real estate buyers	<b>₱38,603,562</b>	₱34,702,526
Third-party tenants	<b>5,999,626</b>	6,390,291
Related-party tenants (Note 20)	<b>426,482</b>	582,146
Others	<b>29,139</b>	143,754
Due from related parties (Note 20)	<b>295,736</b>	631,342
Management and service fees (Note 20)	<b>318,615</b>	303,340
Dividends (Note 20)	<b>151,049</b>	87,273
<b>Total</b>	<b>45,824,209</b>	42,840,672
Less allowance for impairment loss	<b>1,060,926</b>	967,343
	<b>44,763,283</b>	41,873,329
Less noncurrent receivables from real estate buyers (Note 15)	<b>13,766,443</b>	10,526,627
	<b>₱30,996,840</b>	₱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:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
<i>(In Thousands)</i>		
Land and development (Note 14)	<b>₱30,942,058</b>	₱27,228,525
Prepaid taxes and other prepayments	<b>9,097,266</b>	7,881,610
Advances and deposits	<b>7,261,749</b>	6,797,245
Condominium and residential units for sale	<b>7,138,907</b>	5,241,346
Non-trade receivables	<b>3,100,096</b>	3,605,983
Input tax	<b>2,217,468</b>	2,281,727
Derivative asset	<b>1,770,931</b>	-
Receivable from banks	<b>1,320,655</b>	3,365,644
Accrued interest receivable (Note 20)	<b>1,061,155</b>	611,375
Escrow fund (Note 20)	<b>41,779</b>	209,974
Notes receivable (Notes 15 and 20)	-	981,435
Others	<b>786,235</b>	839,275
	<b>₱64,738,299</b>	₱59,044,139

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.

	<b>September 30, 2017 (Unaudited)</b>	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱5,241,346</b>	₱8,294,523
Transfer from land and development (Note 14)	<b>4,270,330</b>	3,516,449
Recognized as cost of real estate sold	<b>(2,453,692)</b>	(6,537,177)
Adjustment to cost	<b>80,923</b>	(32,449)
<b>Balance at end of period</b>	<b>₱7,138,907</b>	<b>₱5,241,346</b>

**10. Available-for-sale Investments**

This account consists of:

	<b>September 30, 2017 (Unaudited)</b>	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Shares of stock:		
Listed	<b>₱21,887,854</b>	₱16,864,874
Unlisted	<b>61,405</b>	61,405
Bonds and corporate notes	<b>5,640,602</b>	4,893,300
Club shares	<b>15,380</b>	15,810
	<b>27,605,241</b>	21,835,389
Less current portion (Note 7)	<b>2,047,882</b>	3,160,156
	<b>₱25,557,359</b>	<b>₱18,675,233</b>

Investments in bonds and corporate notes bear fixed interest rates ranging from 3.9% to 7.5%. These investments have maturities ranging from April 2016 to October 2023.

**11. Investments in Associate Companies and Joint Ventures**

The ₱51.9 billion increase in this account pertains mainly to equity in net earnings of associate companies and joint ventures as well as additional investments in BDO Unibank Inc., China Banking Corporation and 34.5% equity interest 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>									
<b>Cost</b>									
As at December 31, 2015	₱11,523,237	₱3,477,000	₱5,735,601	₱7,966,207	₱6,120,244	₱12,720,533	₱953,383	₱1,124,617	₱49,620,822
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	311,122	98,951	361,531	503,654	416,160	1,020,579	36,459	791,194	3,539,650
Reclassifications	227,604	151,789	134,447	(151,616)	105,733	205,925	(246,983)	(595,849)	(168,950)
Disposals/retirements	(2,310)	(198,474)	(26,544)	(25,992)	(1,024)	(157,531)	(23,483)	(112,491)	(547,849)
<b>As at September 30, 2017 (Unaudited)</b>	<b>₱12,513,813</b>	<b>₱3,098,046</b>	<b>₱6,778,616</b>	<b>₱8,689,108</b>	<b>₱7,463,249</b>	<b>₱16,603,074</b>	<b>₱861,564</b>	<b>₱1,291,652</b>	<b>₱57,299,122</b>
<b>Accumulated Depreciation and Amortization</b>									
As at December 31, 2015	₱3,464,366	₱2,410,102	₱4,361,593	₱4,995,562	₱3,899,309	₱9,252,128	₱600,281	₱-	₱28,983,341
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	579,830	259,473	444,162	546,862	542,340	1,056,668	79,750	-	3,509,085
Reclassifications	(1,193)	54	34,728	(30,053)	1,329	(139,800)	(44,633)	-	(179,568)
Disposals/retirements	(1,519)	(198,449)	(21,835)	(24,393)	(757)	(153,564)	(10,686)	-	(411,203)
<b>As at September 30, 2017 (Unaudited)</b>	<b>₱4,836,359</b>	<b>₱2,104,774</b>	<b>₱5,403,465</b>	<b>₱5,804,241</b>	<b>₱5,160,436</b>	<b>₱12,419,448</b>	<b>₱715,645</b>	<b>₱-</b>	<b>₱36,444,368</b>
<b>Net Book Value</b>									
As at September 30, 2017 (Unaudited)	₱7,677,454	₱993,272	₱1,375,151	₱2,884,867	₱2,302,813	₱4,183,626	₱145,919	₱1,291,652	₱20,854,754
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>					
<b>Cost</b>					
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	3,076,200	6,482,158	1,910,649	6,796,440	18,265,447
Reclassifications	1,254,971	2,915,490	(25,666)	(3,037,116)	1,107,679
Translation adjustment	70,372	2,286,589	180,200	200,748	2,737,909
Disposals	(11,484)	(260,588)	(22,344)	–	(294,416)
<b>As at September 30, 2017 (Unaudited)</b>	<b>₱73,791,381</b>	<b>₱215,555,836</b>	<b>₱35,118,341</b>	<b>₱28,421,121</b>	<b>₱352,886,679</b>
<b>Accumulated Depreciation, Amortization and Impairment Loss</b>					
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	160,903	4,669,594	1,965,333	–	6,795,830
Reclassifications	–	1,270	–	–	1,270
Translation adjustment	34,791	301,868	88,228	–	424,887
Disposals	(11,484)	(83,028)	(19,995)	–	(114,507)
<b>As at September 30, 2017</b>	<b>₱1,938,791</b>	<b>₱44,986,060</b>	<b>₱21,106,181</b>	<b>₱–</b>	<b>₱68,031,032</b>
<b>Net Book Value</b>					
<b>As at September 30, 2017 (Unaudited)</b>	<b>₱71,852,590</b>	<b>₱170,569,776</b>	<b>₱14,012,160</b>	<b>₱28,421,121</b>	<b>₱284,855,647</b>
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 September 30, 2017 pertains to construction costs incurred for SM Center Tuguegarao Downtown, SM Olongapo 2, SM Lemery, SM Pulilan, SM Urdaneta Purido, SM Legazpi, SM Dagupan Arellano, Three Ecom Center, Four Ecom Center and the ongoing redevelopment of SM Mall of Asia.

Interest capitalized to the construction of investment properties amounted to ₱1,928.0 million and ₱2,921.0 million as at September 30, 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 December 31, 2016, 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

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

The movements in this account follow:

	<b>September 30, 2017 (Unaudited)</b>	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱51,054,083</b>	₱47,201,323
Development cost incurred	<b>13,483,654</b>	12,800,026
Cost of real estate sold	<b>(7,929,281)</b>	(6,659,341)
Transfer to condominium and residential units for sale (Note 9)	<b>(4,270,330)</b>	(3,516,449)
Land acquisition	<b>13,818,658</b>	1,145,980
Borrowing cost capitalized	<b>463,868</b>	37,060
Transfer from (to) investment property	<b>581,537</b>	–
Transfer from (to) property and equipment and others	<b>156,062</b>	45,484
Balance at end of period	<b>67,358,251</b>	51,054,083
Less current portion (Note 9)	<b>30,942,058</b>	27,228,525
	<b>₱36,416,193</b>	₱23,825,558

The average rates used to determine the amount of borrowing costs eligible for capitalization ranged from 3.1% to 4.7% in 2017 and 3.5% to 4.2% in 2016.

#### 15. Intangibles and Other Noncurrent Assets

##### Intangible Assets

This account consists of:

	<b>September 30, 2017 (Unaudited)</b>	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Goodwill	<b>₱17,398,491</b>	₱17,398,491
Less accumulated impairment loss	<b>91,620</b>	91,620
Net book value	<b>17,306,871</b>	17,306,871
Trademarks and brand names	<b>8,314,495</b>	8,404,896
	<b>₱25,621,366</b>	₱25,711,767



Other Noncurrent Assets

This account consists of:

	<b>September 30, 2017 (Unaudited)</b>	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Deposits and advance rentals	<b>₱17,272,425</b>	₱17,767,510
Receivables from real estate buyers (Note 8)	<b>13,766,443</b>	10,526,627
Land use rights	<b>10,444,865</b>	9,727,575
Long-term notes (Notes 20 and 24)	<b>6,512,811</b>	6,876,128
Derivative assets (Note 24)	<b>3,789,343</b>	6,757,361
Deferred input VAT	<b>2,642,926</b>	2,544,100
Defined benefit asset	<b>700,745</b>	629,658
Escrow fund (Note 20)	<b>132,460</b>	132,460
Others	<b>2,558,235</b>	2,300,040
	<b>₱57,820,253</b>	₱57,261,459

In March 2017, 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.

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**16. Bank Loans**

This account consists of:

	<b>September 30, 2017 (Unaudited)</b>	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Parent Company:		
U.S. dollar-denominated	<b>₱-</b>	₱2,983,200
Peso-denominated	<b>7,500,000</b>	4,800,000
Subsidiaries:		
Peso-denominated	<b>12,675,179</b>	6,204,565
	<b>₱20,175,179</b>	₱13,987,765

The unsecured U.S. dollar-denominated loans bear interest ranging from 1.2% to 2.0% in 2016, whereas the peso-denominated loans bear interest ranging from 2.5% to 3.3% and 2.5% to 3.0% in 2017 and 2016, respectively.

## 17. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
<i>(In Thousands)</i>		
Trade	₱47,852,829	₱54,189,536
Accrued expenses	12,423,099	12,083,636
Nontrade payables	6,997,357	5,825,072
Tenants and customers' deposits	5,663,065	5,938,921
Payable arising from acquisition of land	4,648,301	3,067,669
Payable to government agencies	1,946,685	2,949,740
Accrued interest payable (Note 20)	4,067,386	2,335,604
Due to related parties (Note 20)	338,046	708,767
Gift checks redeemable and others	2,634,533	2,160,088
	<b>₱86,571,301</b>	<b>₱89,259,033</b>

## 18. Long-term Debt

This account consists of:

	Availment	Maturity	Interest rate/Term	Security	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
<i>(In Thousands)</i>						
<b>Parent Company</b>						
U.S. dollar-denominated	October 13, 2010 - September 19, 2017	October 13, 2017 - June 10, 2024	Fixed 4.2%-5.5%; Floating six-month and three-month LIBOR + margin; semi-annual and quarterly	Unsecured	₱86,696,752	₱75,660,072
Peso-denominated	July 16, 2012 - September 5, 2017	January 14, 2019 - September 5, 2024	Fixed 4.4%-6.9%; PDST-R2 + margin; semi-annual and quarterly	Unsecured	73,171,870	66,327,220
<b>Subsidiaries</b>						
U.S. dollar-denominated	December 7, 2012 - May 8, 2017	August 30, 2017 - March 27, 2022	LIBOR + spread; semi- annual	Unsecured	57,128,175	55,241,172
China Yuan Renminbi- denominated	July 28, 2015 - June 7, 2017	December 31, 2019 - June 1, 2020	CBC rate less 10.0%; quarterly	Secured	1,066,331	524,743
Peso-denominated	January 12, 2012 - September 11, 2017	January 13, 2017 - July 26, 2026	Fixed 3.1%-6.7%; PDST-R2 + margin	Unsecured	133,084,472	109,920,285
					<b>351,147,600</b>	307,673,492
Less debt issue cost					1,777,770	1,817,683
					<b>349,369,830</b>	305,855,809
Less current portion					60,463,549	25,601,582
					<b>₱288,906,281</b>	<b>₱280,254,227</b>

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 September 30, 2017 follows:

	Gross Debt	Debt Issue Cost	Net Debt
	<i>(In Thousands)</i>		
Within 1 year	₱60,584,598	₱121,049	₱60,463,549
More than 1 year to 5 years	207,364,633	1,206,872	206,157,761
More than 5 years	83,198,369	449,849	82,748,520
	<b>₱351,147,600</b>	<b>₱1,777,770</b>	<b>₱349,369,830</b>

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 September 30, 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	
	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Authorized - ₱10 par value per share	<b>2,790,000,000</b>	2,790,000,000
Issued and subscribed:		
Balance at beginning of year	<b>1,204,582,867</b>	803,055,405
Issuance:		
50% stock dividends	-	401,527,462
Balance at end of period	<b>1,204,582,867</b>	1,204,582,867

As at September 30, 2017 and December 31, 2016, the Parent Company is compliant with the minimum public float as required by the PSE.

The number of shareholders as at September 30, 2017 and December 31, 2016 is 1,252 and 1,244, respectively.

b. Redeemable preferred shares

	Number of shares	
	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Authorized - ₱10 par value per share	<b>10,000,000</b>	10,000,000

There are no issued and subscribed preferred shares as at September 30, 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 September 30, 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
		<b>₱36,000,000</b>

b. Unappropriated

The Parent Company's cash dividend declarations in 2017 and 2016 follow:

Declaration Date	Record Date	Payment Date	Per Share	Total
				<i>(In Thousands)</i>
<b>April 26, 2017</b>	<b>May 11, 2017</b>	<b>May 25, 2017</b>	<b>₱7.77</b>	<b>₱9,359,609</b>
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 ₱175,046.1 million and ₱154,730.7 million as at September 30, 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
	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)		
<i>(In Thousands)</i>						
<b>Banking Group</b>						
Cash placement and investment in marketable securities			<b>₱112,094,816</b>	₱130,427,891	Interest-bearing	Unsecured; no impairment
Interest receivable			<b>858,710</b>	431,533	Interest-bearing	Unsecured; no impairment
Interest income	<b>₱1,978,584</b>	₱1,807,603			Interest-bearing	Unsecured; no impairment
Interest-bearing debt			<b>27,604,916</b>	9,831,165	Interest-bearing	Unsecured
Interest payable			<b>94,177</b>	36,915	Interest-bearing	Unsecured
Interest expense	<b>537,823</b>	358,523			Interest-bearing	Unsecured
Rent receivable			<b>122,491</b>	110,669	Noninterest-bearing	Unsecured; no impairment
Rent income	<b>631,255</b>	571,934			Noninterest-bearing	Unsecured; no impairment
Dividend receivable			<b>2,587</b>	2,162	Noninterest-bearing	Unsecured; no impairment
Due from related parties			<b>30,789</b>	–	Noninterest-bearing	Unsecured; no impairment
Management and service fee receivable			<b>26,279</b>	31,905	Noninterest-bearing	Unsecured; no impairment
Management and service fee income	<b>1,113</b>	4,241			Noninterest-bearing	Unsecured; no impairment
Escrow fund			<b>171,779</b>	339,974	Interest-bearing 1.4% to 1.6%	Unsecured; no impairment
<b>Retail and Other Entities</b>						
Rent receivable			<b>303,991</b>	471,477	Noninterest-bearing	Unsecured; no impairment
Rent income	<b>1,211,541</b>	1,230,230			Noninterest-bearing	Unsecured; no impairment
Management and service fee receivable			<b>191,822</b>	218,757	Noninterest-bearing	Unsecured; no impairment
Management and service fee income	<b>307,756</b>	212,162			Noninterest-bearing	Unsecured; no impairment
Dividend receivable			<b>125,000</b>	24,000	Noninterest-bearing	Unsecured; no impairment
Due from related parties			<b>264,947</b>	631,342	Noninterest-bearing	Unsecured; no impairment
Due to related parties			<b>338,046</b>	708,767	Noninterest-bearing	Unsecured
Interest receivable			<b>8,141</b>	35,760	Interest-bearing	Unsecured; no impairment
Interest income	<b>284,053</b>	213,635			Interest-bearing	Unsecured; no impairment
Notes receivable			<b>6,512,811</b>	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.

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## 21. Cost of Merchandise Sales

This account consists of:

	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
	<i>(In Thousands)</i>	
Merchandise inventories at beginning of year	P25,825,290	P21,589,701
Purchases	149,224,176	142,304,474
Total goods available for sale	175,049,466	163,894,175
Less merchandise inventories at end of period	28,959,949	25,660,235
	<b>P146,089,517</b>	<b>P138,233,940</b>

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## 22. Income Tax

Deferred tax assets of P2,581.0 million and P2,527.7 million as at September 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 P8,117.5 million and P7,888.4 million as at September 30, 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.

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## 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.

As at September 30, 2017 and December 31, 2016, after taking into account the effect of the swaps, approximately 77.2% 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 September 30, 2017, the Group's foreign currency-denominated assets and liabilities amounted to ₱81,800.1 million (\$1,609.8 million) and ₱93,841.5 million (\$1,846.7 million), respectively.

As at December 31, 2016, the Group's foreign currency-denominated assets and liabilities amounted to ₱74,131.6 million (\$1,491.0 million) and ₱89,285.6 million (\$1,795.8 million), respectively.

As at September 30, 2017 and December 31, 2016, approximately 39.0% 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 into Pesos.

	<b>September 30, 2017</b>	December 31, 2016
Philippine Peso to U.S. Dollar	<b>₱50.82</b>	₱49.72

#### 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 September 30, 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:

	<b>September 30, 2017</b>	December 31, 2016
Gross	<b>54%</b>	52%
Net	<b>43%</b>	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:

	<b>September 30, 2017 (Unaudited)</b>				
	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>					
<b>Assets Measured at Fair Value</b>					
Financial assets at FVPL -					
Derivative assets	<b>P3,789,343</b>	<b>P3,789,343</b>	<b>P-</b>	<b>P3,789,343</b>	<b>P-</b>
<b>Assets for which Fair Values are Disclosed</b>					
Loans and receivables:					
Time deposits - noncurrent portion	43,236,802	45,942,479	-	-	45,942,479
Receivables - net (including noncurrent portion of receivables from real estate buyers)	44,763,283	44,296,556	-	-	44,296,556
Long-term notes (included under "Other noncurrent assets" account in the consolidated balance sheet)	6,512,811	8,570,222	-	-	8,570,222
	<b>94,512,896</b>	<b>98,809,257</b>	<b>-</b>	<b>-</b>	<b>98,809,257</b>
	<b>P98,302,239</b>	<b>P102,598,600</b>	<b>P-</b>	<b>P3,789,343</b>	<b>P98,809,257</b>



<b>September 30, 2017 (Unaudited)</b>					
	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>					
<b>Liabilities Measured at Fair Value</b>					
Financial liabilities at FVPL -					
Derivative liabilities	P262,236	P262,236	P-	P262,236	P-
<b>Liabilities for which Fair Values are Disclosed</b>					
Other Financial Liabilities:					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	288,906,281	298,366,567	-	-	298,366,567
Tenants' deposits and others*	28,232,962	27,407,505	-	-	27,407,505
	317,139,243	325,774,072	-	-	325,774,072
	<b>P317,401,479</b>	<b>P326,036,308</b>	<b>P-</b>	<b>P262,236</b>	<b>P325,774,072</b>

\*Excluding nonfinancial liabilities amounting to P2,159.3 million.

<b>December 31, 2016 (Audited)</b>					
	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>					
<b>Assets Measured at Fair Value</b>					
Financial assets at FVPL -					
Derivative assets	P6,757,361	P6,757,361	P-	P6,757,361	P-
<b>Assets for which Fair Values are Disclosed</b>					
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
	<b>P97,548,045</b>	<b>P100,539,141</b>	<b>P-</b>	<b>P6,757,361</b>	<b>P93,781,780</b>

<b>Liabilities Measured at Fair Value</b>					
Financial liabilities at FVPL -					
Derivative liabilities	P9,931	P9,931	P-	P9,931	P-
<b>Liabilities for which Fair Values are Disclosed</b>					
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
	<b>P301,782,414</b>	<b>P310,970,081</b>	<b>P-</b>	<b>P9,931</b>	<b>P310,960,150</b>

\*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 September 30, 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	₱9,146,700
SM Prime:		
Unsecured loan	250,000	12,703,750
Unsecured advances	150,000	7,622,250

Details of the cross-currency swaps follow:

	Notional Amount		<i>In ¥</i>	Receive	Pay	US\$:P Rate	US\$:¥ Rate	Maturity	Fair Value
	<i>In US\$</i>	<i>In PhP</i>							
	<i>(In Thousands)</i>								<i>(In Thousands)</i>
Parent:									
US\$50,000	₱2,059,250	–	6M US LIBOR + 170 bps	4.1%	₱41.19	–	–	May 15, 2018	₱494,732
60,000	2,478,000	–	6M US LIBOR + 170 bps	4.0%	41.30	–	–	May 15, 2018	587,092
70,000	2,888,200	–	6M US LIBOR + 170 bps	4.0%	41.26	–	–	May 15, 2018	689,107
SM Prime:									
200,000	8,134,000	–	6M US LIBOR + 170 bps	3.7%	40.67	–	–	January 29, 2018	2,080,164
150,000	6,165,000	–	6M US LIBOR + 170 bps	3.9%	41.10	–	–	March 25, 2018	1,507,509
25,000	–	¥172,100	3M US LIBOR + 100 bps	5.4%	–	¥6.884	–	March 25, 2022	(82,395)
25,000	–	172,300	3M US LIBOR + 100 bps	5.4%	–	6.892	–	March 25, 2022	(78,072)
50,000	–	327,315	3M US LIBOR + 100 bps	5.0%	–	6.546	–	June 30, 2022	45,690

*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	Principal Balance in PhP	US\$:¥ Rate	Maturity	Fair Value
					<i>(In Thousands)</i>
Principal only	US\$150,000	₱7,622,250	6.528-6.569	March 23, 2018	(₱48,723)
Principal only	270,000	13,524,569	6.458-6.889	January 29, 2021	(98,737)

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.

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**25. EPS Computation**

	<b>September 30, 2017 (Unaudited)</b>	September 30, 2016 (Unaudited)
	<i>(In Thousands Except Per Share Data)</i>	
Net income attributable to owners of the Parent (a)	<b>₱23,792,692</b>	₱22,014,498
Weighted average number of common shares outstanding (b)	<b>1,204,583</b>	1,204,583
<b>EPS (a/b)</b>	<b>₱19.75</b>	₱18.28

<b>PART 1 FINANCIAL INFORMATION</b>
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**Item 2. Management Discussion and Analysis or Plan of Operation**

**Result of Operations**

**For the Nine Months Ended September 30, 2017 and 2016**

*(amounts in billion pesos)*

Accounts	09 / 30 / 2017	09 / 30 / 2016	% Change
<b>Revenues</b>	<b>P 272.2</b>	<b>P 252.7</b>	<b>7.7%</b>
Cost and Expenses	218.6	204.7	6.8%
<b>Income from Operations</b>	<b>53.6</b>	<b>48.0</b>	<b>11.7%</b>
Other Charges	6.8	5.8	16.1%
Provision for Income Tax	9.5	8.4	14.0%
Non-controlling Interests	13.5	11.8	14.7%
<b>Net Income Attributable to Owners of the Parent</b>	<b>P 23.8</b>	<b>P 22.0</b>	<b>8.1%</b>

*SM Investments Corporation and Subsidiaries (the Group)* reported P23.8 billion *Net Income Attributable to Owners of the Parent*, 8.1% higher than 2016, and P272.2 billion *Revenues*, 7.7% higher than 2016.

*Income from Operations* increased by 11.7% to P53.6 billion from P48.0 billion in 2016. Operating Margin and Net Margin is at 19.7% and 13.7%, respectively.

The ratio of *Non-Food* to *Food* sales in 2017 and 2016 is 48:52.

As of September 30, 2017, *SM Retail* had 1,600 stores nationwide, namely: 59 *SM Stores*, 51 *SM Supermarkets*, 174 *Savemore* stores, 44 *SM Hypermarkets*, 41 *WalterMart* stores and 1,231 Specialty stores.

*Real Estate Sales* increased by 9.2% to P20.1 billion from P18.4 billion in 2016 due primarily to higher construction accomplishment of projects launched from 2013 to 2016 namely, *Shore 2 Residences* in Pasay, *Air Residences* in Makati, *Grass Residences* (Ph2) in Quezon City, *Fame Residences* in Mandaluyong, *Trees Residences* (Ph2) in Fairview and *S 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 48.4% from 47.5% 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 13.7% to P31.0 billion from P27.3 billion in 2016. The increase in *Rent Revenue* is primarily due to the new malls which opened in 2016 and 2017, namely, *SM City East Ortigas*, *SM City San Jose Del Monte*, *SM City Trece Martires*, *SM CDO Downton Premier* and *S Maison* in SM Mall of Asia as well as the expansion of shopping spaces in *SM City Iloilo* and *SM Center Molino*. 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 September 30, 2017, *SM Prime* had 64 malls in the Philippines and 7 malls in China.

*Dividend, Management Fees and Others* increased by 27.5% to P6.4 billion from P5.0 billion in 2016 due mainly to higher dividends received from certain associates in 2017, higher hotel food and beverage revenues due to the opening of *Conrad Manila*, and higher management and service fees in 2017 which are computed based on percentage of sales. Other revenues also include income from promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues.

*Selling, General and Administrative Expenses* increased by 9.3% to P62.1 billion from P56.8 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)* increased by 16.1% to P6.8 billion from P5.8 billion in 2016 due mainly to *Interest Expense* which increased by 21.9% to P10.4 billion from P8.5 billion in 2016 resulting from new loan availments during the period. This is partly offset by *Interest Income* which increased by 15.7% to P3.0 billion from P2.6 billion in 2016.

*Provision for Income Tax* increased by 14.0% to P9.5 billion from P8.4 billion in 2016 due to higher taxable income. The effective income tax rate is 20.4% in 2017 and 19.8% in 2016.

*Non-controlling Interests* increased by 14.7% to P13.5 billion in 2017 from P11.8 billion in 2016 due to the increase in net income of certain partly-owned subsidiaries.

**Financial Position**  
**As of September 30, 2017 and December 31, 2016**  
*(amounts in billion pesos)*

<b>Accounts</b>	<b>09 / 30 / 2017</b>	<b>12 / 31 / 2016</b>	<b>% Change</b>
Current Assets	P 212.3	P 219.1	-3.1%
Noncurrent Assets	730.1	642.4	13.7%
<b>Total Assets</b>	<b>P 942.4</b>	<b>P 861.5</b>	<b>9.4%</b>
Current Liabilities	P 172.1	P 134.8	27.6%
Noncurrent Liabilities	328.0	311.9	5.2%
<b>Total Liabilities</b>	<b>500.1</b>	<b>446.7</b>	<b>12.0%</b>
<b>Total Equity</b>	<b>442.3</b>	<b>414.8</b>	<b>6.6%</b>
<b>Total Liabilities and Equity</b>	<b>P 942.4</b>	<b>P 861.5</b>	<b>9.4%</b>

Total *Assets* increased by 9.4% to P942.4 billion from P861.5 billion in 2016. On the other hand, total *Liabilities* increased by 12.0% to P500.1 billion from P446.7 billion in 2016.

*Current Assets*

*Current Assets* decreased by 3.1% to P212.3 billion from P219.1 billion in 2016.

*Cash and Cash Equivalents* decreased by 11.4% to P66.4 billion from P74.9 billion in 2016 due mainly to dividend payments of SMIC and SM Prime, additional investments in associate companies, payment of trade payables and capital expenditures, net of SM Prime's retail bond proceeds.

*Time Deposits* decreased by 22.9% to P18.9 billion from P24.5 billion in 2016. This is attributable to deposits which matured during the period.

*Investments Held for Trading and Sale* decreased by 32.9% to P2.3 billion from P3.5 billion in 2016 due mainly to bonds which matured during the period.

*Other Current Assets* increased by 9.6% to P64.7 billion from P59.0 billion in 2016. This is attributable to the increase in Land and Development – current and Condominium units for sale due mainly to construction accomplishments during the period and completion of condominium towers in *Grace, Wind, Trees, Breeze, Cool* and *Field* Residences, net of cost of sold units.

*Noncurrent Assets*

*Noncurrent Assets* increased by 13.7% to P730.1 billion from P642.4 billion in 2016.

*AFS Investments* increased by 36.9% to P25.6 billion from P18.7 billion in 2016 due mainly to the increase in market value of certain AFS investments and new investments in bonds..

*Investments in Associate Companies and Joint Ventures* increased by 28.6% to P233.1 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.

*Investment Properties* increased by 5.4% to P284.9 billion from P270.1 billion in 2016 due mainly to costs incurred for ongoing mall projects located in Tuguegarao, Batangas, Bulacan, Pangasinan and Albay, and the ongoing redevelopment of SM Mall of Asia. The increase is also attributable to construction costs incurred for ongoing commercial projects including Three E-Com and Four E-Com Centers.

*Land and Development* increased by 52.8% to P36.4 billion from P23.8 billion in 2016 due mainly to new land acquisitions and construction accomplishments during the period.

#### Current Liabilities

*Current Liabilities* increased by 27.6% to P172.1 billion from P134.8 billion in 2016.

*Bank Loans* increased by 44.2% to P20.2 billion from P14.0 billion in 2016 due mainly to loan availments.

*Current Portion of Long-term Debt* increased by 136.2% to P60.5 billion from P25.6 billion in 2016 due mainly to maturing debts.

*Accounts Payable and Other Current Liabilities* decreased by 3.0% to P86.6 billion from P89.3 billion in 2016 due mainly to settlement of trade payables.

*Income Tax Payable* decreased by 25.5% to P2.0 billion from P2.7 billion in 2016 due mainly to payment of tax due.

*Dividends payable* decreased by 12.7% to P2.9 billion from P3.3 billion in 2016 due mainly to payment of dividends to minority stockholders of certain subsidiaries.

#### Noncurrent Liabilities

*Noncurrent Liabilities* increased by 5.2% to P328.0 billion from P311.9 billion in 2016.

*Long-term Debt - Net of Current Portion* increased by 3.1% to P288.9 billion from P280.3 billion in 2016 due mainly to new availments partially offset by reclassification of maturing debts to current.

*Tenants' Deposits and Others* increased by 29.4% to P31.0 billion from P23.7 billion in 2016. This is due mainly to new malls and expansions and increase in customers' deposits from residential buyers.

#### Equity

Total *Equity* increased by 6.6% to P442.3 billion from P414.8 billion in 2016. The increase pertains mainly to the P23.8 billion net income in the first nine months of 2017 partially offset by the P9.4 billion dividend declaration, P9.5 billion increase in *Non-controlling Interests* and P3.8 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 September 30, 2017 and December 31, 2016 and for the periods ended September 30, 2017 and 2016:

	09 / 30 / 2017	12 / 31 / 2016
Current Ratio	1.2	1.6
Asset to Equity	2.1	2.1
Debt-equity Ratios:		
On Gross Basis	54 : 46	52 : 48
On Net Basis	43 : 57	37 : 63
Return on Equity	10.7%	10.7%

	09 / 30 / 2017	09 / 30 / 2016
Revenue Growth	7.7%	9.5%
Net Income to Revenues	13.7%	13.4%
Net Income Growth	8.1%	10.8%
EBITDA ( <i>in billions of Pesos</i> )	P64.0B	P57.5B
Interest Cover	6.2x	6.8x

Current ratio decreased to 1.2 from 1.6 in 2016 due mainly to the decrease in *Current Assets* of 3.1% coupled with an increase in *Current Liabilities* of 27.6%.

Gross debt-equity ratio slid to 54:46 in 2017 from 52:48 in 2016 due to higher increase in gross debt of 15.5% compared to increase in *Equity Attributable to Owners of the Parent* of only 6.0%.

Net Debt-equity ratio slid to 43:57 from 37:63 in 2016 due to the 36.7% increase in net debt from P174.8 billion to P238.9 billion in 2017 attributable mainly to higher gross debt and lower *Cash and Cash Equivalents*.

The drop in revenue growth to 7.7% from 9.5% in 2016 is attributable mainly to the lower growth of *Merchandise Sales* of 6.4% in 2017 compared with 9.0% in 2016.

The lower net income growth of 8.1% in 2017 from 10.8% in 2016 is attributable mainly to the lower growth in revenue in 2017 compared to 2016.

EBITDA increased by 11.3% to P64.0 billion from P57.5 billion in 2016 due mainly to the 11.7% increase in income from operations.

Interest cover decreased to 6.2x from 6.8x in 2016 due to 11.3% increase in EBITDA vs. 21.9% 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 expects to incur capital expenditures of at least P60.0 billion for the rest of 2017.

Three new malls are scheduled to open for the rest of 2017. By yearend, SM Prime will have 67 malls in the Philippines and 7 malls in China. 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 Metro Manila and other key cities in the provinces.

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 *Savemore* stores, 2 *Hypermarkets*, 5 *WalterMart* stores and 83 Specialty stores.

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

<b>PART I FINANCIAL INFORMATION</b>
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**Item 3. Aging of Accounts Receivable – Trade**

SM Investments Corporation and Subsidiaries  
Aging of Accounts Receivable - Trade  
As of September 30, 2017  
(in Thousands)

Receivable from tenants		
Third-party tenants	₱	5,999,626
Related-party tenants		426,482
Receivable from real estate buyers		
- net of non-current portion		24,837,119
Other trade receivable		<u>29,139</u>
Total	₱	<u><u>31,292,366</u></u>

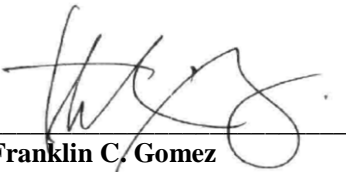
*Aging:*

Neither past due nor impaired	₱	26,341,253
31-90 days		957,360
91-120 days		479,931
Over 120 days		2,452,896
Impaired		<u>1,060,926</u>
Total	₱	<u><u>31,292,366</u></u>
 Allowance for impairment loss	 ₱	 <u><u>1,060,926</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: 11-16-17