

# COVER SHEET

SEC Registration Number

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**COMPANY NAME**

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	S	U	B	S	I	D	I	A	R	I	E	S																		

**PRINCIPAL OFFICE** ( No. / Street / Barangay / City / Town / Province )

1	0	t	h		F	l	o	o	r	,		O	n	e		E	-	C	o	m		C	e	n	t	e	r	,		
H	a	r	b	o	r		D	r	i	v	e	,		M	a	l	l		o	f		A	s	i	a		C	o	m	
p	l	e	x	,		C	B	P	-	1	A	,		P	a	s	a	y		C	i	t	y		1	3	0	0		

Form Type	Department requiring the report	Secondary License Type, If Applicable
1 7 - Q		

**COMPANY INFORMATION**

Company's Email Address	Company's Telephone Number	Mobile Number
-	857-0100	-
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,256	04/25	06/30

**CONTACT PERSON INFORMATION**

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Franklin C. Gomez	-	857-0100	-

**CONTACT PERSON'S ADDRESS**

**10<sup>th</sup> Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300**

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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  
2<sup>nd</sup> Quarter Report**

\_\_\_\_\_  
Form Type

\_\_\_\_\_  
Amendment Designation (If applicable)

**June 30, 2018**

\_\_\_\_\_  
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 June 30, 2018
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 Consolidated Financial Statements**

**As at June 30, 2018**

**and for the Six-Month Periods Ended June 30, 2018 and 2017  
(with Comparative Audited Consolidated Balance Sheet as at  
December 31, 2017)**

# SM INVESTMENTS CORPORATION AND SUBSIDIARIES

## INTERIM CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 5)	<b>₱62,558,109</b>	₱74,318,190
Time deposits (Notes 6 and 24)	<b>806,262</b>	13,237,886
Investments held for trading and sale (Notes 7 and 10)	<b>664,172</b>	1,347,926
Receivables (Notes 8 and 24)	<b>29,950,011</b>	32,352,574
Merchandise inventories - at cost (Note 21)	<b>31,277,953</b>	27,778,741
Other current assets (Note 9)	<b>65,135,060</b>	63,478,186
Total Current Assets	<b>190,391,567</b>	212,513,503
<b>Noncurrent Assets</b>		
Available-for-sale investments (Note 10)	<b>25,858,667</b>	25,590,162
Investments in associate companies and joint ventures (Note 11)	<b>246,746,537</b>	242,114,427
Time deposits (Notes 6 and 24)	<b>28,201,087</b>	26,688,721
Property and equipment (Note 12)	<b>21,388,428</b>	21,339,407
Investment properties (Note 13)	<b>301,181,654</b>	289,018,265
Land and development (Note 14)	<b>41,406,182</b>	40,180,145
Intangibles (Note 15)	<b>25,530,964</b>	25,591,232
Deferred tax assets (Note 22)	<b>2,452,815</b>	2,489,814
Other noncurrent assets (Notes 15 and 24)	<b>102,746,125</b>	74,555,033
Total Noncurrent Assets	<b>795,512,459</b>	747,567,206
	<b>₱985,904,026</b>	₱960,080,709
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Bank loans (Notes 16 and 20)	<b>₱27,887,934</b>	₱24,172,965
Accounts payable and other current liabilities (Note 17)	<b>104,128,885</b>	106,561,455
Income tax payable	<b>2,983,845</b>	1,883,871
Current portion of long-term debt (Notes 18 and 20)	<b>11,093,494</b>	40,297,133
Dividends payable	<b>1,777,587</b>	2,939,590
Total Current Liabilities	<b>147,871,745</b>	175,855,014
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Notes 18, 20 and 24)	<b>333,827,981</b>	292,555,868
Deferred tax liabilities (Note 22)	<b>8,334,979</b>	8,029,579
Tenants' deposits and others (Note 24)	<b>32,131,886</b>	29,828,024
Total Noncurrent Liabilities	<b>374,294,846</b>	330,413,471
Total Liabilities	<b>522,166,591</b>	506,268,485

(Forward)

	<b>June 30, 2018</b>	December 31, 2017
	<b>(Unaudited)</b>	(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	<b>76,678,506</b>	76,439,288
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>1,888,838</b>	1,402,623
Net unrealized gain on available-for-sale investments	<b>11,416,438</b>	15,324,123
Re-measurement loss on defined benefit asset/obligation	<b>(701,255)</b>	(701,255)
Retained earnings (Note 19):		
Appropriated	<b>37,000,000</b>	37,000,000
Unappropriated	<b>200,288,853</b>	192,071,968
Total Equity Attributable to Owners of the Parent	<b>333,167,368</b>	328,132,735
<b>Non-controlling Interests</b>	<b>130,570,067</b>	125,679,489
Total Equity	<b>463,737,435</b>	453,812,224
	<b>₱985,904,026</b>	₱960,080,709

*See accompanying Notes to Interim Consolidated Financial Statements.*

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

	<b>Six-Month Periods Ended June 30</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>		
Sales:		
Merchandise	<b>₱144,990,838</b>	₱131,610,595
Real estate	<b>16,826,653</b>	13,710,962
Rent (Note 20)	<b>23,287,008</b>	20,351,318
Equity in net earnings of associate companies and joint ventures	<b>8,353,539</b>	7,851,859
Cinema ticket sales, amusement and others	<b>3,610,768</b>	3,275,319
Dividend, management fees and others	<b>7,848,256</b>	6,379,793
	<b>204,917,062</b>	183,179,846
<b>COST AND EXPENSES</b>		
Cost of sales:		
Merchandise (Note 21)	<b>107,079,688</b>	97,897,885
Real estate (Note 14)	<b>8,484,120</b>	7,020,122
Selling, general and administrative expenses	<b>47,949,943</b>	41,822,875
	<b>163,513,751</b>	146,740,882
<b>OTHER INCOME (CHARGES)</b>		
Interest expense	<b>(7,308,947)</b>	(6,597,676)
Interest income	<b>1,807,995</b>	1,972,656
Gain on fair value changes on derivatives - net	<b>208,325</b>	16,827
Foreign exchange gain and others	<b>446,865</b>	760,773
	<b>(4,845,762)</b>	(3,847,420)
<b>INCOME BEFORE INCOME TAX</b>	<b>36,557,549</b>	32,591,544
<b>PROVISION FOR INCOME TAX</b>		
Current	<b>7,309,729</b>	6,274,644
Deferred	<b>180,671</b>	194,837
	<b>7,490,400</b>	6,469,481
<b>NET INCOME</b>	<b>₱29,067,149</b>	₱26,122,063
<b>Attributable to</b>		
Owners of the Parent	<b>₱18,094,451</b>	₱16,592,130
Non-controlling interests	<b>10,972,698</b>	9,529,933
	<b>₱29,067,149</b>	₱26,122,063
<b>Basic/Diluted Earnings Per Common Share</b>		
Attributable to Owners of the Parent (Note 25)	<b>₱15.02</b>	₱13.77

*See accompanying Notes to Interim 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 June 30</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>		
Sales:		
Merchandise	<b>₱77,595,633</b>	₱70,286,650
Real estate	<b>9,392,976</b>	7,738,231
Rent	<b>11,878,647</b>	10,307,398
Equity in net earnings of associate companies and joint ventures	<b>4,504,932</b>	4,359,643
Cinema ticket sales, amusement and others	<b>2,017,180</b>	1,582,701
Dividend, management fees and others	<b>4,486,193</b>	3,551,748
	<b>109,875,561</b>	97,826,371
<b>COST AND EXPENSES</b>		
Cost of sales:		
Merchandise	<b>57,462,404</b>	52,427,729
Real estate	<b>4,700,606</b>	3,878,021
Selling, general and administrative expenses	<b>25,734,098</b>	21,949,463
	<b>87,897,108</b>	78,255,213
<b>OTHER INCOME (CHARGES)</b>		
Interest expense	<b>(3,505,378)</b>	(3,170,851)
Interest income	<b>909,457</b>	940,551
Gain on fair value changes on derivatives - net	<b>375,026</b>	301
Foreign exchange gain (loss) and others	<b>(85,581)</b>	202,885
	<b>(2,306,476)</b>	(2,027,114)
<b>INCOME BEFORE INCOME TAX</b>	<b>19,671,977</b>	17,544,044
<b>PROVISION FOR INCOME TAX</b>		
Current	<b>3,864,344</b>	3,285,391
Deferred	<b>187,276</b>	126,036
	<b>4,051,620</b>	3,411,427
<b>NET INCOME</b>	<b>₱15,620,357</b>	₱14,132,617
<b>Attributable to</b>		
Owners of the Parent	<b>₱9,625,637</b>	₱8,897,824
Non-controlling interests	<b>5,994,720</b>	5,234,793
	<b>₱15,620,357</b>	₱14,132,617
<b>Basic/Diluted Earnings Per Common Share</b>		
Attributable to Owners of the Parent	<b>₱7.99</b>	₱7.39

*See accompanying notes to Interim Consolidated Financial Statements.*

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

	<b>Six-Month Periods Ended June 30</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>NET INCOME</b>	<b>₱ 29,067,149</b>	<b>₱26,122,063</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<b>Items that will be reclassified to profit or loss in subsequent periods</b>		
Net unrealized gain (loss) on available-for-sale investments	(2,240,910)	1,280,207
Share in unrealized gain (loss) on available-for-sale investments of associates - net	(1,977,591)	274,503
Cumulative translation adjustment	679,598	(518,389)
Income tax relating to items to be reclassified to profit or loss in subsequent periods	(161,728)	(48,425)
	<b>(3,700,631)</b>	<b>987,896</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱25,366,518</b>	<b>₱27,109,959</b>
<b>Attributable to</b>		
Owners of the Parent	<b>₱14,672,981</b>	<b>₱18,010,509</b>
Non-controlling interests	<b>10,693,537</b>	<b>9,099,450</b>
	<b>₱25,366,518</b>	<b>₱27,109,959</b>

*See accompanying Notes to Interim Consolidated Financial Statements.*

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

	<b>Three-Month Periods Ended June 30</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>NET INCOME</b>	<b>₱15,620,357</b>	<b>₱14,132,617</b>
<b>OTHER COMPREHENSIVE LOSS</b>		
<b>Items that will be reclassified to profit or loss in subsequent periods</b>		
Net unrealized gain (loss) on available-for-sale investments	(796,625)	77,976
Share in unrealized loss on available-for-sale investments of associates - net	(1,285,944)	(291,538)
Cumulative translation adjustment	(372,589)	(98,855)
Income tax relating to items to be reclassified to profit or loss in subsequent periods	(75,500)	(35,541)
	<b>(2,530,658)</b>	<b>(347,958)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱13,089,699</b>	<b>₱13,784,659</b>
<b>Attributable to</b>		
Owners of the Parent	<b>₱7,482,790</b>	<b>₱8,681,889</b>
Non-controlling interests	<b>5,606,909</b>	<b>5,102,770</b>
	<b>₱13,089,699</b>	<b>₱13,784,659</b>

*See accompanying Notes to Interim 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 (P5,424,455)	Cost of Parent Common Shares Held by Subsidiaries (P25,386)	Cumulative Translation Adjustment	Net Unrealized Gain (Loss) on Available- for-Sale Investments P15,324,123	Re- measurement Gain (Loss) on Defined Benefit Asset/ Obligation (P701,255)	Appropriated Retained Earnings P37,000,000	Unappropriated Retained Earnings P192,071,968	Total P328,132,735	Non-controlling Interests P125,679,489	Total Equity P453,812,224
As at January 1, 2018	P12,045,829	P76,439,288	(P5,424,455)	(P25,386)	P1,402,623	P15,324,123	(P701,255)	P37,000,000	P192,071,968	P328,132,735	P125,679,489	P453,812,224
Net income	-	-	-	-	-	-	-	-	18,094,451	18,094,451	10,972,698	29,067,149
Other comprehensive income	-	-	-	-	486,215	(3,907,685)	-	-	-	(3,421,470)	(279,161)	(3,700,631)
Total comprehensive income	-	-	-	-	486,215	(3,907,685)	-	-	18,094,451	14,672,981	10,693,537	25,366,518
Sale of treasury shares held by a subsidiary	-	239,218	-	-	-	-	-	-	-	239,218	-	239,218
Cash dividends - P8.20 per share	-	-	-	-	-	-	-	-	(9,877,566)	(9,877,566)	-	(9,877,566)
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(5,793,514)	(5,793,514)
Decrease in previous year's non-controlling interests	-	-	-	-	-	-	-	-	-	-	(9,445)	(9,445)
As at June 30, 2018 (Unaudited)	P12,045,829	P76,678,506	(P5,424,455)	(P25,386)	P1,888,838	P11,416,438	(P701,255)	P37,000,000	P200,288,853	P333,167,368	P130,570,067	P463,737,435
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	-	-	-	-	-	-	-	-	16,592,130	16,592,130	9,529,933	26,122,063
Other comprehensive income	-	-	-	-	(272,484)	1,690,863	-	-	-	1,418,379	(430,483)	987,896
Total comprehensive income	-	-	-	-	(272,484)	1,690,863	-	-	16,592,130	18,010,509	9,099,450	27,109,959
Sale of non-controlling interests by a subsidiary	-	10,648	-	-	-	-	-	-	-	10,648	-	10,648
Cash dividends - P7.77 per share	-	-	-	-	-	-	-	-	(9,359,609)	(9,359,609)	-	(9,359,609)
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,363,063)	(4,363,063)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(62,040)	(62,040)
As at June 30, 2017 (Unaudited)	P12,045,829	P76,357,877	(P5,424,455)	(P25,386)	P944,234	P12,471,293	P34,895	P36,000,000	P176,740,643	P309,144,930	P118,938,227	P428,083,157

See accompanying Notes to Interim Consolidated Financial Statements.

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

	<b>Six-Month Periods Ended June 30</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱36,557,549</b>	₱32,591,544
Adjustments for:		
Equity in net earnings of associate companies and joint ventures	<b>(8,353,539)</b>	(7,851,859)
Interest expense	<b>7,308,947</b>	6,597,676
Depreciation and amortization (Notes 12, 13 and 15)	<b>7,211,287</b>	6,863,444
Interest income	<b>(1,807,995)</b>	(1,972,656)
Dividend, management fees and others	<b>(133,384)</b>	(110,860)
Unrealized foreign exchange loss (gain) and others	<b>67,595</b>	(187,667)
Gain on fair value changes on derivatives - net	<b>(208,325)</b>	(16,827)
Income before working capital changes	<b>40,642,135</b>	35,912,795
Decrease (increase) in:		
Receivables	<b>2,389,855</b>	1,031,452
Merchandise inventories	<b>(3,499,213)</b>	(565,554)
Other current assets	<b>4,266,340</b>	4,716,937
Land and development	<b>(13,576,184)</b>	(17,325,981)
Increase (decrease) in:		
Accounts payable and other current liabilities	<b>(803,754)</b>	(7,974,452)
Tenants' deposits and others	<b>2,048,856</b>	5,438,743
Net cash generated from operations	<b>31,468,035</b>	21,233,940
Income tax paid	<b>(6,220,136)</b>	(6,535,635)
Net cash provided by operating activities	<b>25,247,899</b>	14,698,305
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of:		
Available-for-sale and held for trading investments	<b>853</b>	5,000
Property and equipment	<b>20,067</b>	99,751
Investment properties	-	291,835
Proceeds from maturity of available-for-sale investments	-	318,332
Additions to:		
Investment properties (Note 13)	<b>(13,287,292)</b>	(11,712,930)
Property and equipment (Note 12)	<b>(2,604,791)</b>	(2,125,383)
Investments in associate companies and joint ventures	<b>(509,282)</b>	(41,984,637)
Available-for-sale investments	<b>(2,458,159)</b>	-
Decrease (increase) in:		
Time deposits	<b>12,559,969</b>	855,456
Other noncurrent assets	<b>(21,304,579)</b>	2,640,746
Dividends received	<b>2,568,427</b>	2,375,966
Interest received	<b>1,916,498</b>	2,048,432
Net cash used in investing activities	<b>(23,098,289)</b>	(47,187,432)

(Forward)

	<b>Six-Month Periods Ended June 30</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Availments of:		
Long-term debt	<b>₱41,576,685</b>	₱34,506,771
Bank loans	<b>19,927,752</b>	32,112,718
Payments of:		
Long-term debt	<b>(34,697,681)</b>	(4,341,914)
Bank loans	<b>(16,212,783)</b>	(23,315,913)
Interest	<b>(8,366,097)</b>	(6,396,022)
Dividend	<b>(16,833,083)</b>	(13,833,696)
Net cash provided by (used in) financing activities	<b>(14,605,207)</b>	18,731,944
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(12,455,597)</b>	(13,757,183)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>695,516</b>	418,219
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD (Note 5)</b>	<b>74,318,190</b>	74,947,731
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)</b>	<b>₱62,558,109</b>	₱61,608,767

*See accompanying Notes to Interim Consolidated Financial Statements.*

# SM INVESTMENTS CORPORATION AND SUBSIDIARIES

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## NOTES TO INTERIM 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.

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

The accompanying interim consolidated financial statements were authorized for issue by the Board of Directors (BOD), as approved and recommended for approval by the Audit Committee on August 8, 2018.

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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 June 30, 2018 and for the six-month periods ended June 30, 2018 and 2017 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 therefore be read in conjunction with the Group's audited consolidated financial statements as at December 31, 2017.

#### Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and all of its subsidiaries. As at June 30, 2018, 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

The following new PFRS became effective beginning January 1, 2018:

- a. Applicable to the Group
  - PFRS 9, *Financial Instruments*
  - PFRS 15, *Revenue from Contracts with Customers*
  - Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
  - Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 22, *Foreign Currency Transactions and Advance Consideration*

The Group continues to assess the impact of these standards.

- b. Not applicable to the Group
  - Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
  - Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
  - Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

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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 operations of the Parent Company which engages in asset management and capital investments as well as its associate companies which are involved in financial services and other business activities.

The BOD monitors the operating results of each of its business units 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>Six-Month Period Ended June 30, 2018 (Unaudited)</b>					
	Property	Retail	Financial Services and Others	Eliminations/ Adjustments	Consolidated
<i>(In Thousands)</i>					
<b>Revenue:</b>					
External customers	P47,247,784	P150,213,781	P7,455,497	P-	P204,917,062
Inter-segment	6,340,263	58,407	1,863,668	(8,262,338)	-
	<b>P53,588,047</b>	<b>P150,272,188</b>	<b>P9,319,165</b>	<b>(P8,262,338)</b>	<b>P204,917,062</b>
<b>Segment results:</b>					
Income before income tax	P22,458,945	P9,167,142	P5,190,505	(P259,043)	P36,557,549
Provision for income tax	(4,723,295)	(2,718,438)	(68,440)	19,773	(7,490,400)
Net income	<b>P17,735,650</b>	<b>P6,448,704</b>	<b>P5,122,065</b>	<b>(P239,270)</b>	<b>P29,067,149</b>
<b>Net income attributable to:</b>					
Owners of the Parent	P17,401,760	P5,704,831	P5,122,065	(P10,134,205)	P18,094,451
Non-controlling interests	333,890	743,873	-	9,894,935	10,972,698

<b>Six-Month Period Ended June 30, 2017 (Unaudited)</b>					
	Property	Retail	Financial Services and Others	Eliminations/ Adjustments	Consolidated
<i>(In Thousands)</i>					
<b>Revenue:</b>					
External customers	P40,122,831	P136,115,644	P6,941,371	P-	P183,179,846
Inter-segment	5,565,069	1,363	976,449	(6,542,881)	-
	<b>P45,687,900</b>	<b>P136,117,007</b>	<b>P7,917,820</b>	<b>(P6,542,881)</b>	<b>P183,179,846</b>
<b>Segment results:</b>					
Income before income tax	P19,775,685	P8,107,327	P4,013,102	P695,430	P32,591,544
Provision for income tax	(4,054,161)	(2,356,230)	(44,842)	(14,248)	(6,469,481)
Net income	<b>P15,721,524</b>	<b>P5,751,097</b>	<b>P3,968,260</b>	<b>P681,182</b>	<b>P26,122,063</b>
<b>Net income attributable to:</b>					
Owners of the Parent	P15,402,405	P5,196,791	P3,968,260	(P7,975,326)	P16,592,130
Non-controlling interests	319,119	554,306	-	8,656,508	9,529,933

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## 5. Cash and Cash Equivalents

This account consists of:

	<b>June 30, 2018 (Unaudited)</b>	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Cash on hand and in banks (Note 20)	<b>₱9,415,434</b>	₱9,643,938
Temporary investments (Note 20)	<b>53,142,675</b>	64,674,252
	<b>₱62,558,109</b>	₱74,318,190

Cash in banks earn interest at the respective bank deposit rates. Temporary investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group. These investments earn interest at prevailing rates.

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## 6. Time Deposits

This account consists of:

	<b>June 30, 2018 (Unaudited)</b>	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Current	<b>₱806,262</b>	₱13,237,886
Noncurrent	<b>28,201,087</b>	26,688,721
	<b>₱29,007,349</b>	₱39,926,607

The time deposits as at June 30, 2018 and December 31, 2017 bear annual interest ranging from 0.5% to 4.9%.

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## 7. Investments Held for Trading and Sale

This account consists of:

	<b>June 30, 2018 (Unaudited)</b>	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
AFS investments (Note 10):		
Bonds and corporate notes	<b>₱-</b>	₱706,626
Shares of stock -		
Listed	<b>664,172</b>	641,300
	<b>₱664,172</b>	₱1,347,926

## 8. Receivables

This account consists of:

	<b>June 30, 2018 (Unaudited)</b>	December 31, 2017 (Audited)
<i>(In Thousands)</i>		
Trade:		
Real estate buyers	<b>₱46,140,750</b>	₱40,400,047
Third-party tenants	<b>6,633,613</b>	6,804,584
Related-party tenants (Note 20)	<b>429,224</b>	619,948
Others	<b>8,120</b>	136,580
Due from related parties (Note 20)	<b>339,903</b>	655,580
Management and service fees (Note 20)	<b>433,364</b>	373,619
Dividends (Note 20)	<b>168,393</b>	270,784
<b>Total</b>	<b>54,153,367</b>	49,261,142
Less allowance for impairment loss	<b>1,145,911</b>	1,054,498
	<b>53,007,456</b>	48,206,644
Less noncurrent portion of receivables from real estate buyers (Note 15)	<b>23,057,445</b>	15,854,070
<b>Current portion</b>	<b>₱29,950,011</b>	₱32,352,574

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:

	<b>June 30, 2018 (Unaudited)</b>	December 31, 2017 (Audited)
<i>(In Thousands)</i>		
Land and development (Note 14)	<b>₱26,791,995</b>	₱22,518,139
Prepaid taxes and other prepayments	<b>10,989,560</b>	9,658,898
Advances and deposits	<b>7,532,479</b>	7,231,756
Condominium and residential units for sale (Note 14)	<b>8,675,409</b>	8,829,343
Non-trade receivables	<b>4,365,339</b>	4,230,014
Receivable from banks	<b>1,762,503</b>	3,314,087
Input tax	<b>1,890,726</b>	2,743,731
Derivative assets (Note 24)	-	1,794,745
Accrued interest receivable (Note 20)	<b>324,187</b>	432,690
Escrow fund (Note 20)	<b>112,912</b>	50,881
Others	<b>2,689,950</b>	2,673,902
	<b>₱65,135,060</b>	₱63,478,186

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## 10. Available-for-sale Investments

This account consists of:

	<b>June 30, 2018 (Unaudited)</b>	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Shares of stock:		
Listed	<b>₱21,479,729</b>	₱23,611,916
Unlisted	<b>2,311,992</b>	61,405
Bonds and corporate notes	<b>2,708,998</b>	3,243,297
Club shares	<b>22,120</b>	21,470
	<b>26,522,839</b>	26,938,088
Less current portion (Note 7)	<b>664,172</b>	1,347,926
Noncurrent portion	<b>₱25,858,667</b>	₱25,590,162

Investments in bonds and corporate notes bear fixed interest rates ranging from 5.0% to 6.8%. These investments have maturities ranging from April 2018 to October 2023.

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## 11. Investments in Associate Companies and Joint Ventures

The ₱4.6 billion increase in this account pertains mainly to equity in earnings, net of dividends from associate companies and joint ventures.

## 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, 2016	₱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	437,660	193,512	532,493	681,080	691,625	1,583,663	25,411	922,547	5,067,991
Reclassifications	84,503	233,269	197,498	260,202	156,851	171,663	(286,072)	(778,239)	39,675
Disposals/retirements	(63,674)	(222,267)	(33,716)	(54,523)	(15,221)	(190,290)	(7,672)	(126,260)	(713,623)
As at December 31, 2017	12,435,886	3,250,294	7,005,457	9,249,821	7,775,635	17,099,137	827,238	1,226,846	58,870,314
Additions	219,920	65,192	194,659	419,164	454,065	605,025	27,076	619,690	2,604,791
Reclassifications	302,177	86,473	49,449	(200,491)	(17,667)	31,501	(4,995)	(868,504)	(622,057)
Disposals/retirements	(2,768)	(43,366)	(5,620)	(2,047)	(5,580)	(4,492)	(225)	(7,758)	(71,856)
<b>As at June 30, 2018</b>	<b>₱12,955,215</b>	<b>₱3,358,593</b>	<b>₱7,243,945</b>	<b>₱9,466,447</b>	<b>₱8,206,453</b>	<b>₱17,731,171</b>	<b>₱849,094</b>	<b>₱970,274</b>	<b>₱60,781,192</b>
<b>Accumulated Depreciation and Amortization</b>									
As at December 31, 2016	₱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	850,733	359,189	598,657	867,742	724,850	1,245,592	58,162	-	4,704,925
Reclassifications	(6,370)	10,391	35,354	(15,741)	6,573	(90,344)	(105,408)	-	(165,545)
Disposals/retirements	(58,366)	(208,111)	(27,888)	(45,984)	(13,283)	(173,223)	(7,672)	-	(534,527)
As at December 31, 2017	5,045,238	2,205,165	5,552,533	6,117,842	5,335,664	12,638,169	636,296	-	37,530,907
Depreciation and amortization	360,098	170,258	300,499	337,462	370,171	735,354	28,036	-	2,301,878
Reclassifications	96,710	(39,841)	(6,866)	(184,425)	(99,382)	(135,229)	(12,645)	-	(381,678)
Disposals/retirements	(2,768)	(41,844)	(4,553)	(1,779)	(5,189)	(1,985)	(225)	-	(58,343)
<b>As at June 30, 2018</b>	<b>₱5,499,278</b>	<b>₱2,293,738</b>	<b>₱5,841,613</b>	<b>₱6,269,100</b>	<b>₱5,601,264</b>	<b>₱13,236,309</b>	<b>₱651,462</b>	<b>₱-</b>	<b>₱39,392,764</b>
<b>Net Book Value</b>									
As at June 30, 2018 (Unaudited)	₱7,455,937	₱1,064,855	₱1,402,332	₱3,197,347	₱2,605,189	₱4,494,862	₱197,632	₱970,274	₱21,388,428
As at December 31, 2017 (Audited)	7,390,648	1,045,129	1,452,924	3,131,979	2,439,971	4,460,968	190,942	1,226,846	21,339,407

### 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, 2016	₱69,401,322	₱204,132,187	₱33,075,502	₱24,461,049	₱331,070,060
Effect of common control business combination	–	1,047	929	–	1,976
Additions	3,766,662	4,279,223	1,776,554	15,984,057	25,806,496
Reclassifications	(4,912,312)	11,291,893	1,166,605	(7,702,271)	(156,085)
Translation adjustment	75,699	2,459,685	193,841	215,945	2,945,170
Disposals	(11,538)	(162,144)	(46,326)	–	(220,008)
As at December 31, 2017	68,319,833	222,001,891	36,167,105	32,958,780	359,447,609
Additions	2,074,309	1,715,415	852,558	8,645,010	13,287,292
Reclassifications	748,508	4,210,324	656,160	(3,372,655)	2,242,337
Translation adjustment	65,429	1,968,910	149,962	58,538	2,242,839
Disposals	(7,118)	(10,280)	(31,412)	–	(48,810)
<b>As at June 30, 2018</b>	<b>₱71,200,961</b>	<b>₱229,886,260</b>	<b>₱37,794,373</b>	<b>₱38,289,673</b>	<b>₱377,171,267</b>
<b>Accumulated Depreciation, Amortization and Impairment Loss</b>					
As at December 31, 2016	₱1,754,581	₱40,096,356	₱19,072,615	₱–	₱60,923,552
Effect of common control business combination	–	527	769	–	1,296
Depreciation and amortization	207,478	6,320,224	2,667,722	–	9,195,424
Reclassifications	–	1,697	–	–	1,697
Translation adjustment	37,530	325,992	95,175	–	458,697
Disposals	(11,538)	(94,504)	(45,280)	–	(151,322)
As at December 31, 2017	1,988,051	46,650,292	21,791,001	–	70,429,344
Depreciation and amortization	112,190	3,332,191	1,404,760	–	4,849,141
Reclassifications	288,599	(142,908)	231,435	–	377,126
Translation adjustment	29,425	269,345	75,756	–	374,526
Disposals	(7,083)	(5,124)	(28,317)	–	(40,524)
<b>As at June 30, 2018</b>	<b>₱2,411,182</b>	<b>₱50,103,796</b>	<b>₱23,474,635</b>	<b>₱–</b>	<b>₱75,989,613</b>
<b>Net Book Value</b>					
<b>As at June 30, 2018 (Unaudited)</b>	<b>₱68,789,779</b>	<b>₱179,782,464</b>	<b>₱14,319,738</b>	<b>₱38,289,673</b>	<b>₱301,181,654</b>
As at December 31, 2017 (Audited)	66,331,782	175,351,599	14,376,104	32,958,780	289,018,265

Construction in progress as at June 30, 2018 pertains to construction costs incurred for  
a) new shopping malls as well as the redevelopment of SM Mall of Asia and  
b) commercial buildings including the business process outsourcing towers as well as E-com  
buildings.

Interest capitalized to investment properties amounted to ₱1,819.0 million, and ₱2,299.0 million  
as at June 30, 2018 and December 31, 2017, respectively. Capitalization rates used range from  
2.4% to 5.1% in 2018 and 2.4% to 4.8% in 2017.

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

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

The movements in this account follow:

	<b>June 30, 2018 (Unaudited)</b>	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of period	<b>₱62,698,284</b>	₱51,054,083
Development cost incurred	<b>9,881,093</b>	16,779,397
Cost of real estate sold	<b>(6,592,597)</b>	(10,554,727)
Transfer to condominium and residential units for sale	<b>(1,731,845)</b>	(8,162,384)
Land acquisition	<b>3,695,091</b>	13,111,730
Borrowing cost capitalized	<b>514</b>	38,240
Transfer from property and equipment and others	<b>247,637</b>	431,945
Balance at end of period	<b>68,198,177</b>	62,698,284
Less current portion (Note 9)	<b>26,791,995</b>	22,518,139
Noncurrent portion	<b>₱41,406,182</b>	₱40,180,145

The average rates used to determine the amount of borrowing cost eligible for capitalization range from 2.4% to 2.7% in 2018 and 3.5% to 4.6% in 2017.

##### Condominium and Residential Units for Sale

Condominium units for sale pertain to completed condominium and residential projects.

The movements in this account follow:

	<b>June 30, 2018 (Unaudited)</b>	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of period	<b>₱8,829,343</b>	₱5,241,346
Transfer from land and development	<b>1,731,845</b>	8,162,384
Recognized as cost of real estate sold	<b>(1,891,523)</b>	(4,705,586)
Repossessed inventories	<b>4,100</b>	92,721
Adjustment to cost	<b>1,644</b>	38,478
Balance at end of period (Note 9)	<b>₱8,675,409</b>	₱8,829,343

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**15. Intangibles and Other Noncurrent Assets**

Intangible Assets

This account consists of:

	<b>June 30, 2018 (Unaudited)</b>	December 31, 2017 (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>8,224,093</b>	8,284,361
	<b>₱25,530,964</b>	₱25,591,232

Other Noncurrent Assets

This account consists of:

	<b>June 30, 2018 (Unaudited)</b>	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Deposits and advance rentals	<b>₱54,924,562</b>	₱33,760,110
Receivables from real estate buyers (Note 8)	<b>23,057,445</b>	15,854,070
Land use rights	<b>11,071,452</b>	10,630,926
Long-term notes (Notes 20 and 24)	<b>6,836,433</b>	6,399,410
Derivative assets (Note 24)	<b>1,444,643</b>	3,546,694
Deferred input VAT	<b>2,015,612</b>	1,798,706
Defined benefit asset	<b>375,903</b>	376,448
Escrow fund (Note 20)	<b>132,460</b>	132,460
Others	<b>2,887,615</b>	2,056,209
	<b>₱102,746,125</b>	₱74,555,033

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**16. Bank Loans**

This account consists of:

	<b>June 30, 2018 (Unaudited)</b>	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Parent Company:		
U.S. dollar-denominated	<b>₱2,667,000</b>	₱-
Peso-denominated	<b>8,300,000</b>	10,200,000
Subsidiaries:		
Peso-denominated	<b>16,920,934</b>	13,972,965
	<b>₱27,887,934</b>	₱24,172,965



These loans bear interest ranging from 2.5% to 3.8% in 2018 and 2017.

## 17. Accounts Payable and Other Current Liabilities

This account consists of:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
<i>(In Thousands)</i>		
Trade	<b>₱54,288,080</b>	₱60,399,742
Accrued expenses	<b>12,043,904</b>	11,060,797
Nontrade	<b>7,279,756</b>	7,183,147
Tenants and customers' deposits	<b>10,981,607</b>	10,208,533
Payable arising from acquisition of land	<b>5,934,774</b>	4,252,991
Payable to government agencies	<b>2,923,428</b>	4,438,597
Accrued interest (Note 20)	<b>2,904,730</b>	2,422,265
Subscription payable	<b>2,396,790</b>	2,396,790
Due to related parties (Note 20)	<b>556,586</b>	828,679
Gift checks redeemable and others	<b>4,819,230</b>	3,369,914
	<b>₱104,128,885</b>	₱106,561,455

## 18. Long-term Debt

This account consists of:

	Availment	Maturity	Interest rate/Term	Security	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
<i>(In Thousands)</i>						
<b>Parent Company</b>						
U.S. dollar-denominated	October 13, 2010 - April 16, 2018	October 13, 2017 - June 10, 2024	Fixed 4.0%-5.5%; Floating six-month and three-month LIBOR + margin; semi-annual and quarterly	Unsecured	<b>₱63,042,546</b>	₱66,531,725
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	<b>73,169,520</b>	73,171,870
<b>Subsidiaries</b>						
U.S. dollar-denominated	February 14, 2013 - October 16, 2017	January 29, 2018 - June 30, 2022	LIBOR + spread; semi-annual	Unsecured	<b>36,700,585</b>	54,387,944
China Yuan Renminbi-denominated	July 28, 2015 - October 16, 2017	December 31, 2019 - October 16, 2022	CBC rate less 10.0%; quarterly	Secured	<b>3,607,186</b>	3,445,302
Peso-denominated	January 12, 2012 - June 27, 2018	December 18, 2018 - July 26, 2026	Fixed 3.8%-6.7%; PDST-R2 + margin	Unsecured	<b>170,245,806</b>	136,974,407
					<b>346,765,643</b>	334,511,248
Less debt issue cost					<b>1,844,168</b>	1,658,247
					<b>344,921,475</b>	332,853,001
Less current portion					<b>11,093,494</b>	40,297,133
					<b>₱333,827,981</b>	₱292,555,868

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 June 30, 2018 follows:

	Gross Debt	Debt Issue Cost	Net
	<i>(In Thousands)</i>		
Within 1 year	₱11,101,593	₱8,099	₱11,093,494
Over 1 year to 5 years	258,197,930	1,551,032	256,646,898
Over 5 years	77,466,120	285,037	77,181,083
	<b>₱346,765,643</b>	<b>₱1,844,168</b>	<b>₱344,921,475</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 June 30, 2018 and December 31, 2017, the Group is in compliance with the terms of its debt covenants.

**19. Equity**

Capital Stock

a. Common stock

	Number of Shares	
	<b>June 30, 2018</b>	December 31, 2017
	<b>(Unaudited)</b>	(Audited)
Authorized - ₱10 par value per share	<b>2,790,000,000</b>	2,790,000,000
Issued and subscribed	<b>1,204,582,867</b>	1,204,582,867

As at June 30, 2018 and December 31, 2017, 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 1,256 and 1,252 as at June 30, 2018 and December 31, 2017, respectively.

b. Redeemable preferred shares

	Number of shares	
	<b>June 30, 2018</b>	December 31, 2017
	<b>(Unaudited)</b>	(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 June 30, 2018 and December 31, 2017.

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 in 2016.
- 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 June 30, 2018 is intended for the payment of certain long-term debts and new investments as follows:

	Timeline	Amount <i>(In Thousands)</i>
Debt servicing		
US\$180.0 million	2018	₱9,000,000
US\$360.0 million	2019	18,000,000
New investments	2018–2020	10,000,000
		<b>₱37,000,000</b>

b. Unappropriated

The Parent Company’s cash dividend declarations in 2018 and 2017 follow:

Declaration Date	Record Date	Payment Date	Per Share	Total <i>(In Thousands)</i>
<b>April 25, 2018</b>	<b>May 10, 2018</b>	<b>May 24, 2018</b>	<b>₱8.20</b>	<b>₱9,877,566</b>
April 26, 2017	May 11, 2017	May 25, 2017	7.77	9,359,609

Unappropriated retained earnings include the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱189,878.8 million and ₱176,587.5 million as at June 30, 2018 and December 31, 2017, 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.

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## 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 significant transactions with related parties follow:

a. Rent

The Group has existing lease agreements for office and commercial spaces with related companies (retail and banking group and other related parties under common stockholders).

b. Management and Service Fees

The Parent Company and SM Retail receive management and service fees from retail entities under common stockholders for management, consultancy, manpower and other services.

c. Dividend Income

The Group earns dividend income from certain related parties under common stockholders.

d. Cash Placements and Loans

The Group has certain bank accounts and cash placements as well as bank loans and debts with BDO and China Bank. Such accounts earn interest at prevailing market rates.

e. Notes Receivable

The Group has certain notes receivable from Carmen Copper Corporation (see Notes 15 and 24).

f. Others

The Group, in the normal course of business, has outstanding receivables from and payables to related companies which are unsecured and normally settled in cash.

The related party transactions and outstanding balances follow:

	Transaction Amount		Outstanding Amount		Terms	Conditions
	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)		
<i>(In Thousands)</i>						
<b>Banking Group</b>						
Cash placement and investment in marketable securities			<b>₱74,575,390</b>	₱98,656,653	Interest-bearing 0.5% to 4.9%	Unsecured; no impairment
Interest receivable			<b>242,355</b>	329,829	—	—
Interest income	<b>₱1,043,825</b>	₱1,239,627			—	—
Interest-bearing debt			<b>34,015,156</b>	24,493,678	Interest-bearing 2.8% to 5.3%	Unsecured
Interest payable			<b>63,995</b>	59,429	—	—
Interest expense	<b>569,645</b>	314,939			—	—
Rent receivable			<b>124,251</b>	112,099	Noninterest-bearing	Unsecured; no impairment
Rent income	<b>452,750</b>	421,371			—	—
Dividend receivable			<b>2,587</b>	—	Noninterest-bearing	Unsecured; no impairment
Deposits and advance rentals			<b>18,669,000</b>	17,475,500	Interest-bearing 4.5%	No impairment
Management and service fee receivable			<b>18,658</b>	23,933	Noninterest-bearing	Unsecured; no impairment
Management and service fee income	<b>1,548</b>	4,081			—	—
Escrow fund			<b>245,372</b>	183,341	Interest-bearing 1.4% to 1.6%	Unsecured; no impairment
<b>Retail and Other Entities</b>						
Rent receivable			<b>304,973</b>	507,849	Noninterest-bearing	Unsecured; no impairment
Rent income	<b>954,334</b>	775,817			—	—
Management and service fee receivable			<b>159,720</b>	275,148	Noninterest-bearing	Unsecured; no impairment
Management and service fee income	<b>276,866</b>	200,676			—	—
Dividend receivable			<b>99,180</b>	99,180	Noninterest-bearing	Unsecured; no impairment
Due from related parties			<b>339,903</b>	655,580	Noninterest-bearing	Unsecured; no impairment
Due to related parties			<b>556,586</b>	828,679	Noninterest-bearing	Unsecured
Interest receivable			<b>8,546</b>	8,888	—	—
Interest income	<b>170,758</b>	97,944			—	—
Notes receivable			<b>6,836,433</b>	6,399,410	Interest-bearing 5.0% to 10.0%	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.

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## 21. Cost of Merchandise Sales

This account consists of:

	<b>June 30, 2018</b>	June 30, 2017
	<b>(Unaudited)</b>	(Unaudited)
	<i>(In Thousands)</i>	
Merchandise inventories at beginning of period	<b>₱27,778,741</b>	₱25,825,290
Purchases	<b>110,578,900</b>	98,463,439
Total goods available for sale	<b>138,357,641</b>	124,288,729
Less merchandise inventories at end of period	<b>31,277,953</b>	26,390,844
	<b>₱107,079,688</b>	₱97,897,885

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## 22. Income Tax

The details of the Group's deferred tax assets and liabilities follow:

Deferred tax assets of ₱2,452.8 million and ₱2,489.8 million as at June 30, 2018 and December 31, 2017, 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 ₱8,335.0 million and ₱8,029.6 million as at June 30, 2018 and December 31, 2017, 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. Dollars 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 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 (see 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 June 30, 2018 and December 31, 2017, after taking into account the effect of the swaps, approximately 82.9% and 83.0%, respectively of the Group's borrowings, net of debt issue cost, is 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.

The Group's foreign currency-denominated financial assets and liabilities and their peso equivalents follow:

As at June 30, 2018, the Group's foreign currency-denominated assets and liabilities amounted to ₱60,622.9 million (\$1,136.5 million) and ₱57,543.4 million (\$1,078.8 million), respectively.

As at December 31, 2017, the Group's foreign currency-denominated assets and liabilities amounted to ₱63,092.5 million (\$1,263.6 million) and ₱72,478.7 million (\$1,451.6 million), respectively.

As at June 30, 2018 and December 31, 2017, approximately 28.3% and 34.6%, respectively, of the Group's borrowings, net of debt issue cost, are denominated in foreign-currency.

The following exchange rates were used in translating foreign currency-denominated assets and liabilities into Pesos.

	<b>June 30, 2018</b>	December 31, 2017
Philippine Peso to U.S. Dollar	<b>₱53.34</b>	₱49.93

### 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 June 30, 2018 and December 31, 2017, 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>June 30, 2018 (Unaudited)</b>	December 31, 2017 (Audited)
Gross	<b>53%</b>	52%
Net	<b>46%</b>	43%



## 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:

June 30, 2018 (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>					
<b>Assets Measured at Fair Value</b>					
Financial assets at FVPL -					
Derivative assets	P1,444,643	P1,444,643	P-	P1,444,643	P-
<b>Assets for which Fair Values are Disclosed</b>					
Loans and receivables:					
Time deposits - noncurrent portion	28,201,087	28,309,306	-	-	28,309,306
Receivables - net (including noncurrent portion of receivables from real estate buyers)	53,007,456	52,510,404	-	-	52,510,404
Other noncurrent assets:					
Deposits and advance rentals	18,669,000	19,812,862	-	-	19,812,862
Long-term notes	6,836,433	8,343,344	-	-	8,343,344
	106,713,976	108,975,916	-	-	108,975,916
	P108,158,619	P110,420,559	P-	P1,444,643	P108,975,916
<b>Liabilities Measured at Fair Value</b>					
Financial liabilities at FVPL -					
Derivative liabilities	P740,340	P740,340	P-	P740,340	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)	333,827,981	322,029,954	-	-	322,029,954
Tenants' deposits and others*	27,692,556	25,704,802	-	-	25,704,802
	361,520,537	347,734,756	-	-	347,734,756
	P362,260,877	P348,475,096	P-	P740,340	P347,734,756

\*Excluding nonfinancial liabilities amounting to P3,012.1 million.

December 31, 2017 (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>					
<b>Assets Measured at Fair Value</b>					
Financial assets at FVPL -					
Derivative assets	P5,341,439	P5,341,439	P-	P5,341,439	P-
<b>Assets for which Fair Values are Disclosed</b>					
Loans and receivables:					
Time deposits - noncurrent portion	26,688,721	27,069,511	-	-	27,069,511
Receivables - net (including noncurrent portion of receivables from real estate buyers)	48,206,644	46,831,054	-	-	46,831,054
Other noncurrent assets:					
Deposits and advance rentals	17,475,500	19,323,721	-	-	19,323,721
Long-term notes	6,399,410	8,309,619	-	-	8,309,619
	98,770,275	101,533,905	-	-	101,533,905
	P104,111,714	P106,875,344	P-	P5,341,439	P101,533,905
<b>Liabilities Measured at Fair Value</b>					
Financial liabilities at FVPL -					
Derivative liabilities	P777,408	P777,408	P-	P777,408	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)	292,555,868	297,063,011	-	-	297,063,011
Tenants' deposits and others*	25,939,021	23,705,361	-	-	23,705,361
	318,494,889	320,768,372	-	-	320,768,372
	P319,272,297	P321,545,780	P-	P777,408	P320,768,372

\*Excluding nonfinancial liabilities amounting to P2,495.1 million.

There were no transfers into and out of Levels 1, 2 and 3 fair value measurements as at June 30, 2018 and December 31, 2017.

Derivative Instruments Accounted for as Cash Flow Hedges

As at June 30, 2018, the Parent Company and SM Prime have outstanding arrangements to hedge both foreign currency and interest rate exposure on its foreign currency-denominated debt. Details follow:

Cross-currency swaps:

	Notional Amount		Principal	Fair Value	Receive	Pay	US\$:P Rate	Maturity
	(In US\$)	(In PhP)						
<i>(In Thousands)</i>								
Parent:								
	\$53,000	₱2,761,300	₱2,827,020	₱226,302	LIBOR + spread	5.3%	₱52.10	March 6, 2023
	100,000	5,210,000	5,334,000	305,644	LIBOR + spread	5.9%	52.10	April 17, 2023
SM Prime:								
	25,000	1,246,900	1,333,500	(86,076)	LIBOR + spread	5.4%	49.88	March 27, 2022
	25,000	1,246,900	1,333,500	(88,280)	LIBOR + spread	5.4%	49.88	March 27, 2022
	50,000	2,580,500	2,667,000	12,709	LIBOR + spread	5.0%	51.61	June 30, 2022

Principal only and interest rate swaps:

	Notional Amount	Principal	Fair Value		US\$:CNY Rate	Fixed Rate	Maturity
			Principal Only Swap	Interest Rate Swap			
<i>(In Thousands)</i>							
SM Prime	US\$270,000	₱14,401,757	(₱578,693)	₱538,052	¥6.458-6.889	6.2%	January 29, 2021
	150,000	8,518,571	-	71,070	-	3.2%	April 14, 2019

Forward swaps:

	Notional Amount	Principal	Fair Value	Strike Price		Maturity
				Low	High	
<i>(in thousands)</i>						
SM Prime	US\$100,000	₱5,654,948	₱99,392	¥6.314	¥6.485	April 15, 2019
	100,000	5,654,948	79,105	6.289	6.496	April 15, 2019
	100,000	5,654,948	125,077	6.383	6.547	April 15, 2019

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>June 30, 2018 (Unaudited)</b>	June 30, 2017 (Unaudited)
	<i>(In Thousands Except Per Share Data)</i>	
Net income attributable to owners of the Parent (a)	<b>₱18,094,451</b>	₱16,592,130
Weighted average number of common shares outstanding (b)	<b>1,204,583</b>	1,204,583
<b>EPS (a/b)</b>	<b>₱15.02</b>	₱13.77

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**26. Reclassification**

The Group reclassified certain consolidated statement of income accounts in 2017 to conform to the 2018 consolidated financial statements presentation and classification. The reclassification has no impact on the 2018 and 2017 profit or loss and equity of the Group.

**PART 1 FINANCIAL INFORMATION**

**Management's Discussion and Analysis or Plan of Operation**

**Results of Operation**

**For the Six Months Ended June 30, 2018 and 2017**

*(amounts in billion pesos)*

<b>Accounts</b>	<b>06 / 30 / 2018</b>	<b>06 / 30 / 2017</b>	<b>% Change</b>
<b>Revenue</b>	<b>P 204.9</b>	<b>P 183.2</b>	<b>11.9%</b>
Cost and Expenses	163.5	146.8	11.4%
<b>Income from Operations</b>	<b>41.4</b>	<b>36.4</b>	<b>13.6%</b>
Other Charges	4.8	3.8	25.9%
Provision for Income Tax	7.5	6.5	15.8%
<b>Net Income After Tax</b>	<b>29.1</b>	<b>26.1</b>	<b>11.3%</b>
Non-controlling Interests	11.0	9.5	15.1%
<b>Net Income Attributable to Owners of the Parent</b>	<b>P 18.1</b>	<b>P 16.6</b>	<b>9.1%</b>

*SM Investments Corporation and Subsidiaries (the Group)* reported P18.1 billion *Net Income Attributable to Owners of the Parent*, 9.1% higher than 2017, and P204.9 billion *Revenues*, 11.9% higher than 2017.

*Income from Operations* increased by 13.6% to P41.4 billion from P36.4 billion in 2017. *Operating Margin* and *Net Margin* is at 20.2% and 14.2%, respectively.

*Merchandise Sales*, which grew by 10.2% to P145.0 billion from P131.6 billion in 2018, accounts for 70.8% of total revenues in 2018. The increase is attributable to the opening of 2 *SM Stores*, 3 *SM Supermarkets*, 9 *Savemore* stores, 2 *SM Hypermarkets*, 4 *WalterMart* stores, and 41 Specialty stores and strong same-store sales growth.

The *Non-Food* and *Food Group* comprised 49% and 51%, respectively, of merchandise sales in 2018 and 48% and 52% in 2017, respectively.

As of June 30, 2018, *SM Retail* had 1,708 stores nationwide, namely: 61 *SM Stores*, 55 *SM Supermarkets*, 190 *Savemore* stores, 49 *SM Hypermarkets*, 49 *WalterMart* stores and 1,304 Specialty stores.

*Real Estate Sales* increased by 22.7% to P16.8 billion from P13.7 billion in 2017 due to higher construction accomplishments of projects from 2015 to 2017. These include *Shore 2*, *Shore 3*, and *S Residences* in Pasay City, *Fame Residences* in Mandaluyong City, *South Residences* in Las Piñas City, *Spring Residences* in Parañaque City and continued increase in sales of various projects due to strong demand fueled by international buyers, Overseas Filipino Workers' remittances and rising disposable income of the emerging middle class.

*Rent Revenues*, derived mainly from the mall operations of SM Prime Holdings, Inc. (SM Prime), increased by 14.4% to P23.3 billion from P20.4 billion in 2017. The increase in *Rent Revenue* is primarily due to the new malls which opened in 2016 to 2018, namely,

*SM City San Jose Del Monte, SM City Trece Martires, SM Cherry Congressional, SM City East Ortigas, SM CDO Downtown Premier, SM Cherry Antipolo, SM City Puerto Princesa, SM Center Tuguegarao Downtown, SM Center Pulilan, SM Center Lemery, SM Center Imus, SM City Urdaneta Central, SM City Telabastagan, and S Maison* at the Conrad Manila. Excluding the new malls, same-mall rental growth is at 8%. Room rentals from hotels and conventions centers also contributed to the increase. This can be attributed to the improvement in occupancy rates and average room rates of the hotels and convention centers.

As of June 30, 2018, *SM Prime* had 70 malls in the Philippines with total GFA of 8.14 million square meters and 7 malls in China with total GFA of 1.3 million square meters.

*Equity in Net Earnings of Associate Companies and Joint Ventures* increased by 6.4% to P8.4 billion from P7.9 billion in 2017 due mainly to the increase in earnings of retail associates and portfolio investments.

*Dividend, Management Fees and Others* increased by 23.0% to P7.8 billion in 2018 from P6.4 billion in 2017 due mainly to higher management and service fees and other revenues. Other revenues comprise mainly of income from promotional activities, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues, and food and beverage income of the Hotel Group.

*Selling, General and Administrative Expenses* increased by 14.7% to P47.9 billion from P41.8 billion in 2017 due mainly to additional operating expenses associated with new/renovated retail stores and malls and new real estate projects.

*Other Charges (net)* increased by 25.9% to P4.8 billion from P3.8 billion in 2017. *Interest Expense* increased by 10.8% to P7.3 billion from P6.6 billion in 2017 due mainly to new debt availments for working capital and capital expenditure requirements net of capitalized interest. *Interest Income* decreased by 8.3% to P1.8 billion from P2.0 billion in 2017 due mainly to lower balance of cash, time deposits and temporary investments in 2018 compared to 2017. *Gain (Loss) on Fair Value Changes on Derivatives - net* increased to P208.3 million from P16.8 million in 2017 resulting mainly from the market-to-market valuation of outstanding forward swap transactions in 2018.

*Provision for Income Tax* increased by 15.8% to P7.5 billion from P6.5 billion in 2017 due mainly to increase in taxable income. The effective income tax rate is 20.5% in 2018 and 19.9% in 2017.

*Non-controlling interests* increased by 15.1% to P11.0 billion from P9.5 billion in 2017 due to the increase in net income of partly-owned subsidiaries.

## Financial Position

As at June 30, 2018 and December 31, 2017

(amounts in billion pesos)

Accounts	06 / 30 / 2018	12 / 31 / 2017	% Change
Current Assets	P 190.4	P 212.5	-10.4%
Noncurrent Assets	795.5	747.6	6.4%
<b>Total Assets</b>	<b>P 985.9</b>	<b>P 960.1</b>	<b>2.7%</b>
Current Liabilities	P 147.9	P 175.9	-15.9%
Noncurrent Liabilities	374.3	330.4	13.3%
<b>Total Liabilities</b>	<b>522.2</b>	<b>506.3</b>	<b>3.1%</b>
<b>Total Equity</b>	<b>463.7</b>	<b>453.8</b>	<b>2.2%</b>
<b>Total Liabilities and Equity</b>	<b>P 985.9</b>	<b>P 960.1</b>	<b>2.7%</b>

Total Assets increased by 2.7% to P985.9 billion from P960.1 billion in 2017. On the other hand, total Liabilities increased by 3.1% to P522.2 billion from P506.3 billion in 2017.

### Current Assets

Current Assets decreased by 10.4 % to P190.4 billion from P212.5 billion in 2017.

Cash and Cash Equivalents decreased by 15.8% to P62.6 billion from P74.3 billion in 2017 due mainly to settlement of loans and trade payables.

Receivables decreased by 7.4% to P30.0 billion from P32.4 billion in 2017 due mainly to collections from real estate buyers.

Merchandise Inventories increased by 12.6% to P31.3 billion from P27.8 billion in 2017. Bulk of the increase came from the Food Group.

Other Current Assets increased by 2.6% to P65.1 billion from P63.5 billion in 2017 due mainly to higher prepaid taxes and other prepayments and increase in land and development – current.

### Noncurrent Assets

Noncurrent Assets increased by 6.4% to P795.5 billion from P747.6 billion in 2017.

AFS Investments increased by 1.0% to P25.9 billion from P25.6 billion in 2017 due mainly to new investments, partially offset by the decline in market value of certain AFS investments.

Investments in Associate Companies and Joint Ventures increased by 1.9% to P246.7 billion from P242.1 billion in 2017. The increase mainly represents equity in net earnings, partly offset by dividends received from associate companies in 2018.

Time Deposits increased by 5.7% to P28.2 billion from P26.7 billion in 2017 due mainly to new investment in time deposits. On the other hand, the current portion of Time Deposits decreased by 93.9% to P0.8 billion from P13.2 billion in 2017 due mainly to maturities.

*Investment Properties* increased by 4.2% to P301.2 billion from P298.0 billion in 2017 due to ongoing new mall projects, ongoing commercial building construction of BPO Towers and the ongoing redevelopment of *SM Mall of Asia*.

*Other Noncurrent Assets* increased by 37.8% to P102.7 billion from P74.6 billion in 2017. The increase mainly represents higher receivable from real estate buyers and deposits and advance rentals.

#### Current Liabilities

*Current Liabilities* decreased by 15.9% to P147.9 billion from P175.9 billion in 2017.

*Bank Loans* increased by 15.4% to P27.9 billion from P24.2 billion in 2017 due mainly to new loan availments, partly offset by payments during the period.

*Current Portion of Long-term Debt* decreased by 72.5% to P11.1 billion from P40.3 billion in 2017 due mainly to payments during the period.

*Accounts Payable and Other Current Liabilities* decreased by 2.3% to P104.1 billion from P106.6 billion in 2017 due mainly to settlement of trade payables.

*Dividends Payable* decreased by 39.5% to P1.8 billion from P2.9 billion in 2017. This represents dividends due to minority stockholders of subsidiaries.

*Income Tax Payable* increased by 58.4% to P3.0 billion in 2018 from P1.9 billion in 2017 due mainly to higher income tax due in 2018.

#### Noncurrent Liabilities

*Noncurrent Liabilities* increased by 13.3% to P374.3 billion from P330.4 billion in 2017.

*Long-term Debt - Net of Current Portion* increased by 14.1% to P333.8 billion from P292.6 billion in 2017 due mainly to new debt availments, partially offset by payments during the period.

*Tenants' Deposits and Others* increased by 7.7% to P32.1 billion from P29.8 billion in 2017 due mainly to new malls and increase in customers' deposits from residential buyers.

#### Equity

Total *Equity* increased by 2.2% to P463.7 billion from P453.8 billion in 2017.

*Equity Attributable to Owners of the Parent* increased by 1.5% to P333.2 billion from P328.1 billion in 2017. This increase resulted mainly from (a) *Cumulative Translation Adjustment* which increased by 34.7% to P1.9 billion from P1.4 billion in 2017. This is related mainly to the translation of the financial accounts of *SM China* malls from China Yuan Renminbi to Philippine Peso, and

(b) 3.6% increase in Retained earnings which represents the P18.1 billion *Net Income Attributable to Owners of the Parent* during the first quarter of 2018 net of P9.9 billion dividend declaration during the period. These were partially offset by the 25.5% decrease in *Net Unrealized Gain on AFS Investments* to P11.4 billion from P15.3 billion in 2017 due mainly to the decline in market value of certain AFS investments of the Group.

*Non-controlling Interests* increased by 3.9% to P130.6 billion from P125.7 billion in 2017 due mainly to the increase in net assets of subsidiaries that are not wholly owned.

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 year 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 key financial ratios of the Group follow:

Accounts	06 / 30/ 2018	12 / 31/ 2017
Current Ratio	1.3	1.2
Asset to Equity	2.1	2.1
Debt - equity Ratios:		
On Gross Basis	53 : 47	52 : 48
On Net Basis	46 : 54	43 : 57
Return on Equity	10.5%	10.4%

Accounts	06 / 30/ 2018	06 / 30/ 2017
Revenue Growth	11.9%	6.9%
Net Margin	14.2%	14.3%
Net Income Growth	9.1%	9.0%
EBITDA ( <i>In Billions of Pesos</i> )	48.6	43.3
Interest Cover	6.7x	6.6x

*Current Ratio* increased to 1.3 from 1.2 in 2017 due mainly to the 10.4% decrease in *Current Assets* with a 15.9% decrease in *Current Liabilities*.

Gross debt-equity ratio slid to 53:47 in 2018 from 52:48 in 2017 due mainly to the 4.4% increase in gross debt compared to only 1.5% increase in *Equity Attributable to Owners of the Parent*.

Net debt-equity ratio slid to 46:54 from 43:57 in 2017 due mainly to higher increase in net debt of 15.9% to P282.5 billion from P243.7 billion in 2017.

Revenue growth increased to 11.9% from 6.9% in 2017 due mainly to higher growth of *Merchandise* and *Real Estate* sales in 2018 compared to 2017.

EBITDA increased by 12.3% to P48.6 billion from P43.3 billion in 2017 due mainly to the 13.6% increase in income from operations. The slight increase in Interest Cover to 6.7x from 6.6x in 2017 is attributable to the 10.8% 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 Margin  $\frac{\text{Net Income After Tax}}{\text{Total Revenues}}$
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  $\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to Owners of the Parent}}$
8. EBITDA Income from Operations + Depreciation & Amortization
9. Interest Cover  $\frac{\text{EBITDA}}{\text{Interest Expense}}$

## **Expansion Plans / Prospects for the Future**

### **Property Group**

For the rest of 2018, SM Prime will be opening 2 new malls in the Philippines. By the end of 2018, there will be 79 malls, 72 in the Philippines and 7 in China with an estimated combined gross floor area of 9.5 million square meters.

In the residential segment, 15,000 to 18,000 residential condominium units that include high-rise and mid-rise buildings and single-detached housing 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 2 E-Com Centers in the Mall of Asia Complex will continue with completion scheduled in 2018 and 2020.

In the hotels and convention centers segment, SM Prime is set to open 2 hotels in 2019 and expand an existing hotel in 2020.

SM Prime's land banking initiatives will continue in 2018.

### **Retail Group**

For the rest of 2018, the Retail Group will be opening 2 *SM Stores*, 1 *SM Supermarket*, 9 *Savemore* stores, 3 *WalterMart* stores and 52 specialty stores.

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**

As of June 30, 2018

(in Thousands)

Receivable from tenants		
Third-party tenants	P	6,633,613
Related-party tenants		429,224
Receivable from real estate buyers		
- net of noncurrent portion		23,083,305
Other trade receivable		<u>8,120</u>
Total	P	<u><u>30,154,262</u></u>

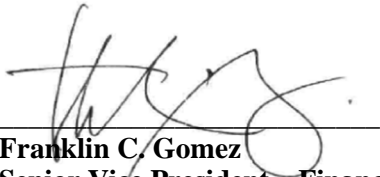
*Aging:*

Neither past due nor impaired	P	26,393,164
31-90 days		531,186
91-120 days		239,622
Over 120 days		1,844,379
Impaired		<u>1,145,911</u>
Total	P	<u><u>30,154,262</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: 8-14-18