

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)

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H	a	r	b	o	r	D	r	i	v	e	,	M	a	l	l	o	f	A	s	i	a	C	o	m		
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Form Type

1	7	-	Q
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address -	Company's Telephone Number 857-0100	Mobile Number -
No. of Stockholders 1,247	Annual Meeting (Month / Day) 04/26	Fiscal Year (Month / Day) 06/30

CONTACT PERSON INFORMATION

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

Name of Contact Person Franklin C. Gomez	Email Address -	Telephone Number/s 857-0100	Mobile Number -
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CONTACT PERSON'S ADDRESS

10th 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)

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

(Company's Address)

857- 0100

(Telephone Number)

December 31

(Year Ending)
(month & day)

**SEC Form 17-Q
2nd Quarter Report**

Form Type

Amendment Designation (If applicable)

June 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 June 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. 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-IA, Pasay City
1300
Address of principal office Postal Code
8. 857-0100
Registrant's telephone number, including area code
9. Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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

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

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PART I FINANCIAL INFORMATION

Item 1. Interim Condensed Consolidated Financial Statements

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements

As at June 30, 2017

and for the Six-Month Periods Ended June 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)

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱61,608,767	₱74,947,731
Time deposits (Note 6)	17,484,112	24,473,541
Investments held for trading and sale (Note 7)	3,876,661	3,456,752
Receivables (Notes 8 and 24)	30,817,494	31,346,702
Merchandise inventories - at cost (Note 21)	26,390,844	25,825,290
Other current assets (Note 9)	60,758,654	59,044,139
Total Current Assets	200,936,532	219,094,155
Noncurrent Assets		
Available-for-sale investments (Note 10)	20,515,232	18,675,233
Investments in associate companies and joint ventures (Note 11)	229,129,223	181,228,512
Time deposits (Notes 6 and 24)	49,022,104	42,041,227
Property and equipment (Note 12)	20,660,304	20,950,217
Investment properties (Note 13)	279,137,748	270,146,508
Land and development (Note 14)	31,829,201	23,825,558
Intangibles (Note 15)	25,651,500	25,711,767
Deferred tax assets (Note 22)	2,617,676	2,527,745
Other noncurrent assets (Note 15)	56,783,278	57,261,459
Total Noncurrent Assets	715,346,266	642,368,226
	₱916,282,798	₱861,462,381
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 16 and 23)	₱22,784,570	₱13,987,765
Accounts payable and other current liabilities (Note 17)	83,883,942	89,259,033
Income tax payable	2,427,579	2,683,715
Current portion of long-term debt (Notes 18 and 23)	59,906,366	25,601,582
Dividends payable	3,191,804	3,302,828
Total Current Liabilities	172,194,261	134,834,923
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 18, 23 and 24)	278,559,095	280,254,227
Deferred tax liabilities (Note 22)	8,221,586	7,888,395
Tenants' deposits and others (Note 24)	29,224,699	23,737,574
Total Noncurrent Liabilities	316,005,380	311,880,196
Total Liabilities	488,199,641	446,715,119

(Forward)

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Equity Attributable to Owners of the Parent		
Capital stock (Note 19)	₱12,045,829	₱12,045,829
Additional paid-in capital (Note 19)	76,357,877	76,347,229
Equity adjustments from common control transactions (Note 19)	(5,424,455)	(5,424,455)
Cost of Parent common shares held by subsidiaries	(25,386)	(25,386)
Cumulative translation adjustment	944,234	1,216,718
Net unrealized gain on available-for-sale investments	12,471,293	10,780,430
Re-measurement gain on defined benefit asset/obligation	34,895	34,895
Retained earnings (Note 19)		
Appropriated	36,000,000	36,000,000
Unappropriated	176,740,643	169,508,122
Total Equity Attributable to Owners of the Parent	309,144,930	300,483,382
Non-controlling Interests	118,938,227	114,263,880
Total Equity	428,083,157	414,747,262
	₱916,282,798	₱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)*

	Six-Month Periods Ended June 30	
	2017	2016
	(Unaudited)	(Unaudited)
REVENUE		
Sales:		
Merchandise	₱131,610,595	₱124,327,892
Real estate	13,710,962	13,119,810
Rent	20,502,464	18,165,809
Equity in net earnings of associate companies and joint ventures	7,851,859	7,564,469
Cinema ticket sales, amusement and others	3,275,319	3,270,287
Dividend, management fees and others	4,609,414	3,219,519
	181,560,613	169,667,786
COST AND EXPENSES		
Cost of sales:		
Merchandise (Note 21)	97,294,915	92,285,029
Real estate	7,020,122	7,001,812
Selling, general and administrative expenses	40,809,214	37,239,752
	145,124,251	136,526,593
OTHER INCOME (CHARGES)		
Interest expense	(6,595,074)	(5,506,807)
Interest income	1,972,656	1,658,770
Gain on fair value changes on derivatives - net	16,827	33,085
Foreign exchange gain and others	760,773	78,085
	(3,844,818)	(3,736,867)
INCOME BEFORE INCOME TAX	32,591,544	29,404,326
PROVISION FOR INCOME TAX		
Current	6,274,644	5,664,186
Deferred	194,837	99,065
	6,469,481	5,763,251
NET INCOME	₱26,122,063	₱23,641,075
Attributable to		
Owners of the Parent	₱16,592,130	₱15,217,983
Non-controlling interests	9,529,933	8,423,092
	₱26,122,063	₱23,641,075
Basic/Diluted Earnings Per Common Share		
Attributable to Owners of the Parent (Note 25)	₱13.77	₱12.63

See accompanying notes to Interim Condensed Consolidated Financial Statements.

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

	Three-Month Periods Ended June 30	
	2017	2016
	(Unaudited)	(Unaudited)
REVENUE		
Sales:		
Merchandise	₱70,255,687	₱66,780,628
Real estate	7,738,231	7,519,668
Rent	10,424,885	9,227,945
Equity in net earnings of associate companies and joint ventures	4,359,643	4,324,981
Cinema ticket sales, amusement and others	1,582,701	1,782,627
Dividend, management fees and others	2,726,034	1,607,713
	97,087,181	91,243,562
COST AND EXPENSES		
Cost of sales:		
Merchandise	52,263,693	49,699,012
Real estate	3,878,021	4,052,468
Selling, general and administrative expenses	21,376,145	19,782,219
	77,517,859	73,533,699
OTHER INCOME (CHARGES)		
Interest expense	(3,169,015)	(2,803,794)
Interest income	940,551	842,227
Gain on fair value changes on derivatives - net	301	33,085
Foreign exchange gain (loss) and others	202,885	(19,134)
	(2,025,278)	(1,947,616)
INCOME BEFORE INCOME TAX	17,544,044	15,762,247
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	3,285,391	3,141,496
Deferred	126,036	(74,982)
	3,411,427	3,066,514
NET INCOME	₱14,132,617	₱12,695,733
Attributable to		
Owners of the Parent	₱8,897,824	₱8,109,421
Non-controlling interests	5,234,793	4,586,312
	₱14,132,617	₱12,695,733
Basic/Diluted Earnings Per Common Share		
Attributable to Owners of the Parent	₱7.39	₱6.73

See accompanying notes to Interim Condensed Consolidated Financial Statements.

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

	Six-Month Periods Ended June 30	
	2017	2016
	(Unaudited)	(Unaudited)
NET INCOME	₱26,122,063	₱23,641,075
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will be reclassified to profit or loss in subsequent periods		
Net unrealized gain on available-for-sale investments	1,280,207	1,612,503
Share in unrealized gain on available-for-sale investments of associates - net	274,503	510,339
Cumulative translation adjustment	(518,389)	(952,249)
Income tax relating to items to be reclassified to profit or loss in subsequent periods	(48,425)	389,858
	987,896	1,560,451
TOTAL COMPREHENSIVE INCOME	₱27,109,959	₱25,201,526
Attributable to		
Owners of the Parent	₱18,010,509	₱16,631,354
Non-controlling interests	9,099,450	8,570,172
	₱27,109,959	₱25,201,526

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Three-Month Periods Ended June 30	
	2017	2016
	(Unaudited)	(Unaudited)
NET INCOME	₱14,132,617	₱12,695,733
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will be reclassified to profit or loss in subsequent periods		
Net unrealized gain (loss) on available-for-sale investments	77,976	2,728,422
Share in unrealized gain on available-for-sale investments of associates - net	(291,538)	322,813
Cumulative translation adjustment	(98,855)	(307,634)
Income tax relating to items to be reclassified to profit or loss in subsequent periods	(35,541)	(620,251)
	(347,958)	2,123,350
TOTAL COMPREHENSIVE INCOME	₱13,784,659	₱14,819,083
Attributable to		
Owners of the Parent	₱8,681,889	₱9,836,597
Non-controlling interests	5,102,770	4,982,486
	₱13,784,659	₱14,819,083

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	-	-	-	-	-	-	-	-	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
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	-	-	-	-	(595,759)	2,009,130	-	-	15,217,983	15,217,983	8,423,092	23,641,075
Other comprehensive income	-	-	-	-	-	-	-	-	-	1,413,371	147,080	1,560,451
Total comprehensive income	-	-	-	-	(595,759)	2,009,130	-	-	15,217,983	16,631,354	8,570,172	25,201,526
Common control transactions	-	-	(1,679)	-	-	-	-	-	-	(1,679)	-	(1,679)
Cash dividends - P10.63 per share	-	-	-	-	-	-	-	-	(8,536,467)	(8,536,467)	-	(8,536,467)
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,031,423)	(4,031,423)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(41,916)	(41,916)
As at June 30, 2016 (Unaudited)	P8,030,554	P76,399,625	(P5,220,549)	(P25,386)	P461,992	P14,733,490	P248,532	P36,000,000	P157,537,076	P288,165,334	P108,532,601	P396,697,935

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Six-Month Periods Ended June 30	
	2017	2016
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱32,591,544	₱29,404,326
Adjustments for:		
Equity in net earnings of associate companies and joint ventures	(7,851,859)	(7,564,469)
Interest expense	6,595,074	5,506,807
Depreciation and amortization (Notes 12, 13 and 15)	6,863,444	6,248,042
Interest income	(1,972,656)	(1,658,770)
Dividend, management fees and others	(110,860)	(94,722)
Unrealized foreign exchange loss and others	(187,667)	94,782
Gain on fair value changes on derivatives - net	(16,827)	(33,085)
Income before working capital changes	35,910,193	31,902,911
Decrease (increase) in:		
Receivables	1,031,452	1,228,171
Merchandise inventories	(565,554)	(2,634,782)
Other current assets	4,716,937	5,073,990
Land and development	(17,325,981)	(6,709,950)
Increase (decrease) in:		
Accounts payable and other current liabilities	(7,971,850)	(11,117,731)
Tenants' deposits and others	5,438,743	1,538,262
Net cash generated from operations	21,233,940	19,280,871
Income tax paid	(6,535,635)	(5,921,202)
Net cash provided by operating activities	14,698,305	13,359,669
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Available-for-sale and held for trading investments	5,000	1,872,451
Property and equipment	99,751	242,937
Investment properties	291,835	-
Proceeds from maturity of available-for-sale investments	318,332	-
Additions to:		
Investment properties (Note 13)	(11,712,930)	(13,441,574)
Property and equipment (Note 12)	(2,125,383)	(2,535,320)
Available-for-sale and held for trading investments	-	(2,156,646)
Investments in associate companies and joint ventures	(41,984,637)	(188,050)
Decrease (increase) in:		
Time deposits	855,456	270,808
Other noncurrent assets	2,640,746	(4,793,743)
Dividends received	2,375,966	2,084,149
Interest received	2,048,432	1,663,195
Net cash used in investing activities	(47,187,432)	(16,981,793)

(Forward)

	Six-Month Periods Ended June 30	
	2017	2016
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of:		
Long-term debt	₱34,506,771	₱31,795,532
Bank loans	32,112,718	2,216,000
Payments of:		
Long-term debt	(4,341,914)	(30,097,993)
Bank loans	(23,315,913)	(5,053,433)
Interest	(6,396,022)	(6,648,848)
Dividend	(13,833,696)	(12,460,989)
Net cash provided by (used in) financing activities	18,731,944	(20,249,731)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,757,183)	(23,871,855)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	418,219	(236,006)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 5)	74,947,731	58,282,731
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	₱61,608,767	₱34,174,870

See accompanying notes to Interim Condensed Consolidated Financial Statements.

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

1. Corporate Information

SM Investments Corporation (SMIC or Parent Company) was incorporated in the Philippines on January 15, 1960. On June 3, 2009, the Philippine Securities and Exchange Commission (SEC) approved the amendment of 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 August 9, 2017.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The interim condensed consolidated financial statements of the Group have been prepared on 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, 2017 and for the six-month periods ended June 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 June 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.

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.

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

Six-Month Period Ended June 30, 2017 (Unaudited)					
	Property	Retail	Financial Services and Others	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Revenue:					
External customers	P40,122,831	P134,496,411	P6,941,371	P-	P181,560,613
Inter-segment	5,565,069	1,363	976,449	(6,542,881)	-
	P45,687,900	P134,497,774	P7,917,820	(P6,542,881)	P181,560,613
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	P15,721,524	P5,751,097	P3,968,260	P681,182	P26,122,063
Net income attributable to:					
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
Six-Month Period Ended June 30, 2016 (Unaudited)					
	Property	Retail	Financial Services and Others	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Revenue:					
External customers	P36,008,111	P126,815,386	P6,844,289	P-	P169,667,786
Inter-segment	5,458,882	259	735,696	(6,194,837)	-
	P41,466,993	P126,815,645	P7,579,985	(P6,194,837)	P169,667,786
Income before income tax	P16,979,779	P7,690,439	P3,679,526	P1,054,582	P29,404,326
Provision for income tax	(3,391,970)	(2,265,864)	(47,121)	(58,296)	(5,763,251)
Net income	P13,587,809	P5,424,575	P3,632,405	P996,286	P23,641,075
Net income attributable to:					
Owners of the Parent	P13,289,629	P4,895,533	P3,632,405	(P6,599,584)	P15,217,983
Non-controlling interests	298,180	529,042	-	7,595,870	8,423,092

5. Cash and Cash Equivalents

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Cash on hand and in banks (Note 20)	₱7,876,288	₱8,260,508
Temporary investments (Note 20)	53,732,479	66,687,223
	₱61,608,767	₱74,947,731

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

6. Time Deposits

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Current	₱17,484,112	₱24,473,541
Noncurrent	49,022,104	42,041,227
	₱66,506,216	₱66,514,768

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

7. Investments Held for Trading and Sale

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Investments held for trading - Bonds	₱295,555	₱296,596
AFS investments (Note 10):		
Bonds and corporate notes	2,919,160	2,495,550
Shares of stock - Listed	661,946	664,606
	3,581,106	3,160,156
	₱3,876,661	₱3,456,752

8. Receivables

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
<i>(In Thousands)</i>		
Trade:		
Real estate buyers	P 38,458,342	P34,702,526
Third-party tenants	6,150,680	6,390,291
Related-party tenants (Note 20)	565,994	582,146
Others	14,219	143,754
Due from related parties (Note 20)	291,051	631,342
Management and service fees (Note 20)	185,021	303,340
Dividends (Note 20)	69,307	87,273
Total	45,734,614	42,840,672
Less allowance for impairment loss	1,031,509	967,343
	44,703,105	41,873,329
Less noncurrent receivables from real estate buyers (Note 15)	13,885,611	10,526,627
	P 30,817,494	P31,346,702

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:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
<i>(In Thousands)</i>		
Land and development (Note 14)	P 29,666,530	P27,228,525
Prepaid taxes and other prepayments	8,388,120	7,881,610
Advances and deposits	7,229,334	6,797,245
Condominium and residential units for sale	6,049,576	5,241,346
Non-trade receivables	3,186,295	3,605,983
Input tax	2,027,311	2,281,727
Derivative asset	1,747,486	-
Receivable from banks	1,003,016	3,365,644
Notes receivable (Notes 15 and 20)	-	981,435
Accrued interest receivable (Note 20)	535,599	611,375
Escrow fund (Note 20)	164,199	209,974
Others	761,188	839,275
	P 60,758,654	P59,044,139

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.

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of year	₱5,241,346	₱8,294,523
Transfer from land and development (Note 14)	2,314,134	3,516,449
Recognized as cost of real estate sold	(1,541,328)	(6,537,177)
Adjustment to cost	35,424	(32,449)
Balance at end of period	₱6,049,576	₱5,241,346

10. Available-for-sale Investments

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Shares of stock:		
Listed	₱19,387,868	₱16,864,874
Unlisted	61,405	61,405
Bonds and corporate notes	4,631,645	4,893,300
Club shares	15,420	15,810
	24,096,338	21,835,389
Less current portion (Note 7)	3,581,106	3,160,156
	₱20,515,232	₱18,675,233

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 ₱47.9 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>									
Cost									
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	220,382	89,818	292,222	318,788	271,002	637,673	15,844	279,654	2,125,383
Reclassifications	47,955	123,638	138,175	(127,886)	214,494	266,886	(287,780)	(376,039)	(557)
Disposals/retirements	–	(198,447)	(2,418)	(24,974)	(340)	(12,456)	(2,525)	(95,672)	(336,832)
As at June 30, 2017 (Unaudited)	₱12,245,734	₱3,060,789	₱6,737,161	₱8,528,990	₱7,427,536	₱16,426,204	₱821,110	₱1,016,741	₱56,264,265
Accumulated Depreciation and Amortization									
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	404,204	167,200	293,642	375,481	364,650	695,539	29,321	–	2,330,037
Reclassifications	(752)	–	56,348	(124,624)	129,089	32,624	(106,222)	–	(13,537)
Disposals/retirements	–	(198,447)	(1,696)	(23,490)	(271)	(12,164)	(2,525)	–	(238,593)
As at June 30, 2017 (Unaudited)	₱4,662,693	₱2,012,449	₱5,294,704	₱5,539,192	₱5,110,992	₱12,372,143	₱611,788	₱–	₱35,603,961
Net Book Value									
As at June 30, 2017 (Unaudited)	₱7,583,041	₱1,048,340	₱1,442,457	₱2,989,798	₱2,316,544	₱4,054,061	₱209,322	₱1,016,741	₱20,660,304
As at December 31, 2016 (Audited)	7,718,156	1,002,084	1,362,772	3,051,237	2,324,856	3,877,957	404,357	1,208,798	20,950,217

13. Investment Properties

The movements in this account follow:

	Land and Improvements	Buildings and Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
<i>(In Thousands)</i>					
Cost					
As at December 31, 2015	₱65,246,048	₱175,926,710	₱29,094,102	₱32,295,808	₱302,562,668
Effect of common control business combination	34,819	–	102,634	–	137,453
Additions	5,860,299	7,008,421	3,584,292	10,316,258	26,769,270
Reclassifications	(1,521,882)	21,479,585	354,248	(17,633,329)	2,678,622
Translation adjustment	(18,575)	(271,994)	(30,711)	(162,890)	(484,170)
Disposals	(199,387)	(10,535)	(29,063)	(354,798)	(593,783)
As at December 31, 2016 (Audited)	69,401,322	204,132,187	33,075,502	24,461,049	331,070,060
Additions	1,807,925	1,485,601	1,257,175	7,162,229	11,712,930
Reclassifications	806,259	5,436,555	352,952	(6,085,286)	510,480
Translation adjustment	42,029	1,365,641	107,622	119,895	1,635,187
Disposals	(11,194)	(206,257)	(9,576)	–	(227,027)
As at June 30, 2017 (Unaudited)	₱72,046,341	₱212,213,727	₱34,783,675	₱25,657,887	₱344,701,630
Accumulated Depreciation, Amortization and Impairment Loss					
As at December 31, 2015	₱1,666,642	₱34,608,274	₱16,704,250	₱–	₱52,979,166
Effect of common control business combination	20,972	89,402	–	–	110,374
Depreciation and amortization	205,701	5,367,781	2,471,626	–	8,045,108
Reclassifications	(53,910)	84,058	(67,645)	–	(37,497)
Translation adjustment	(5,838)	(42,624)	(13,615)	–	(62,077)
Disposals	(78,986)	(10,535)	(22,001)	–	(111,522)
As at December 31, 2016 (Audited)	1,754,581	40,096,356	19,072,615	–	60,923,552
Depreciation and amortization	89,785	3,070,931	1,312,424	–	4,473,140
Reclassifications	–	847	–	–	847
Translation adjustment	20,530	164,687	49,912	–	235,129
Disposals	(11,194)	(48,722)	(8,870)	–	(68,786)
As at June 30, 2017	₱1,853,702	₱43,284,099	₱20,426,081	₱–	₱65,563,882
Net Book Value					
As at June 30, 2017 (Unaudited)	₱70,192,639	₱168,929,628	₱14,357,594	₱25,657,887	₱279,137,748
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 June 30, 2017 pertains to construction costs incurred for SM Puerto Princesa, SM Center Tuguegarao Downtown, SM Lemery and SM Pulilan and the ongoing redevelopment of SM Mall of Asia.

Interest capitalized to the construction of investment properties amounted to ₱1,230.0 million and ₱2,921.0 million as at June 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:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of year	₱51,054,083	₱47,201,323
Development cost incurred	8,854,406	12,800,026
Cost of real estate sold	(5,478,794)	(6,659,341)
Transfer to condominium and residential units for sale (Note 9)	(2,314,134)	(3,516,449)
Land acquisition	8,471,575	1,145,980
Borrowing cost capitalized	330,068	37,060
Transfer from (to) investment property	581,537	-
Transfer from (to) property and equipment and others	(3,010)	45,484
Balance at end of period	61,495,731	51,054,083
Less current portion (Note 9)	29,666,530	27,228,525
	₱31,829,201	₱23,825,558

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

15. Intangibles and Other Noncurrent Assets

Intangible Assets

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Goodwill	₱17,398,491	₱17,398,491
Less accumulated impairment loss	91,620	91,620
Net book value	17,306,871	17,306,871
Trademarks and brand names	8,344,629	8,404,896
	₱25,651,500	₱25,711,767

Other Noncurrent Assets

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Deposits and advance rentals	₱15,173,897	₱17,767,510
Receivables from real estate buyers (Note 8)	13,885,611	10,526,627
Land use rights	10,484,043	9,727,575
Long-term notes (Notes 20 and 24)	7,605,451	6,876,128
Derivative assets (Note 24)	3,873,100	6,757,361
Deferred input VAT	2,604,641	2,544,100
Defined benefit asset	660,670	629,658
Escrow fund (Note 20)	132,460	132,460
Others	2,363,405	2,300,040
	₱56,783,278	₱57,261,459

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

16. Bank Loans

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Parent Company:		
U.S. dollar-denominated	₱-	₱2,983,200
Peso-denominated	7,200,000	4,800,000
Subsidiaries:		
Peso-denominated	15,584,570	6,204,565
	₱22,784,570	₱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 3.8% and 2.5% to 3.0% in 2017 and 2016, respectively.

17. Accounts Payable and Other Current Liabilities

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
<i>(In Thousands)</i>		
Trade	₱49,746,939	₱54,189,536
Accrued expenses	11,994,071	12,083,636
Nontrade payables	6,824,920	5,825,072
Tenants and customers' deposits	5,236,875	5,938,921
Payable arising from acquisition of land	3,219,858	3,067,669
Payable to government agencies	2,422,097	2,949,740
Accrued interest payable (Note 20)	2,502,853	2,335,604
Due to related parties (Note 20)	395,377	708,767
Gift checks redeemable and others	1,540,952	2,160,088
	₱83,883,942	₱89,259,033

18. Long-term Debt

This account consists of:

	Availment	Maturity	Interest rate/Term	Security	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
<i>(In Thousands)</i>						
Parent Company						
U.S. dollar-denominated	October 13, 2010 - May 4, 2017	October 13, 2017 - June 10, 2024	Fixed 4.2%-5.5%; Floating six-month LIBOR + margin; semi-annual	Unsecured	₱84,435,791	₱75,660,072
Peso-denominated	July 16, 2012 - May 25, 2017	January 14, 2019 - June 20, 2024	Fixed 4.4%-6.9%; PDST-R2 + margin; semi-annual and quarterly	Unsecured	68,823,870	66,327,220
Subsidiaries						
U.S. dollar-denominated	December 7, 2012 - May 8, 2017	August 30, 2017 - March 27, 2022	LIBOR + spread; semi- annual	Unsecured	56,457,444	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	1,044,882	524,743
Peso-denominated	January 12, 2012 - May 18, 2017	January 13, 2017 - July 26, 2026	Fixed 3.1%-6.7%; PDST-R2 + margin; semi-annual and quarterly	Unsecured	129,584,472	109,920,285
					340,346,459	307,673,492
Less debt issue cost					1,880,998	1,817,683
					338,465,461	305,855,809
Less current portion					59,906,366	25,601,582
					₱278,559,095	₱280,254,227

LIBOR – London Interbank Offered Rate

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

CBC – Central Bank of China

Repayment Schedule

The repayment schedule of long-term debt as at June 30, 2017 follows:

	Gross Debt	Debt Issue Cost	Net Debt
	<i>(In Thousands)</i>		
Within 1 year	₱ 60,037,053	₱ 130,687	₱59,906,366
More than 1 year to 5 years	171,919,016	1,175,255	170,743,761
More than 5 years	108,390,390	575,056	107,815,334
	₱340,346,459	₱1,880,998	₱338,465,461

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

As at June 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 June 30, 2017 and December 31, 2016 is 1,247 and 1,244, respectively.

b. Redeemable preferred shares

	Number of shares	
	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Authorized - ₱10 par value per share	10,000,000	10,000,000

There are no issued and subscribed preferred shares as at June 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 June 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
		₱36,000,000

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>
April 26, 2017	May 11, 2017	May 25, 2017	₱7.77	₱9,359,609
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 ₱167,317.0 million and ₱154,730.7 million as at June 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
	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)		
<i>(In Thousands)</i>						
Banking Group						
Cash placement and investment in marketable securities			110,283,909	130,427,891	Interest-bearing	Unsecured; no impairment
Interest receivable			369,895	431,533	Interest-bearing	Unsecured; no impairment
Interest income	1,239,627	1,175,757				
Interest-bearing debt			18,141,266	9,831,165	Interest-bearing	Unsecured
Interest payable			49,962	36,915	Interest-bearing	Unsecured
Interest expense	314,939	237,834				
Rent receivable			112,885	110,669	Noninterest-bearing	Unsecured; no impairment
Rent income	421,371	374,061				
Dividend receivable			2,587	2,162	Noninterest-bearing	Unsecured; no impairment
Management and service fee receivable			28,376	31,905	Noninterest-bearing	Unsecured; no impairment
Management and service fee income	4,081	946				
Escrow fund			294,199	339,974	Interest-bearing 1.4% to 1.6%	Unsecured; no impairment
Retail and Other Entities						
Rent receivable			453,109	471,477	Noninterest-bearing	Unsecured; no impairment
Rent income	775,817	721,203				
Management and service fee receivable			135,036	218,757	Noninterest-bearing	Unsecured; no impairment
Management and service fee income	200,676	177,506				
Dividend receivable			-	24,000	Noninterest-bearing	Unsecured; no impairment
Due from related parties			291,051	631,342	Noninterest-bearing	Unsecured; no impairment
Due to related parties			395,377	708,767	Noninterest-bearing	Unsecured
Interest receivable			10,498	35,760	Interest-bearing	Unsecured; no impairment
Interest income	97,944	129,400				
Notes receivable			7,605,451	7,857,563	Interest-bearing	Unsecured; no impairment

Terms and Conditions of Transactions with Related Parties

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

21. Cost of Merchandise Sales

This account consists of:

	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
	<i>(In Thousands)</i>	
Merchandise inventories at beginning of year	₱25,825,290	₱21,589,701
Purchases	97,860,469	94,919,811
Total goods available for sale	123,685,759	116,509,512
Less merchandise inventories at end of period	26,390,844	24,224,483
	₱97,294,915	₱92,285,029

22. Income Tax

Deferred tax assets of ₱2,617.7 million and ₱2,527.7 million as at June 30, 2017 and December 31, 2016, respectively, consist of the tax effects of unrealized gain on inter-company sale of investment properties, unamortized past service cost and defined benefit liability, provision for doubtful accounts and others, accrued leases, MCIT, deferred rent expense and NOLCO.

Deferred tax liabilities of ₱8,221.6 million and ₱7,888.4 million as at June 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.

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 June 30, 2017 and December 31, 2016, after taking into account the effect of the swaps, approximately 77.1% 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 June 30, 2017, the Group's foreign currency-denominated assets and liabilities amounted to ₱79,362.6 million (\$1,572.5 million) and ₱90,657.5 million (\$1,793.8 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 June 30, 2017 and December 31, 2016, approximately 39.1% 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.

	June 30, 2017	December 31, 2016
Philippine Peso to U.S. Dollar	₱50.47	₱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 June 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:

	June 30, 2017	December 31, 2016
Gross	54%	52%
Net	43%	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:

	June 30, 2017 (Unaudited)				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
Assets Measured at Fair Value					
Financial assets at FVPL -					
Derivative assets	₱3,873,100	₱3,873,100	₱-	₱3,873,100	₱-
Assets for which Fair Values are Disclosed					
Loans and receivables:					
Time deposits - noncurrent portion	49,022,104	52,104,373	-	-	52,104,373
Receivables - net (including noncurrent portion of receivables from real estate buyers)	44,703,105	44,542,279	-	-	44,542,279
Long-term notes (included under "Other noncurrent assets" account in the consolidated balance sheet)	7,605,478	10,069,431	-	-	10,069,431
	101,330,687	106,716,083	-	-	106,716,083
	₱105,203,787	₱110,589,183	₱-	₱3,873,100	₱106,716,083

June 30, 2017 (Unaudited)					
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
Liabilities Measured at Fair Value					
Financial liabilities at FVPL -					
Derivative liabilities	P-	P-	P-	P-	P-
Liabilities for which Fair Values are Disclosed					
Other Financial Liabilities:					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	278,559,095	287,205,397	-	-	287,205,397
Tenants' deposits and others*	26,978,859	26,574,948	-	-	26,574,948
	305,537,954	313,780,345	-	-	313,780,345
	P305,537,954	P313,780,345	P-	P-	P313,780,345

*Excluding nonfinancial liabilities amounting to P1,919.0 million.

December 31, 2016 (Audited)					
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
Assets Measured at Fair Value					
Financial assets at FVPL -					
Derivative assets	P6,757,361	P6,757,361	P-	P6,757,361	P-
Assets for which Fair Values are Disclosed					
Loans and receivables:					
Time deposits - noncurrent portion	42,041,227	45,124,026	-	-	45,124,026
Receivables - net (including noncurrent portion of receivables from real estate buyers)	41,873,329	41,496,950	-	-	41,496,950
Long-term notes (included under "Other noncurrent assets" account in the consolidated balance sheet)	6,876,128	7,160,804	-	-	7,160,804
	90,790,684	93,781,780	-	-	93,781,780
	P97,548,045	P100,539,141	P-	P6,757,361	P93,781,780

Liabilities Measured at Fair Value					
Financial liabilities at FVPL -					
Derivative liabilities	P9,931	P9,931	P-	P9,931	P-
Liabilities for which Fair Values are Disclosed					
Other Financial Liabilities:					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	280,254,227	290,118,678	-	-	290,118,678
Tenants' deposits and others*	21,518,256	20,841,472	-	-	20,841,472
	301,772,483	310,960,150	-	-	310,960,150
	P301,782,414	P310,970,081	P-	P9,931	P310,960,150

*Excluding nonfinancial liabilities amounting to P1,624.9 million.

There were no transfers into and out of Levels 1, 2 and 3 fair value measurements as at June 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	₱9,084,600
SM Prime:		
Unsecured loan	250,000	12,617,500
Unsecured advances	150,000	7,570,500

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	₱488,194	
60,000	2,478,000	-	6M US LIBOR + 170 bps	4.0%	41.30	-	May 15, 2018	579,307	
70,000	2,888,200	-	6M US LIBOR + 170 bps	4.0%	41.26	-	May 15, 2018	679,986	
SM Prime:									
200,000	8,134,000	-	6M US LIBOR + 170 bps	3.7%	40.67	-	January 29, 2018	2,036,382	
150,000	6,165,000	-	6M US LIBOR + 170 bps	3.9%	41.10	-	March 25, 2018	1,462,715	
25,000	-	¥172,100	3M US LIBOR + 100 bps	5.4%	-	¥6.884	March 25, 2022	(43,454)	
25,000	-	172,300	3M US LIBOR + 100 bps	5.4%	-	6.892	March 25, 2022	(45,236)	

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	₱7,570,500	6.528-6.569	March 23, 2018	₱145,621
Principal only	270,000	13,431,440	6.458-6.889	January 29, 2021	138,365

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

25. **EPS Computation**

	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
	<i>(In Thousands Except Per Share Data)</i>	
Net income attributable to owners of the Parent (a)	₱16,592,130	₱15,217,983
Weighted average number of common shares outstanding (b)	1,204,583	1,204,583
EPS (a/b)	₱13.77	₱12.63

PART 1 FINANCIAL INFORMATION

Item 2. Management Discussion and Analysis or Plan of Operation

Results of Operation

For the Six Months Ended June 30, 2017 and 2016

(amounts in billion pesos)

Accounts	06 / 30 / 2017	Restated 06 / 30 / 2016	% Change
Revenue	P 181.5	P 169.6	7.0%
Cost and Expenses	145.1	136.5	6.3%
Income from Operations	36.4	33.1	9.9%
Other Charges	3.8	3.7	2.9%
Provision for Income Tax	6.5	5.8	12.3%
Non-controlling Interests	9.5	8.4	13.1%
Net Income Attributable to Owners of the Parent	P 16.6	P 15.2	9.0%

SM Investments Corporation and Subsidiaries (the Group) reported P16.6 billion *Net Income Attributable to Owners of the Parent*, 9.0% higher than 2016, and P181.5 billion *Revenues*, 7.0% higher than 2016.

Income from Operations increased by 9.9% to P36.4 billion from P33.1 billion in 2016. Operating Margin and Net Margin is at 20.1% and 14.4%, respectively.

The ratio of *Non-Food* to *Food* sales in 2017 and 2016 is 48:52 and 49:51, respectively.

As of June 30, 2017, *SM Retail* had 2,072 stores nationwide, namely: 58 *SM Stores*, 50 *SM Supermarkets*, 170 *Savemore* stores, 44 *SM Hypermarkets*, 41 *WalterMart* stores and 1,709 Specialty stores.

Real Estate Sales increased by 4.5% to P13.7 billion from P13.1 billion in 2016 due primarily to higher construction accomplishment of projects launched from 2014 to 2015 namely, *Shore 2 Residences* in Pasay, *Air Residences* in Makati, *Cool Residences* in Tagaytay, *Fame Residences* in Mandaluyong, *Trees Residences* (Ph2) in Fairview and *South Residences* in Las Piñas and continued increase in sales take-up of Ready-for-Occupancy (RFO) projects due to strong demand.

Real Estate Gross Margin improved to 48.8% from 46.6% in 2016. This is attributable to efficient management and tighter monitoring and control of construction costs.

Rent Revenue, derived mainly from the mall operations of SM Prime Holdings, Inc. (SM Prime), increased by 12.9% to P20.5 billion from P18.2 billion in 2016. The increase in *Rent Revenue* is primarily due to the new malls which opened in 2015, 2016 and 2017, namely, *SM Seaside City Cebu*, *SM City East Ortigas*, *SM City Cabanatuan*, *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 June 30, 2017, *SM Prime* had 63 malls in the Philippines and 7 malls in China.

Dividend, Management Fees and Others increased by 43.2% to P4.6 billion from P3.2 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 for 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 9.6% to P40.8 billion from P37.2 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 2.9% to P3.8 billion from P3.7 billion in 2016. *Other Charges* consist mainly of *Interest Expense* which increased by 19.8% to P6.6 billion from P5.5 billion in 2016, *Interest Income* which increased by 18.9% to P2.0 billion from P1.7 billion in 2016, and *Foreign Exchange Gains and Others* which increased to P0.8 billion from P0.1 billion in 2016.

Provision for Income Tax increased by 12.3% to P6.5 billion from P5.8 billion in 2016 due to higher taxable income. The effective income tax rate is 19.9% in 2017 and 19.6% in 2016.

Non-controlling Interests increased by 13.1% to P9.5 billion in 2017 from P8.4 billion in 2016 due to the increase in net income of certain partly-owned subsidiaries.

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

Accounts	06 / 30 / 2017	12 / 31 / 2016	% Change
Current Assets	P 201.0	P 219.1	-8.3%
Noncurrent Assets	715.3	642.4	11.4%
Total Assets	P 916.3	P 861.5	6.4%
Current Liabilities	P 172.2	P 134.8	27.7%
Noncurrent Liabilities	316.0	311.9	1.3%
Total Liabilities	488.2	446.7	9.3%
Total Equity	428.1	414.8	3.2%
Total Liabilities and Equity	P 916.3	P 861.5	6.4%

Total *Assets* increased by 6.4% to P916.3 billion from P861.5 billion in 2016. On the other hand, total *Liabilities* increased by 9.3% to P488.2 billion from P446.7 billion in 2016.

Current Assets

Current Assets decreased by 8.3% to P201.0 billion from P219.1 billion in 2016.

Cash and Cash Equivalents decreased by 17.8 % to P61.6 billion from P74.9 billion in 2016 due mainly to dividend payments of SMIC and SM Prime, additional investments in associate companies and payment of trade payables, net of SM Prime's retail bond proceeds.

Time Deposits decreased by 28.6% to P17.5 billion from P24.5 billion in 2016. This is attributable to deposits which matured during the period.

Investments Held for Trading and Sale increased by 12.1% to P3.9 billion from P3.5 billion in 2016 due mainly to reclassification of maturing bonds from noncurrent to current.

Noncurrent Assets

Noncurrent Assets increased by 11.4% to P715.3 billion from P642.4 billion in 2016.

AFS Investments increased by 9.9% to P20.5 billion from P18.7 billion in 2016 due mainly to the increase in market value of certain AFS investments.

Investments in Associate Companies and Joint Ventures increased by 26.4% to P229.1 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.

Time Deposits increased by 16.6% to P49.0 billion from P42.0 billion in 2016 due mainly to new investments.

Land and Development increased by 33.6% to P31.8 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 27.7% to P172.2 billion from P134.8 billion in 2016.

Bank Loans increased by 62.9% to P22.8 billion from P14.0 billion in 2016 due mainly to loan availments.

Current Portion of Long-term Debt increased by 134.0% to P59.9 billion from P25.6 billion in 2016 due mainly to maturing debts.

Accounts Payable and Other Current Liabilities decreased by 6.0% to P83.9 billion from P89.3 billion in 2016 due mainly to settlement of trade payables.

Income Tax Payable decreased by 9.5% to P2.4 billion from P2.7 billion in 2016 due mainly to payment of tax due.

Noncurrent Liabilities

Noncurrent Liabilities increased by 1.3% to P316.0 billion from P311.9 billion in 2016.

Long-term Debt - Net of Current Portion decreased by 0.6% to P278.6 billion from P280.3 billion in 2016 due mainly to reclassification of maturing debts to current, partially offset by new availments.

Tenants' Deposits and Others increased by 23.1% to P29.2 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 3.2% to P428.1 billion from P414.8 billion in 2016. The increase pertains mainly to the P16.6 billion net income in the first half of 2017 partially offset by the P9.4 billion dividend declaration, P4.7 billion increase in *Non-controlling Interests* and P1.7 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 June 30, 2017 and December 31, 2016 and for the periods ended June 30, 2017 and 2016:

	06 / 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%

	06 / 30 / 2017	06 / 30 / 2016
Revenue Growth	7.0%	9.1%
Net Income to Revenues	14.4%	13.9%
Net Income Growth	9.0%	10.3%
EBITDA (<i>in billions of Pesos</i>)	P43.3B	P39.4B
Interest Cover	6.6x	7.2x

Current ratio decreased to 1.2 from 1.6 in 2016 due mainly to the decrease in *Current Assets* of 8.3% coupled with an increase in *Current Liabilities* of 27.7%.

Gross debt-equity ratio slid to 54:46 in 2017 from 52:48 in 2016 due to higher increase in gross debt of 12.9% compared to increase in *Equity Attributable to Owners of the Parent* of only 2.9%.

Net Debt-equity ratio slid to 43:57 from 37:63 in 2016 due to the 31.2% increase in net debt from P174.8 billion to P229.3 billion in 2017 attributable mainly to higher gross debt and lower *Cash and Cash Equivalents*.

The drop in revenue growth to 7.0% from 9.1% in 2016 is attributable mainly to the lower growth of *Merchandise Sales* of 5.9% in 2017 compared with 9.5% in 2016.

The lower net income growth of 9.0% in 2017 from 10.3% in 2016 is attributable mainly to the lower growth in revenue in 2017 compared to 2016.

EBITDA increased by 9.9% to P43.3 billion from P39.4 billion in 2016 due mainly to the 9.9% increase in income from operations.

Interest cover decreased to 6.6x from 7.2x in 2016 due to 9.9% increase in EBITDA vs. 19.8% 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 Income to Revenue $\frac{\text{Net Income After Tax}}{\text{Total Revenues}}$
6. Net Income Growth $\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - 1}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
7. Return on Equity $\frac{\text{Net Income Attributable to Owners of the Parent (Annualized)}}{\text{Average Equity Attributable to Owners of the Parent}}$
8. EBITDA Income from Operations + Depreciation & Amortization
9. Interest Cover $\frac{\text{EBITDA}}{\text{Interest Expense}}$

Expansion Plans / Prospects for the Future

Property Group

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

Three new malls are scheduled to open in the second half of 2017. By yearend, SM Prime will have 66 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 second half of 2017, the Retail Group will be opening 1 *SM Store*, 1 *SM Supermarket*, 1 *Savemore* store, 1 *Hypermarket*, 5 *WalterMart* stores and 133 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

SM Investments Corporation and Subsidiaries

Aging of Accounts Receivable - Trade

As of June 30, 2017

(in Thousands)

Receivable from tenants		
Third-party tenants	P	6,150,680
Related-party tenants		565,994
Receivable from real estate buyers		
- net of non-current portion		24,572,731
Other trade receivable		<u>14,218</u>
Total	P	<u><u>31,303,623</u></u>

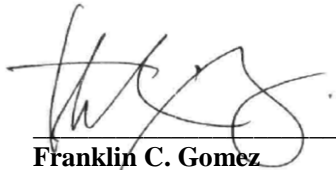
Aging:

Neither past due nor impaired	P	26,270,788
31-90 days		1,144,507
91-120 days		450,660
Over 120 days		2,406,159
Impaired		<u>1,031,509</u>
Total	P	<u><u>31,303,623</u></u>
Allowance for impairment loss	P	<u><u>1,031,509</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: 08-14-17