

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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Form Type

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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	Mobile Number
—	857-0100	—
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,254	04/25	09/30

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 th 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
3rd Quarter Report**

Form Type

Amendment Designation (If applicable)

September 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 **September 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. **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 Consolidated Financial Statements

As at September 30, 2018

**and for the Nine-Month Periods Ended September 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)**

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	P69,869,086	P74,318,190
Time deposits (Notes 6 and 24)	816,461	13,237,886
Investments held for trading and sale (Notes 7 and 10)	648,091	1,347,926
Receivables (Notes 8 and 24)	31,204,827	32,352,574
Merchandise inventories - at cost (Note 21)	32,224,861	27,778,741
Other current assets (Note 9)	66,848,947	63,478,186
Total Current Assets	201,612,273	212,513,503
Noncurrent Assets		
Available-for-sale investments (Note 10)	25,687,122	25,590,162
Investments in associate companies and joint ventures (Note 11)	253,712,950	242,114,427
Time deposits (Notes 6 and 24)	28,396,763	26,688,721
Property and equipment (Note 12)	21,474,843	21,339,407
Investment properties (Note 13)	305,423,172	289,018,265
Land and development (Note 14)	66,633,627	40,180,145
Intangibles (Note 15)	25,500,830	25,591,232
Deferred tax assets (Note 22)	2,531,803	2,489,814
Other noncurrent assets (Notes 15 and 24)	92,926,257	74,555,033
Total Noncurrent Assets	822,287,367	747,567,206
	P1,023,899,640	P960,080,709
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 16 and 20)	P24,101,543	P24,172,965
Accounts payable and other current liabilities (Note 17)	112,135,880	106,561,455
Income tax payable	2,245,760	1,883,871
Current portion of long-term debt (Notes 18 and 20)	11,048,781	40,297,133
Dividends payable	1,581,663	2,939,590
Total Current Liabilities	151,113,627	175,855,014
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 18, 20 and 24)	354,452,830	292,555,868
Deferred tax liabilities (Note 22)	8,342,372	8,029,579
Tenants' deposits and others (Note 24)	31,664,502	29,828,024
Total Noncurrent Liabilities	394,459,704	330,413,471
Total Liabilities	545,573,331	506,268,485

(Forward)

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Equity Attributable to Owners of the Parent		
Capital stock (Note 19)	₱12,045,829	₱12,045,829
Additional paid-in capital	76,735,541	76,439,288
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	2,114,574	1,402,623
Net unrealized gain on available-for-sale investments	12,027,743	15,324,123
Re-measurement loss on defined benefit asset/obligation	(701,255)	(701,255)
Retained earnings (Note 19):		
Appropriated	37,000,000	37,000,000
Unappropriated	208,369,049	192,071,968
Total Equity Attributable to Owners of the Parent	342,141,640	328,132,735
Non-controlling Interests	136,184,669	125,679,489
Total Equity	478,326,309	453,812,224
	₱1,023,899,640	₱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)**

	Nine-Month Periods Ended September 30	
	2018	2017
	(Unaudited)	(Unaudited)
REVENUE		
Sales:		
Merchandise	₱218,807,880	₱197,910,568
Real estate	24,911,036	20,132,684
Rent (Note 20)	34,658,237	30,802,549
Equity in net earnings of associate companies and joint ventures	13,074,026	12,064,364
Cinema ticket sales, amusement and others	5,346,094	4,639,292
Dividend, management fees and others	10,618,256	9,029,678
	307,415,529	274,579,135
COST AND EXPENSES		
Cost of sales:		
Merchandise (Note 21)	162,157,741	146,960,588
Real estate (Note 14)	12,579,503	10,382,973
Selling, general and administrative expenses	71,757,217	63,558,502
	246,494,461	220,902,063
OTHER INCOME (CHARGES)		
Interest expense	(11,466,235)	(10,422,064)
Interest income	2,705,482	2,954,438
Gain on fair value changes on derivatives - net	357,307	19,500
Foreign exchange gain and others	45,581	655,236
	(8,357,865)	(6,792,890)
INCOME BEFORE INCOME TAX	52,563,203	46,884,182
PROVISION FOR INCOME TAX		
Current	10,766,323	9,390,979
Deferred	(8,132)	156,553
	10,758,191	9,547,532
NET INCOME	₱41,805,012	₱37,336,650
Attributable to		
Owners of the Parent	₱26,174,647	₱23,792,692
Non-controlling interests	15,630,365	13,543,958
	₱41,805,012	₱37,336,650
Basic/Diluted Earnings Per Common Share		
Attributable to Owners of the Parent (Note 25)	₱21.73	₱19.75

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)**

	Three-Month Periods Ended September 30	
	2018	2017
	(Unaudited)	(Unaudited)
REVENUE		
Sales:		
Merchandise	₱73,817,042	₱66,299,973
Real estate	8,084,383	6,421,722
Rent	11,371,229	10,451,231
Equity in net earnings of associate companies and joint ventures	4,720,487	4,212,505
Cinema ticket sales, amusement and others	1,735,326	1,363,973
Dividend, management fees and others	2,770,000	2,649,885
	102,498,467	91,399,289
COST AND EXPENSES		
Cost of sales:		
Merchandise	55,078,053	49,062,703
Real estate	4,095,383	3,362,851
Selling, general and administrative expenses	23,807,274	21,735,627
	82,980,710	74,161,181
OTHER INCOME (CHARGES)		
Interest expense	(4,157,288)	(3,824,388)
Interest income	897,487	981,782
Gain on fair value changes on derivatives - net	148,982	2,673
Foreign exchange loss and others	(401,284)	(105,537)
	(3,512,103)	(2,945,470)
INCOME BEFORE INCOME TAX	16,005,654	14,292,638
PROVISION FOR INCOME TAX		
Current	3,456,594	3,116,335
Deferred	(188,803)	(38,284)
	3,267,791	3,078,051
NET INCOME	₱12,737,863	₱11,214,587
Attributable to		
Owners of the Parent	₱8,080,196	₱7,200,562
Non-controlling interests	4,657,667	4,014,025
	₱12,737,863	₱11,214,587
Basic/Diluted Earnings Per Common Share		
Attributable to Owners of the Parent	₱6.71	₱5.98

See accompanying notes to Interim Consolidated Financial Statements.

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

	Nine-Month Periods Ended September 30	
	2018	2017
	(Unaudited)	(Unaudited)
NET INCOME	P41,805,012	P37,336,650
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	(73,545)	3,815,269
Share in unrealized gain (loss) on available-for-sale investments of associates - net	(2,250,086)	458,465
Cumulative translation adjustment	824,616	(292,236)
Income tax relating to items to be reclassified to profit or loss in subsequent periods	(270,804)	(19,350)
	(1,769,819)	3,962,148
TOTAL COMPREHENSIVE INCOME	P40,035,193	P41,298,798
Attributable to		
Owners of the Parent	P23,590,218	P27,401,075
Non-controlling interests	16,444,975	13,897,723
	P40,035,193	P41,298,798

See accompanying Notes to Interim Consolidated Financial Statements.

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

	Three-Month Periods Ended September 30	
	2018	2017
	(Unaudited)	(Unaudited)
NET INCOME	P12,737,863	P11,214,587
OTHER COMPREHENSIVE INCOME		
Items that will be reclassified to profit or loss in subsequent periods		
Net unrealized gain on available-for-sale investments	2,167,365	2,535,062
Share in unrealized gain (loss) on available-for-sale investments of associates - net	(272,495)	183,962
Cumulative translation adjustment	145,018	226,153
Income tax relating to items to be reclassified to profit or loss in subsequent periods	(109,076)	29,075
	1,930,812	2,974,252
TOTAL COMPREHENSIVE INCOME	P14,668,675	P14,188,839
Attributable to		
Owners of the Parent	P8,917,237	P9,390,566
Non-controlling interests	5,751,438	4,798,273
	P14,668,675	P14,188,839

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										Non-controlling Interests	Total Equity
	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 (Loss) on Available-for-Sale Investments	Re-measurement Gain (Loss) on Defined Benefit Asset/Obligation	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total		
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	—	—	—	—	—	—	—	—	26,174,647	26,174,647	15,630,365	41,805,012
Other comprehensive income	—	—	—	—	711,951	(3,296,380)	—	—	—	(2,584,429)	814,610	(1,769,819)
Total comprehensive income	—	—	—	—	711,951	(3,296,380)	—	—	26,174,647	23,590,218	16,444,975	40,035,193
Sale of treasury shares held by a subsidiary	—	294,015	—	—	—	—	—	—	—	294,015	—	294,015
Acquisition of non-controlling interests	—	2,238	—	—	—	—	—	—	—	2,238	—	2,238
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	—	—	—	—	—	—	—	—	—	—	(146,281)	(146,281)
As at September 30, 2018 (Unaudited)	P12,045,829	P76,735,541	(P5,424,455)	(P25,386)	P2,114,574	P12,027,743	(P701,255)	P37,000,000	P208,369,049	P342,141,640	P136,184,669	P478,326,309
As at January 1, 2017	P12,045,829	P76,347,229	(P5,424,455)	(P25,386)	P1,216,718	P10,780,430	P34,895	P36,000,000	P169,508,122	P300,483,382	P114,263,880	P414,747,262
Net income	—	—	—	—	—	—	—	—	23,792,692	23,792,692	13,543,958	37,336,650
Other comprehensive income	—	—	—	—	(173,877)	3,782,260	—	—	—	3,608,383	353,765	3,962,148
Total comprehensive income	—	—	—	—	(173,877)	3,782,260	—	—	23,792,692	27,401,075	13,897,723	41,298,798
Sale of treasury shares held by a subsidiary	—	11,071	—	—	—	—	—	—	—	11,071	—	11,071
Cash dividends - P7.77 per share	—	—	—	—	—	—	—	—	(9,359,609)	(9,359,609)	—	(9,359,609)
Cash dividends received by non-controlling interests	—	—	—	—	—	—	—	—	—	—	(4,595,628)	(4,595,628)
Increase in non-controlling interests	—	—	—	—	—	—	—	—	—	—	179,557	179,557
As at September 30, 2017 (Unaudited)	P12,045,829	P76,358,300	(P5,424,455)	(P25,386)	P1,042,841	P14,562,690	P34,895	P36,000,000	P183,941,205	P318,535,919	P123,745,532	P442,281,451

See accompanying Notes to Interim Consolidated Financial Statements.

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

	Nine-Month Periods Ended September 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P52,563,203	P46,884,182
Adjustments for:		
Equity in net earnings of associate companies and joint ventures	(13,074,026)	(12,064,364)
Interest expense	11,466,235	10,422,064
Depreciation and amortization (Notes 12, 13 and 15)	10,982,165	10,395,316
Interest income	(2,705,482)	(2,954,438)
Dividend, management fees and others	(254,231)	(139,107)
Unrealized foreign exchange loss and others	632,114	147,965
Gain on fair value changes on derivatives - net	(357,307)	(19,500)
Income before working capital changes	59,252,671	52,672,118
Decrease (increase) in:		
Receivables	1,257,096	1,259,814
Merchandise inventories	(4,446,120)	(3,134,659)
Other current assets	7,293,993	3,653,680
Land and development	(44,390,723)	(27,302,312)
Increase (decrease) in:		
Accounts payable and other current liabilities	6,928,024	(5,320,102)
Tenants' deposits and others	2,469,661	6,902,638
Net cash generated from operations	28,364,602	28,731,177
Income tax paid	(10,409,559)	(10,084,694)
Net cash provided by operating activities	17,955,043	18,646,483
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Available-for-sale and held for trading investments	716	30,000
Property and equipment	26,959	138,254
Investment properties	67,165	46,629
Proceeds from maturity of available-for-sale investments	727,562	1,844,234
Additions to:		
Investment properties (Note 13)	(20,127,564)	(18,265,447)
Property and equipment (Note 12)	(3,866,791)	(3,539,650)
Investments in associate companies and joint ventures	(4,578,143)	(42,357,598)
Available-for-sale and held for trading investments	(2,459,485)	(2,540,750)
Decrease (increase) in:		
Time deposits	12,687,962	5,600,490
Other noncurrent assets	(7,651,403)	4,660,792
Dividends received	3,358,814	3,122,095
Interest received	2,414,266	2,504,658
Net cash used in investing activities	(19,399,942)	(48,756,293)

(Forward)

	Nine-Month Periods Ended September 30	
	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of:		
Long-term debt	P66,017,135	P44,011,508
Bank loans	24,607,752	44,694,425
Payments of:		
Long-term debt	(39,821,193)	(4,351,837)
Bank loans	(24,679,174)	(38,507,011)
Interest	(12,495,504)	(10,405,163)
Dividend	(17,029,008)	(14,374,874)
Net cash provided by (used in) financing activities	(3,399,992)	21,067,048
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,844,891)	(9,042,762)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	395,787	521,497
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD (Note 5)	74,318,190	74,947,731
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	P69,869,086	P66,426,466

See accompanying Notes to Interim Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM 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.

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 November 7, 2018.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The interim condensed consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments, investments held for trading and available-for sale (AFS) investments which have been measured at fair value.

The interim condensed consolidated financial statements as at September 30, 2018 and for the nine-month periods ended September 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 September 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.

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*)

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

Nine-Month Period Ended September 30, 2018 (Unaudited)					
	Property	Retail	Financial Services and Others	Eliminations/ Adjustments	Consolidated
<i>(In Thousands)</i>					
Revenue:					
External customers	P69,053,366	P226,497,886	P11,864,277	P-	P307,415,529
Inter-segment	9,292,065	154,318	(770,628)	(8,675,755)	-
	P78,345,431	P226,652,204	P11,093,649	(P8,675,755)	P307,415,529
Segment results:					
Income before income tax	P32,328,483	P12,879,839	P3,941,281	P3,413,600	P52,563,203
Provision for income tax	(6,851,542)	(3,844,545)	(91,768)	29,664	(10,758,191)
Net income	P25,476,941	P9,035,294	P3,849,513	3,443,264	P41,805,012
Net income attributable to:					
Owners of the Parent	P24,953,017	P7,928,640	P3,849,513	(P10,556,523)	P26,174,647
Non-controlling interests	523,924	1,106,654	-	13,999,787	15,630,365

Nine-Month Period Ended September 30, 2017 (Unaudited)					
	Property	Retail	Financial Services and Others	Eliminations/ Adjustments	Consolidated
<i>(In Thousands)</i>					
Revenue:					
External customers	P59,210,294	P204,709,932	P10,658,909	P-	P274,579,135
Inter-segment	8,695,261	4,007	(1,367,397)	(7,331,871)	-
	P67,905,555	P204,713,939	P9,291,512	(P7,331,871)	P274,579,135
Segment results:					
Income before income tax	P27,951,699	P12,070,514	P3,442,215	P3,419,754	P46,884,182
Provision for income tax	(5,991,344)	(3,520,630)	(64,499)	28,941	(9,547,532)
Net income	P21,960,355	P8,549,884	P3,377,716	P3,448,695	P37,336,650
Net income attributable to:					
Owners of the Parent	P21,508,445	P7,730,871	P3,377,716	(P8,824,340)	P23,792,692
Non-controlling interests	451,910	819,013	-	12,273,035	13,543,958

5. Cash and Cash Equivalents

This account consists of:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Cash on hand and in banks (Note 20)	₱8,473,498	₱9,643,938
Temporary investments (Note 20)	61,395,588	64,674,252
	₱69,869,086	₱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.

6. Time Deposits

This account consists of:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Current (Note 20)	₱816,461	₱13,237,886
Noncurrent (Note 20)	28,396,763	26,688,721
	₱29,213,224	₱39,926,607

These time deposits bear interest ranging from 1.1% to 4.0% in 2018 and 0.5% to 4.9% in 2017.

7. Investments Held for Trading and Sale

This account consists of:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
AFS investments (Note 10):		
Bonds and corporate notes	₱–	₱706,626
Shares of stock -		
Listed	648,091	641,300
	₱648,091	₱1,347,926

8. Receivables

This account consists of:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Trade:		
Real estate buyers	P48,394,022	P40,400,047
Third-party tenants	6,886,590	6,804,584
Related-party tenants (Note 20)	321,484	619,948
Others	86,018	136,580
Due from related parties (Note 20)	323,853	655,580
Management and service fees (Note 20)	415,730	373,619
Dividends (Note 20)	288,730	270,784
Total	56,716,427	49,261,142
Less allowance for impairment loss	1,173,246	1,054,498
	55,543,181	48,206,644
Less noncurrent portion of receivables from real estate buyers (Note 15)	24,338,354	15,854,070
Current portion	P31,204,827	P32,352,574

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:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Land and development (Note 14)	P28,360,436	P22,518,139
Prepaid taxes and other prepayments	10,661,959	9,658,898
Condominium and residential units for sale (Note 14)	8,459,435	8,829,343
Advances and deposits	6,950,706	7,231,756
Non-trade receivables	3,994,926	4,230,014
Receivable from banks	2,534,449	3,314,087
Input tax	2,256,346	2,743,731
Derivative assets (Note 24)	–	1,794,745
Accrued interest receivable (Note 20)	723,906	432,690
Escrow fund (Note 20)	126,854	50,881
Others	2,779,930	2,673,902
	P66,848,947	P63,478,186

10. Available-for-sale Investments

This account consists of:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Shares of stock:		
Listed	P21,474,157	P23,611,916
Unlisted	3,444,665	61,405
Bonds and corporate notes	1,392,825	3,243,297
Club shares	23,566	21,470
	26,335,213	26,938,088
Less current portion (Note 7)	648,091	1,347,926
Noncurrent portion	P25,687,122	P25,590,162

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.

11. Investments in Associate Companies and Joint Ventures

The P11.6 billion increase in this account pertains mainly to equity in earnings, net of dividends.

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, 2016	P11,977,397	P3,045,780	P6,309,182	P8,363,062	P6,942,380	P15,534,101	P1,095,571	P1,208,798	P54,476,271
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	271,975	106,587	362,634	555,492	634,341	887,231	63,377	985,154	3,866,791
Reclassifications	71,297	237,735	73,317	26,334	190,884	296,573	5,017	(1,029,324)	(128,167)
Disposals/retirements	(2,768)	(43,711)	(4,915)	(2,927)	(11,050)	(10,315)	(972)	(7,793)	(84,451)
As at September 30, 2018	P12,776,390	P3,550,905	P7,436,493	P9,828,720	P8,589,810	P18,272,626	P894,660	P1,174,883	P62,524,487
Accumulated Depreciation and Amortization									
As at December 31, 2016	P4,259,241	P2,043,696	P4,946,410	P5,311,825	P4,617,524	P11,656,144	P691,214	P—	P33,526,054
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	553,745	264,478	451,268	520,080	572,852	1,102,017	56,279	—	3,520,719
Reclassifications	4,482	23,397	3,867	9,898	109	23,024	8	—	64,785
Disposals/retirements	(2,768)	(41,897)	(4,081)	(1,787)	(10,615)	(4,661)	(958)	—	(66,767)
As at September 30, 2018	P5,600,697	P2,451,143	P6,003,587	P6,646,033	P5,898,010	P13,758,549	P691,625	P—	P41,049,644
Net Book Value									
As at September 30, 2018 (Unaudited)	P7,175,693	P1,099,762	P1,432,906	P3,182,687	P2,691,800	P4,514,077	P203,035	P1,174,883	P21,474,843
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>					
Cost					
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	2,687,842	3,843,995	1,414,658	12,181,069	20,127,564
Reclassifications	793,248	5,517,760	933,458	(4,478,391)	2,766,075
Translation adjustment	32,309	972,238	74,050	28,906	1,107,503
Disposals	(51,760)	(42,285)	(24,665)	–	(118,710)
As at September 30, 2018	₱71,781,472	₱232,293,599	₱38,564,606	₱40,690,364	₱383,330,041
Accumulated Depreciation, Amortization and Impairment Loss					
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	169,392	5,073,394	2,128,258	–	7,371,044
Reclassifications	–	(25,917)	21,179	–	(4,738)
Translation adjustment	12,803	115,643	34,319	–	162,765
Disposals	(14,000)	(17,764)	(19,782)	–	(51,546)
As at September 30, 2018	₱2,156,246	₱51,795,648	₱23,954,975	₱–	₱77,906,869
Net Book Value					
As at September 30, 2018 (Unaudited)	₱69,625,226	₱180,497,951	₱14,609,631	₱40,690,364	₱305,423,172
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 September 30, 2018 pertains to construction costs incurred for new shopping malls, commercial buildings and redevelopment of existing malls.

Interest capitalized to investment properties amounted to ₱2,604.0 million, and ₱2,299.0 million as at September 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:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of period	P 62,698,284	P51,054,083
Development cost incurred	17,598,104	16,779,397
Cost of real estate sold	(9,419,646)	(10,554,727)
Transfer to condominium and residential units for sale	(2,778,632)	(8,162,384)
Land acquisition	26,792,620	13,111,730
Borrowing cost capitalized	2,460	38,240
Transfer from property and equipment and others	100,873	431,945
Balance at end of period	94,994,063	62,698,284
Less current portion (Note 9)	28,360,436	22,518,139
Noncurrent portion	P66,633,627	P40,180,145

The average rates used to determine the amount of borrowing cost eligible for capitalization range from 2.4% to 4.9% 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:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of period	P 8,829,343	P5,241,346
Transfer from land and development	2,778,632	8,162,384
Recognized as cost of real estate sold	(3,159,857)	(4,705,586)
Repossessioned inventories	9,673	92,721
Adjustment to cost	1,644	38,478
Balance at end of period (Note 9)	P8,459,435	P8,829,343

15. Intangibles and Other Noncurrent Assets

Intangible Assets

This account consists of:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Goodwill	P17,398,491	P17,398,491
Less accumulated impairment loss	91,620	91,620
Net book value	17,306,871	17,306,871
Trademarks and brand names	8,193,959	8,284,361
	P25,500,830	P25,591,232

Other Noncurrent Assets

This account consists of:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Deposits and advance rentals	P43,315,030	P33,760,110
Receivables from real estate buyers (Note 8)	24,338,354	15,854,070
Land use rights	10,755,217	10,630,926
Long-term notes (Notes 20 and 24)	6,923,586	6,399,410
Derivative assets (Note 24)	2,339,946	3,546,694
Deferred input VAT	1,689,999	1,798,706
Defined benefit asset	396,178	376,448
Escrow fund (Note 20)	132,460	132,460
Others	3,035,487	2,056,209
	P92,926,257	P74,555,033

16. Bank Loans

This account consists of:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Peso-denominated:		
Parent Company	P9,250,000	P10,200,000
Subsidiaries	14,851,543	13,972,965
	P24,101,543	P24,172,965

These loans bear interest ranging from 2.9% to 5.0% in 2018 and 2.5% to 3.5% in 2017.

17. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	(In Thousands)	
Trade	P51,066,908	P60,399,742
Accrued expenses	14,362,457	11,060,797
Tenants and customers' deposits	13,456,817	10,208,533
Payable arising from acquisition of land	10,463,896	4,252,991
Nontrade	7,191,763	7,183,147
Accrued interest (Note 20)	3,542,154	2,422,265
Payable to government agencies	3,128,876	4,438,597
Subscription payable	2,396,790	2,396,790
Due to related parties (Note 20)	561,737	828,679
Gift checks redeemable and others	5,964,482	3,369,914
	P112,135,880	P106,561,455

18. Long-term Debt

This account consists of:

	Availment	Maturity	Interest rate/Term	Security	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	(In Thousands)					
Parent Company						
U.S. dollar-denominated	October 17, 2012 - July 26, 2018	May 15, 2018 - June 10, 2024	Fixed 4.0%-6.1%; Floating six-month and three-month LIBOR + margin; semi-annual and quarterly	Unsecured	P66,879,933	P66,531,725
Peso-denominated	July 16, 2012 - August 9, 2018	January 14, 2019 - August 8, 2025	Fixed 4.4%-6.9%; PDST-R2 + margin; semi-annual and quarterly	Unsecured	73,864,170	73,171,870
Subsidiaries						
U.S. dollar-denominated	February 14, 2013 - July 30, 2018	January 29, 2018 - June 14, 2023	LIBOR + spread; semi- annual	Unsecured	43,098,275	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	3,513,812	3,445,302
Peso-denominated	January 12, 2012 - September 21, 2018	December 18, 2018 - July 26, 2026	Fixed 3.8%-7.6%; PDST-R2 + margin	Unsecured	180,033,418	136,974,407
					367,389,608	334,511,248
Less debt issue cost					1,887,997	1,658,247
					365,501,611	332,853,001
Less current portion					11,048,781	40,297,133
					P354,452,830	P292,555,868

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 September 30, 2018 follows:

	Gross Debt	Debt Issue Cost	Net
	<i>(In Thousands)</i>		
Within 1 year	₱11,062,705	₱13,924	₱11,048,781
Over 1 year to 5 years	272,795,883	1,599,228	271,196,655
Over 5 years	83,531,020	274,845	83,256,175
	₱367,389,608	₱1,887,997	₱365,501,611

Covenants

The long-term debt of the Group is covered with certain covenants including adherence to financial ratios. The Parent Company's loan covenants include adherence to certain financial ratios namely: (1) debt-to-equity ratio not to exceed 80:20, and, (2) current ratio at a minimum of 0.30, and, certain restrictions with respect to material change in ownership or control. As at September 30, 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	
	September 30, 2018	December 31, 2017
	(Unaudited)	(Audited)
Authorized - ₱10 par value per share	2,790,000,000	2,790,000,000
Issued and subscribed	1,204,582,867	1,204,582,867

As at September 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 1,254 and 1,252 as at September 30, 2018 and December 31, 2017, respectively.

b. Redeemable preferred shares

	Number of shares	
	September 30, 2018	December 31, 2017
	(Unaudited)	(Audited)
Authorized - ₱10 par value per share	10,000,000	10,000,000

There are no issued and subscribed preferred shares as at September 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 September 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
		₱37,000,000

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>
April 25, 2018	May 10, 2018	May 24, 2018	₱8.20	₱9,877,566
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 ₱198,900.7 million and ₱176,587.5 million as at September 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.

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
	September 30, 2018	September 30, 2017	September 30, 2018	December 31, 2017		
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)		
<i>(In Thousands)</i>						
Banking Group						
Cash placement and investment in marketable securities			₱82,675,767	₱98,656,653	Interest-bearing 0.5% to 4.9%	Unsecured; no impairment
Interest receivable			610,631	329,829	—	—
Interest income	₱1,577,341	₱1,978,584			—	—
Interest-bearing debt			33,784,533	24,493,678	Interest-bearing 2.8% to 5.3%	Unsecured
Interest payable			257,217	59,429	—	—
Interest expense	906,740	537,823			—	—
Rent receivable			139,765	112,099	Noninterest-bearing	Unsecured; no impairment
Rent income	688,601	631,255			—	—
Dividend receivable			2,587	—	Noninterest-bearing	Unsecured; no impairment
Deposits and advance rentals			18,907,000	17,475,500	Interest-bearing 4.5%	No impairment
Management and service fee receivable			17,175	23,933	Noninterest-bearing	Unsecured; no impairment
Management and service fee income	2,486	1,113			—	—
Escrow fund			259,314	183,341	Interest-bearing 1.6% to 2.3%	Unsecured; no impairment
Retail and Other Entities						
Rent receivable			221,781	507,849	Noninterest-bearing	Unsecured; no impairment
Rent income	1,357,656	1,211,541			—	—
Management and service fee receivable			243,537	275,148	Noninterest-bearing	Unsecured; no impairment
Management and service fee income	454,092	307,756			—	—
Dividend receivable			249,180	99,180	Noninterest-bearing	Unsecured; no impairment
Due from related parties			323,853	655,580	Noninterest-bearing	Unsecured; no impairment
Due to related parties			561,737	828,679	Noninterest-bearing	Unsecured
Interest receivable			8,654	8,888	—	—
Interest income	259,367	284,053			—	—
Notes receivable			6,923,586	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.

21. Cost of Merchandise Sales

This account consists of:

	September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)
	<i>(In Thousands)</i>	
Merchandise inventories at beginning of period	P27,778,741	P25,825,290
Purchases	166,603,861	150,095,247
Total goods available for sale	194,382,602	175,920,537
Less merchandise inventories at end of period	32,224,861	28,959,949
	P162,157,741	P146,960,588

22. Income Tax

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

Deferred tax assets of P2,531.8 million and P2,489.8 million as at September 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 P8,342.4 million and P8,029.6 million as at September 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.

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 September 30, 2018 and December 31, 2017, after taking into account the effect of the swaps, approximately 79.1% 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 September 30, 2018, the Group's foreign currency-denominated assets and liabilities amounted to ₱60,923.8 million (\$1,127.8 million) and ₱56,114.2 million (\$1,038.8 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 September 30, 2018 and December 31, 2017, approximately 29.0% 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.

	September 30, 2018	December 31, 2017
Philippine Peso to U.S. Dollar	₱54.02	₱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 September 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:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Gross	53%	52%
Net	46%	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:

September 30, 2018 (Unaudited)					
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In Thousands)					
Assets Measured at Fair Value					
Financial assets at FVPL -					
Derivative assets	P2,339,946	P 2,339,946	P-	P 2,339,946	P-
Assets for which Fair Values are Disclosed					
Loans and receivables:					
Time deposits - noncurrent portion	28,396,763	28,432,804	-	-	28,432,804
Receivables - net (including noncurrent portion of receivables from real estate buyers)	55,543,181	53,992,230	-	-	53,992,230
Other noncurrent assets:					
Deposits and advance rentals	18,907,000	19,834,844	-	-	19,834,844
Long-term notes	6,923,586	8,551,552	-	-	8,551,552
	109,770,530	110,811,430	-	-	110,811,430
	P112,110,476	P113,151,376	P-	P2,339,946	P110,811,430
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)	354,452,830	339,809,934	-	-	339,809,934
Tenants' deposits and others*	27,996,065	25,544,295	-	-	25,544,295
	382,448,895	365,354,229	-	-	365,354,229
	P382,448,895	P365,354,229	P-	P-	P365,354,229

*Excluding nonfinancial liabilities amounting to P2,990.1 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)
(In Thousands)					
Assets Measured at Fair Value					
Financial assets at FVPL -					
Derivative assets	P5,341,439	P5,341,439	P-	P5,341,439	P-
Assets for which Fair Values are Disclosed					
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
Liabilities Measured at Fair Value					
Financial liabilities at FVPL -					
Derivative liabilities	P777,408	P777,408	P-	P777,408	P-
Liabilities for which Fair Values are Disclosed					
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 September 30, 2018 and December 31, 2017.

Derivative Instruments Accounted for as Cash Flow Hedge

As at September 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\$:PhP	Maturity
	(In US\$)	(In PhP)						
(In Thousands)								
Parent:								
	\$53,000	₱2,761,300	₱2,863,060	₱361,756	LIBOR + spread	5.3%	₱52.10	March 6, 2023
	100,000	5,210,000	5,402,000	532,196	LIBOR + spread	5.9%	52.10	April 17, 2023
	56,159	3,000,000	3,033,695	206,182	LIBOR + spread	6.1%	53.42	July 26, 2023
SM Prime:								
	25,000	1,246,900	1,350,500	(23,662)	LIBOR + spread	5.4%	49.88	March 27, 2022
	25,000	1,246,900	1,350,500	(24,418)	LIBOR + spread	5.4%	49.88	March 27, 2022
	50,000	2,580,500	2,701,000	133,676	LIBOR + spread	5.0%	51.61	June 30, 2022
	50,000	2,666,500	2,701,000	65,623	LIBOR + spread	6.4%	53.33	June 14, 2023
	60,000	3,199,200	3,241,200	67,247	LIBOR + spread	6.4%	53.32	June 14, 2023

Principal only and interest rate swaps:

	Notional Amount	Principal	Fair Value		US\$:CNY¥	Interest Rate	Maturity
			Principal Only Swap	Interest Rate Swap			
(In Thousands)							
SM Prime	US\$150,000	₱8,700,980	₱–	₱55,268	¥–	3.2%	April 14, 2019
	270,000	14,585,313	45,979	513,799	6.458-6.889	6.2%	January 29, 2021

Derivative Instruments Accounted for as Fair Value Hedge

Forward swaps:

	Notional Amount	Principal	Fair Value	Strike Price		
				Low	High	Maturity
	(in thousands)					
SM Prime	US\$100,000	₱ 5,722,931	₱121,281	¥6.314	¥6.485	April 15, 2019
	100,000	5,722,931	128,938	6.289	6.496	April 15, 2019
	100,000	5,722,931	156,081	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.

25. EPS Computation

	September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)
	<i>(In Thousands Except Per Share Data)</i>	
Net income attributable to owners of the Parent (a)	₱26,174,647	₱23,792,692
Weighted average number of common shares outstanding (b)	1,204,583	1,204,583
EPS (a/b)	₱21.73	₱19.75

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 Nine Months Ended September 30, 2018 and 2017

(amounts in billion pesos)

Accounts	2018	2017	% Change
Revenue	P 307.4	P 274.6	12.0%
Cost and Expenses	246.5	220.9	11.6%
Income from Operations	60.9	53.7	13.5%
Other Charges	8.3	6.8	23.0%
Provision for Income Tax	10.8	9.6	12.7%
Net Income After Tax	41.8	37.3	12.0%
Non-controlling Interests	15.6	13.5	15.4%
Net Income Attributable to Owners of the Parent	P 26.2	P 23.8	10.0%

SM Investments Corporation and Subsidiaries (the Group) reported P26.2 billion *Net Income Attributable to Owners of the Parent*, 10.0% higher than 2017, and P307.4 billion *Revenues*, 12.0% higher than 2017.

Income from Operations increased by 13.5% to P60.9 billion from P53.7 billion in 2017. *Operating Margin* and *Net Margin* is at 19.8% and 13.6%, respectively.

Merchandise Sales, which grew by 10.6% to P218.8 billion from P197.9 billion in 2017, accounts for 71.2% of total revenues in 2018. The increase is attributable to the opening of 3 *SM Stores*, 4 *SM Supermarkets*, 13 *Savemore* stores, 3 *SM Hypermarkets*, 6 *WalterMart* stores, and 71 Specialty stores and strong same-store sales growth.

The sales contribution of Non-food and Food group is 49:51 in 2018 and 48:52 in 2017.

As of September 30, 2018, *SM Retail* had 1,729 stores nationwide, namely: 62 *SM Stores*, 56 *SM Supermarkets*, 194 *Savemore* stores, 50 *SM Hypermarkets*, 52 *WalterMart* stores and 1,315 Specialty stores.

Real Estate Sales increased by 23.7% to P24.9 billion from P20.1 billion in 2017 due to higher accomplishments of construction 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 12.5% to P34.7 billion from P30.8 billion in 2017. The increase in *Rent Revenue* is primarily due to the new malls which opened from 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, SM City Legazpi, 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 September 30, 2018, *SM Prime* had 71 malls in the Philippines with total GFA of 8.2 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 8.4% to P13.1 billion from P12.1 billion in 2017 due mainly to the increase in earnings of banks and retail associates.

Dividend, Management Fees and Others increased by 17.6% to P10.6 billion in 2018 from P9.0 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 12.9% to P71.8 billion from P63.6 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 23.0% to P8.3 billion from P6.8 billion in 2017. *Interest Expense* increased by 10.0% to P11.5 billion from P10.4 billion in 2017 due mainly to new debt availments for working capital and capital expenditure requirements net of capitalized interest. *Interest Income* decreased by 8.4% to P2.7 billion from P3.0 billion in 2017 due mainly to lower balance of time deposits and temporary investments in 2018 compared to 2017. *Gain on Fair Value Changes on Derivatives - net* increased to P357.3 million from P19.5 million in 2017 resulting mainly from the mark-to-market valuation of outstanding forward swap transactions in 2018. Foreign exchange gain and others decreased to P45.6 million from P655.2 million in 2017 due mainly to the unfavorable PHP to USD foreign exchange rate, that is, from PHP50.82 : USD1.00 in 2017 to PHP54.02 : USD1.00 in 2018.

Provision for Income Tax increased by 12.7% to P10.8 billion from P9.6 billion in 2017 due mainly to increase in taxable income. The effective income tax rate is 20.5% in 2018 and 20.4% in 2017.

Non-controlling interests increased by 15.4% to P15.6 billion from P13.5 billion in 2017 due to the increase in net income of partly-owned subsidiaries.

Financial Position

As at September 30, 2018 and December 31, 2017

(amounts in billion pesos)

Accounts	2018	2017	% Change
Current Assets	P 201.6	P 212.5	-5.1%
Noncurrent Assets	822.3	747.6	10.0%
Total Assets	P 1,023.9	P 960.1	6.6%
Current Liabilities	P 151.1	P 175.9	-14.1%
Noncurrent Liabilities	394.5	330.4	19.4%
Total Liabilities	545.6	506.3	7.8%
Total Equity	478.3	453.8	5.4%
Total Liabilities and Equity	P 1,023.9	P 960.1	6.6%

Total Assets increased by 6.6% to P1,023.9 billion from P960.1 billion in 2017. On the other hand, total Liabilities increased by 7.8% to P545.6 billion from P506.3 billion in 2017.

Current Assets

Current Assets decreased by 5.1% to P201.6 billion from P212.5 billion in 2017.

Cash and Cash Equivalents decreased by 6.0% to P69.9 billion from P74.3 billion in 2017 due mainly to settlement of loans and trade payables.

Receivables decreased by 3.5% to P31.2 billion from P32.4 billion in 2017 due mainly to collections from real estate buyers.

Merchandise Inventories increased by 16.0% to P32.2 billion from P27.8 billion in 2017. Bulk of the increase came from the Food Group.

Other Current Assets increased by 5.3% to P66.8 billion from P63.5 billion in 2017 due mainly to increase in land and development - current representing development costs incurred for ongoing projects.

Noncurrent Assets

Noncurrent Assets increased by 10.0% to P822.3 billion from P747.6 billion in 2017.

Investments in Associate Companies and Joint Ventures increased by 4.8% to P253.7 billion from P242.1 billion in 2017. The increase mainly represents new investments and equity in net earnings during the period, partly offset by dividends received in 2018.

Time Deposits increased by 6.4% to P28.4 billion from P26.7 billion in 2017 due mainly to new placements. On the other hand, the current portion of Time Deposits decreased by 93.8% to P0.8 billion from P13.2 billion in 2017 due mainly to maturities.

Investment Properties increased by 5.7% to P305.4 billion from P289.0 billion in 2017 due to landbanking; ongoing construction of new malls, BPO Towers, and Four E-Com Center; and the redevelopment of SM Mall of Asia and other existing malls.

Land and Development increased by 65.8% to P66.6 billion from P40.2 billion in 2017 due mainly to landbanking and construction accomplishments for the period.

Other Noncurrent Assets increased by 24.6% to P92.9 billion from P74.6 billion in 2017. The increase mainly represents higher receivables from real estate buyers and deposits and advance rentals.

Current Liabilities

Current Liabilities decreased by 14.1% to P151.1 billion from P175.9 billion in 2017.

Bank Loans decreased by 0.3% to P24.1 billion from P24.2 billion in 2017 due mainly to net payments during the period.

Current Portion of Long-term Debt decreased by 72.6% to P11.1 billion from P40.3 billion in 2017 due mainly to payments during the period.

Accounts Payable and Other Current Liabilities increased by 5.2% to P112.1 billion from P106.6 billion in 2017. The increase came mainly from liability for land purchases, accruals and current portion of tenants and customers' deposits partly offset by payments for trade payables.

Dividends Payable decreased by 46.2% to P1.6 billion from P2.9 billion in 2017. This represents dividends due to minority stockholders of subsidiaries.

Income Tax Payable increased by 19.2% to P2.2 billion in 2018 from P1.9 billion in 2017 due mainly to higher income tax due in 2018.

Noncurrent Liabilities

Noncurrent Liabilities increased by 19.4% to P394.5 billion from P330.4 billion in 2017.

Long-term Debt - Net of Current Portion increased by 21.2% to P354.4 billion from P292.6 billion in 2017 due mainly to new debt availments, partly offset by payments during the period.

Tenants' Deposits and Others increased by 6.2% to P31.7 billion from P29.8 billion in 2017 due mainly to deposits from tenants of new malls and increase in customers' deposits from residential buyers.

Equity

Total *Equity* increased by 5.4% to P478.3 billion from P453.8 billion in 2017.

Equity Attributable to Owners of the Parent increased by 4.3% to P342.1 billion from P328.1 billion in 2017. This increase resulted mainly from (a) *Cumulative Translation Adjustment* which increased by 50.8% to P2.1 billion from P1.4 billion in 2017. This account is related mainly to the translation of the financial accounts of *SM China* malls from China Yuan Renminbi to Philippine Peso, and (b) 7.1% increase in Retained earnings which represents the P26.2 billion *Net Income Attributable to Owners of the Parent* during the first nine months of 2018 net of P9.9 billion dividend declaration during the period. These were partly offset by the 21.5% decrease in *Net Unrealized Gain on AFS Investments* to P12.0 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 8.4% to P136.2 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	09 / 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	09 / 30/ 2018	09 / 30/ 2017
Revenue Growth	12.0%	7.5%
Net Margin	13.6%	13.6%
Net Income Growth	10.0%	8.1%
EBITDA (<i>In Billions of Pesos</i>)	71.9	64.1
Interest Cover	6.3x	6.2x

Current Ratio increased to 1.3 from 1.2 in 2017 due mainly to the 5.1% decrease in *Current Assets* with a 14.1% decrease in *Current Liabilities*.

Gross debt-equity ratio slid to 53:47 in 2018 from 52:48 in 2017 due mainly to the 9.1% increase in gross debt compared to only 4.3% 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 20.0% to P292.4 billion from P243.7 billion in 2017.

Revenue growth increased to 12.0% from 7.5% in 2017 due mainly to higher growth of *Merchandise* and *Real Estate* sales and *Cinema Ticket Sales, Amusement and Others* in 2018 compared to 2017.

EBITDA increased by 12.2% to P71.9 billion from P64.1 billion in 2017 due mainly to the 13.5% increase in income from operations. The slight increase in Interest Cover to 6.3x from 6.2x in 2017 is attributable to the 10.0% 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 1 new mall 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 Three E-Com Center in the Mall of Asia Complex was recently launched in September 2018. The construction of Four E-Com Center will continue with completion scheduled in 2020.

In the hotels and convention centers segment, SM Prime is set to open 2 hotels in 2019 and expand Park Inn Clark 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 1 *SM Store*, 5 *Savemore* stores, 1 *WalterMart* store and 31 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 September 30, 2018

(in Thousands)

Receivable from tenants		
Third-party tenants	P	6,886,590
Related-party tenants		321,484
Receivable from real estate buyers		
- net of noncurrent portion		24,055,668
Other trade receivables		86,018
Total	P	<u><u>31,349,760</u></u>

Aging:

Neither past due nor impaired	P	26,740,407
31-90 days		810,901
91-120 days		252,318
Over 120 days		2,372,887
Impaired		1,173,247
Total	P	<u><u>31,349,760</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**

A handwritten signature in black ink, appearing to read 'Franklin C. Gomez', is written over a horizontal line.

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

Date: 11-09-18