

COVER SHEET

SEC Registration Number

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COMPANY NAME

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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)
1,261	04/25	03/31

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
1st Quarter Report**

Form Type

Amendment Designation (If applicable)

March 31, 2019

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2019**
2. Commission Identification Number **016342** 3. BIR Tax Identification No. **169-020-000**
4. Exact name of registrant as specified in its charter **SM INVESTMENTS CORPORATION**
5. **PHILIPPINES**
Province, Country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-IA, Pasay City 1300**
Address of principal office Postal Code
8. **857-0100**
Registrant's telephone number, including area code
9. Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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

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

Yes [☒] No [☐]

(b) has been subject to such filing requirements for the past 90 days.

Yes [☒] No [☐]

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PART I FINANCIAL INFORMATION

Item 1. Interim Condensed Consolidated Financial Statements

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements

As at March 31, 2019

and for the Three-Month Periods Ended March 31, 2019 and 2018

**(with Comparative Audited Consolidated Balance Sheet as at
December 31, 2018)**

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

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 22)	P64,154,702	P79,313,215
Time deposits (Notes 6 and 22)	22,863,620	25,842,829
Financial assets (Notes 7 and 22)	766,712	639,316
Receivables and contract assets (Notes 8, 22 and 23)	36,708,364	33,755,192
Merchandise inventories - at cost (Note 20)	34,944,905	31,836,333
Other current assets (Notes 9 and 22)	71,242,056	70,338,577
Total Current Assets	230,680,359	241,725,462
Noncurrent Assets		
Financial assets (Notes 7 and 22)	27,616,415	26,702,764
Investments in associate companies and joint ventures (Note 10)	268,041,389	259,795,077
Time deposits (Notes 6, 22 and 23)	2,403,716	2,392,622
Property and equipment (Note 11)	23,118,799	23,201,667
Investment properties (Note 12)	314,445,509	309,264,274
Right-of-use assets - net	27,476,578	–
Land and development (Note 13)	55,989,209	53,928,447
Intangibles (Note 14)	25,440,562	25,470,696
Deferred tax assets (Note 21)	2,855,605	2,726,155
Other noncurrent assets (Notes 14 and 22)	113,666,580	115,435,107
Total Noncurrent Assets	861,054,362	818,916,809
	P1,091,734,721	P1,060,642,271
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 15, 19 and 22)	P13,928,074	P18,885,465
Accounts payable and other current liabilities (Notes 16 and 22)	113,584,053	124,777,719
Income tax payable	5,219,364	3,641,379
Current portion of long-term debt (Notes 17, 19, 22 and 23)	71,890,802	61,480,887
Dividends payable (Note 22)	4,389,074	3,906,476
Total Current Liabilities	209,011,367	212,691,926
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 17, 19, 22 and 23)	289,947,906	305,555,356
Lease liabilities - net of current portion	26,855,610	–
Deferred tax liabilities (Note 21)	8,862,639	8,810,862
Tenants' deposits and others (Notes 22 and 23)	42,567,661	41,294,115
Total Noncurrent Liabilities	368,233,816	355,660,333
Total Liabilities	577,245,183	568,352,259

(Forward)

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Equity Attributable to Owners of the Parent		
Capital stock (Note 18)	₱12,045,829	₱12,045,829
Additional paid-in capital	75,815,520	75,815,520
Equity adjustments from common control transactions (Note 18)	(5,424,455)	(5,424,455)
Cost of Parent common shares held by subsidiaries	(25,386)	(25,386)
Cumulative translation adjustment	1,792,153	2,077,017
Net unrealized gain on financial assets	15,406,854	11,748,980
Re-measurement loss on defined benefit asset/obligation	(2,063,358)	(2,063,358)
Retained earnings (Note 18):		
Appropriated	37,000,000	37,000,000
Unappropriated	234,497,412	222,213,054
Total Equity Attributable to Owners of the Parent	369,044,569	353,387,201
Non-controlling Interests	145,444,969	138,902,811
Total Equity	514,489,538	492,290,012
	₱1,091,734,721	₱1,060,642,271

See accompanying Notes to Consolidated Financial Statements.

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

	Three-Month Periods Ended March 31	
	2019	2018
	(Unaudited)	(Unaudited)
REVENUE		
Sales:		
Merchandise	P76,059,266	P67,395,205
Real estate	9,109,799	7,433,677
Rent (Note 19)	12,471,507	11,408,361
Equity in net earnings of associate companies and joint ventures	5,535,151	3,848,607
Cinema ticket sales, amusement and others	1,692,754	1,593,588
Dividend, management fees and others	4,179,168	3,362,063
	109,047,645	95,041,501
COST AND EXPENSES		
Cost of sales:		
Merchandise (Note 20)	55,790,186	49,617,284
Real estate (Note 13)	4,357,150	3,783,514
Selling, general and administrative expenses	25,619,860	22,215,845
	85,767,196	75,616,643
OTHER INCOME (CHARGES)		
Interest expense (Note 19)	(4,294,118)	(3,803,569)
Interest income (Note 19)	998,947	898,538
Gain (loss) on fair value changes on derivatives - net (Note 23)	55,278	(166,701)
Foreign exchange gain - net and others (Note 22)	269,274	532,446
	(2,970,619)	(2,539,286)
INCOME BEFORE INCOME TAX	20,309,830	16,885,572
PROVISION FOR (BENEFIT FROM)		
INCOME TAX (Note 21)		
Current	3,710,093	3,445,385
Deferred	223,689	(6,605)
	3,933,782	3,438,780
NET INCOME	P16,376,048	P13,446,792
Attributable to		
Owners of the Parent	P10,690,220	P8,468,814
Non-controlling interests	5,685,828	4,977,978
	P16,376,048	P13,446,792
Basic/Diluted Earnings Per Common Share		
Attributable to Owners of the Parent (Note 24)	P8.87	P7.03

See accompanying Notes to Consolidated Financial Statements.

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

	Three-Month Periods Ended March 31	
	2019	2018
	(Unaudited)	(Unaudited)
NET INCOME	₱16,376,048	₱13,446,792
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will be reclassified to profit or loss in subsequent periods		
Net unrealized loss on financial assets	—	(1,444,285)
Share in unrealized gain (loss) on financial assets of associates	2,206,223	(691,647)
Cumulative translation adjustment	(166,568)	1,052,187
Income tax relating to items to be reclassified to profit or loss in subsequent periods	—	(86,228)
	2,039,655	(1,169,973)
Items not to be reclassified to profit or loss in subsequent periods		
Net unrealized gain on financial assets	2,083,652	—
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	301,361	—
	2,385,013	—
TOTAL COMPREHENSIVE INCOME	₱20,800,716	₱12,276,819
Attributable to		
Owners of the Parent	₱14,772,174	₱7,190,191
Non-controlling interests	6,028,542	5,086,628
	₱20,800,716	₱12,276,819

See accompanying Notes to 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 Financial Assets	Re-measurement Gain (Loss) on Defined Benefit Asset/Obligation	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total		
As at December 31, 2018 (Audited)	P12,045,829	P75,815,520	(P5,424,455)	(P25,386)	P2,077,017	P11,748,980	(P2,063,358)	P37,000,000	P222,213,054	P353,387,201	P138,902,811	P492,290,012
Effect of adoption of new accounting standards	—	—	—	—	—	—	—	—	890,667	890,667	899,943	1,790,610
As adjusted	12,045,829	75,815,520	(5,424,455)	(25,386)	2,077,017	11,748,980	(2,063,358)	37,000,000	223,103,721	354,277,868	139,802,754	494,080,622
Net income	—	—	—	—	—	—	—	—	10,690,220	10,690,220	5,685,828	16,376,048
Other comprehensive income	—	—	—	—	(279,391)	4,361,345	—	—	—	4,081,954	342,714	4,424,668
Total comprehensive income	—	—	—	—	(279,391)	4,361,345	—	—	10,690,220	14,772,174	6,028,542	20,800,716
Realized gain on sale of financial assets at FVOCI	—	—	—	—	—	(703,471)	—	—	703,471	—	—	—
Cash dividends received by non-controlling interests	—	—	—	—	—	—	—	—	—	—	(516,200)	(516,200)
Increase in previous year's non-controlling interests	—	—	—	—	—	—	—	—	—	—	129,873	129,873
As at March 31, 2019 (Unaudited)	P12,045,829	P75,815,520	(P5,424,455)	(P25,386)	P1,797,626	P15,406,854	(P2,063,358)	P37,000,000	P234,497,412	P369,050,042	P145,444,969	P514,495,011
As at December 31, 2017 (Audited)	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	—	—	—	—	—	—	—	—	8,468,814	8,468,814	4,977,978	13,446,792
Other comprehensive income	—	—	—	—	621,862	(1,900,485)	—	—	—	(1,278,623)	108,650	(1,169,973)
Total comprehensive income	—	—	—	—	621,862	(1,900,485)	—	—	8,468,814	7,190,191	5,086,628	12,276,819
Sale of treasury shares held by a subsidiary	—	225,120	—	—	—	—	—	—	—	225,120	—	225,120
Cash dividends received by non-controlling interests	—	—	—	—	—	—	—	—	—	—	(555,791)	(555,791)
Increase in previous year's non-controlling interests	—	—	—	—	—	—	—	—	—	—	25,323	25,323
As at March 31, 2018 (Unaudited)	P12,045,829	P76,664,408	(P5,424,455)	(P25,386)	P2,024,485	P13,423,638	(P701,255)	P37,000,000	P200,540,782	P335,548,046	P130,235,649	P465,783,695

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

	Three-Month Periods Ended March 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱20,309,830	₱16,885,572
Adjustments for:		
Equity in net earnings of associate companies and joint ventures	(5,535,151)	(3,848,607)
Interest expense	4,294,118	3,803,569
Depreciation and amortization (Notes 11, 12 and 14)	4,149,130	3,545,541
Interest income	(998,947)	(898,538)
Dividend, management fees and others	(103,628)	(62,122)
Unrealized foreign exchange gain and others	(171,527)	(206,700)
Loss (gain) on fair value changes on derivatives - net	(55,278)	166,701
Income before working capital changes	21,888,547	19,385,416
Decrease (increase) in:		
Receivables and contract assets	(3,038,966)	2,464,654
Merchandise inventories	(3,108,572)	(3,016,637)
Other current assets	491,404	(1,174,346)
Land and development	(6,203,684)	(5,165,810)
Increase in:		
Accounts payable and other current liabilities	(9,259,710)	(5,381,396)
Tenants' deposits and others	55,904	1,515,122
Net cash generated from operations	824,923	8,627,003
Income tax paid	(2,136,826)	(1,160,220)
Net cash provided by (used in) operating activities	(1,311,903)	7,466,783
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Financial assets	1,455,363	177
Property and equipment	769	13,004
Investment properties	19,302	—
Additions to:		
Investment properties (Note 12)	(5,963,981)	(6,536,819)
Property and equipment (Note 11)	(1,274,841)	(1,028,953)
Financial assets	(1,312,500)	—
Investments in associate companies and joint ventures	(1,585,342)	(9,282)
Decrease (increase) in:		
Time deposits	2,933,293	6,008,734
Other noncurrent assets	4,698,845	(14,863,474)
Dividends received	1,320,702	1,369,468
Interest received	675,548	477,125
Net cash used in investing activities	967,158	(14,570,020)

(Forward)

	Three-Month Periods Ended March 31	
	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of:		
Long-term debt	P–	₱29,766,685
Bank loans	2,250,000	3,160,000
Payments of:		
Long-term debt	(5,649,902)	(21,011,447)
Bank loans	(7,207,391)	(12,858,891)
Dividends	(33,602)	(51,449)
Interest	(4,532,242)	(3,245,548)
Net cash used in financing activities	(15,173,137)	(4,240,650)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,517,882)	(11,343,887)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	359,369	1,068,380
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD (Note 5)	79,313,215	74,318,190
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	₱64,154,702	₱64,042,683

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

NOTES TO 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 industries.

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 approval by the Audit Committee on May 8, 2019.

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 and financial assets and liabilities which have been measured at fair value.

The interim condensed consolidated financial statements 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, 2018.

Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and all of its subsidiaries. As at March 31, 2019, 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 PFRSs became effective beginning January 1, 2019:

a. Applicable to the Group

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events. The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today’s accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

As at March 31, 2019, the Group is substantially compliant with PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The Group is assessing the impact of adopting the amendments to PAS 19.

b. For further assessment

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

- Annual *Improvements to PFRSs 2015-2017 Cycle*

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

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.

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

Three-Month Period Ended March 31, 2019 (Unaudited)					
	Property	Retail	Financial Services and Others	Eliminations/ Adjustments	Consolidated
	<i>(In Thousands)</i>				
Revenue:					
External customers	P24,404,205	P78,900,982	P5,742,458	P-	P109,047,645
Inter-segment	3,128,741	-	(2,951,824)	(176,917)	-
	P27,532,946	P78,900,982	P2,790,634	(P176,917)	P109,047,645
Segment results:					
Income before income tax	P11,658,662	P4,373,631	P396,373	P3,881,164	P20,309,830
Provision for income tax	(2,535,861)	(1,320,691)	(87,360)	10,130	(3,933,782)
Net income	P9,122,801	P3,052,940	P309,013	P3,891,294	P16,376,048
Net income attributable to:					
Owners of the Parent	P8,923,596	P2,703,014	P309,013	(P1,245,403)	P10,690,220
Non-controlling interests	199,205	349,926	-	5,136,697	5,685,828

Three-Month Period Ended March 31, 2018 (Unaudited)					
	Property	Retail	Financial Services and Others	Eliminations/ Adjustments	Consolidated
	<i>(In Thousands)</i>				
Revenue:					
External customers	P21,752,005	P69,861,400	P3,428,096	P–	P95,041,501
Inter-segment	2,912,021	47,042	(1,465,603)	(1,493,460)	–
	<u>P24,664,026</u>	<u>P69,908,442</u>	<u>P1,962,493</u>	<u>(P1,493,460)</u>	<u>P95,041,501</u>
Segment results:					
Income before income tax	P10,486,350	P4,097,312	P124,693	P2,177,217	P16,885,572
Provision for income tax	(2,230,475)	(1,191,731)	(26,460)	9,886	(3,438,780)
Net income	<u>P8,255,875</u>	<u>P2,905,581</u>	<u>P98,233</u>	<u>P2,187,103</u>	<u>P13,446,792</u>
Net income attributable to:					
Owners of the Parent	P8,105,848	P2,586,495	P98,233	(P2,321,762)	P8,468,814
Non-controlling interests	150,027	319,086	–	4,508,865	4,977,978

5. Cash and Cash Equivalents

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Cash on hand and in banks (Note 19)	P12,233,279	P13,609,347
Temporary investments (Note 19)	51,921,423	65,703,868
	<u>P64,154,702</u>	<u>P79,313,215</u>

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 time deposits as follows:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Current	P22,863,620	P25,842,829
Noncurrent	2,403,716	2,392,622
	<u>P25,267,336</u>	<u>P28,235,451</u>

The time deposits bear interest ranging from 1.3% to 4.4% in 2019 and 1.0% to 4.2% in 2018.

7. Financial Assets

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Financial assets at FVOCI:		
Shares of stock		
Listed	P25,586,906	P23,382,060
Unlisted	2,613,291	2,613,690
Club shares	31,730	31,830
Financial assets at FVPL -		
Corporate notes	151,200	1,314,500
	28,383,127	27,342,080
Less current portion	766,712	639,316
Noncurrent portion	P27,616,415	P26,702,764

Investments in corporate notes as at March 31, 2019 bear a fixed interest of 10.0% and will mature in August 2019.

8. Receivables and Contract Assets

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Trade:		
Real estate buyers*	P54,420,778	P50,878,438
Third-party tenants	6,850,765	7,252,071
Related-party tenants (Note 19)	363,396	383,424
Others	10,410	124,530
Due from related parties (Note 19)	400,432	953,010
Management and service fees (Note 19)	1,058,636	1,244,159
Dividends (Note 19)	80,592	185,767
	63,185,009	61,021,399
Less allowance for impairment loss	1,035,757	1,034,040
	62,149,252	59,987,359
Less noncurrent portion of receivables from real estate buyers (Note 14)	25,440,888	26,232,167
Current portion	P36,708,364	P33,755,192

* Includes unbilled revenue from sale of real estate amounting to P50,299.1 million and P46,501.0 million as at March 31, 2019 and December 31, 2018, respectively.

The transaction price allocated to the remaining performance obligations amounting to ₱11,388.0 million and ₱12,929.0 million as at March 31, 2019 and December 31, 2018, respectively, is expected to be recognized over the construction period ranging from one to five year.

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

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

9. Other Current Assets

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Land and development (Note 13)	₱30,518,099	₱29,486,964
Prepaid taxes and other prepayments	12,895,292	11,730,967
Condominium and residential units for sale (Note 13)	7,116,014	8,110,504
Bonds and deposits	7,382,139	6,601,305
Receivable from banks	2,406,346	4,158,765
Non-trade receivables	4,288,585	4,605,743
Input tax	3,084,171	2,439,164
Accrued interest receivable (Note 19)	683,113	359,714
Escrow fund (Note 19)	60,507	157,719
Others	2,807,790	2,687,732
	₱71,242,056	₱70,338,577

10. Investments in Associate Companies and Joint Ventures

The ₱8.2 billion increase in this account pertains mainly to equity in earnings, net of dividends from associate companies and joint ventures.

11. 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, 2017	P12,435,886	P3,250,294	P7,005,457	P9,249,821	P7,775,635	P17,099,137	P827,238	P1,226,846	P58,870,314
Additions	495,484	137,221	650,192	984,300	1,087,083	1,089,021	399,380	1,609,808	6,452,489
Reclassifications	731,140	318,803	215,101	(640,623)	595,411	943,314	14,273	(1,311,435)	865,984
Disposals/retirements	(7,238)	(43,712)	(33,983)	(29,836)	(35,489)	(319,355)	(276,580)	(10,715)	(756,908)
As at December 31, 2018	13,655,272	3,662,606	7,836,767	9,563,662	9,422,640	18,812,117	964,311	1,514,504	65,431,879
Additions	75,597	23,605	164,605	144,935	182,811	260,301	7,443	415,544	1,274,841
Reclassifications	74,785	(4,862)	6,617	9,560	37,407	46,441	(1,249)	(211,759)	(43,060)
Disposals/retirements	(25,392)	(154)	(2,433)	(1,785)	(20,898)	(1,320)	(3,797)	(1,179)	(56,958)
As at March 31, 2019	P13,780,262	P3,681,195	P8,005,556	P9,716,372	P9,621,960	P19,117,539	P966,708	P1,717,110	P66,606,702
Accumulated Depreciation and Amortization									
As at December 31, 2017	P5,045,238	P2,205,165	P5,552,533	P6,117,842	P5,335,664	P12,638,169	P636,296	P—	P37,530,907
Depreciation and amortization	819,177	357,057	648,782	955,861	862,892	1,373,922	74,722	—	5,092,413
Reclassifications	14,631	42,348	30,070	(92,395)	52,707	165,661	3,137	—	216,159
Disposals/retirements	(5,766)	(41,873)	(32,274)	(25,906)	(32,862)	(310,433)	(160,153)	—	(609,267)
As at December 31, 2018	5,873,280	2,562,697	6,199,111	6,955,402	6,218,401	13,867,319	554,002	—	42,230,212
Depreciation and amortization	196,557	98,503	172,203	245,887	243,213	348,846	14,117	—	1,319,326
Reclassifications	(717)	(95)	(6,721)	5,132	(3,148)	(955)	(1,219)	—	(7,723)
Disposals/retirements	(25,392)	(154)	(2,051)	(1,610)	(20,719)	(189)	(3,797)	—	(53,912)
As at March 31, 2019	P6,043,728	P2,660,951	P6,362,542	P7,204,811	P6,437,747	P14,215,021	P563,103	P—	P43,487,903
Net Book Value									
As at March 31, 2019	P7,736,534	P1,020,244	P1,643,014	P2,511,561	P3,184,213	P 4,902,518	P403,605	P1,717,110	P23,118,799
As at December 31, 2018	7,781,992	1,099,909	1,637,656	2,608,260	3,204,239	4,944,798	410,309	1,514,504	23,201,667

12. Investment Properties

The movements in this account follow:

	Land and Improvements	Buildings and Leasehold Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
<i>(In Thousands)</i>					
Cost					
As at December 31, 2017	P68,319,833	P222,001,891	P36,167,105	P32,958,780	P359,447,609
Additions	4,331,055	8,484,409	3,024,922	11,713,859	27,554,245
Reclassifications	(1,450,188)	9,065,328	1,112,146	(5,889,917)	2,837,369
Translation adjustment	(5,531)	(166,451)	(12,678)	(4,949)	(189,609)
Disposals	(65,250)	(63,044)	(413,313)	(24,124)	(565,731)
As at December 31, 2018	71,129,919	239,322,133	39,878,182	38,753,649	389,083,883
Additions	963,174	583,390	401,292	4,016,125	5,963,981
Reclassifications	(3,005)	5,199,206	158,630	(4,445,693)	909,138
Translation adjustment	33,051	968,735	77,381	33,985	1,113,152
Disposals	—	(4,256)	(37,282)	(5,864)	(47,402)
As at March 31, 2019	P72,123,139	P246,069,208	P40,478,203	P38,352,202	P397,022,752
Accumulated Depreciation, Amortization and Impairment Loss					
As at December 31, 2017	P1,988,051	P46,650,292	P21,791,001	P—	P70,429,344
Depreciation and amortization	226,776	6,654,052	3,067,430	—	9,948,258
Reclassifications	(26,656)	174,997	(153,171)	—	(4,830)
Translation adjustment	(9,243)	(68,853)	(14,860)	—	(92,956)
Disposals	(25,807)	(61,055)	(373,345)	—	(460,207)
As at December 31, 2018	2,153,121	53,349,433	24,317,055	—	79,819,609
Depreciation and amortization	55,006	1,766,859	737,331	—	2,559,196
Reclassifications	7,563	6,056	(13,619)	—	0
Translation adjustment	18,911	158,832	41,013	—	218,756
Disposals	—	(4,256)	(16,062)	—	(20,318)
As at March 31, 2019	P2,234,601	P55,276,924	P25,065,718	P—	P82,577,243
Net Book Value					
As at March 31, 2019	P69,888,538	P190,792,284	P15,412,485	P38,352,202	P314,445,509
As at December 31, 2018	68,976,798	185,972,700	15,561,127	38,753,649	309,264,274

Construction in progress pertains to construction costs incurred for new shopping malls, commercial buildings and redevelopment of existing malls.

Interest capitalized to investment properties amounted to P909.0 million and P2,681.0 million as at March 31, 2019 and December 31, 2018, respectively. Capitalization rates used range from 2.4% to 5.1% in 2019 and 2.4% to 5.0% in 2018.

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

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

Land and Development

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

The movements in “Land and development” accounted as real estate inventories follow:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of period	P29,486,964	P62,698,284
Reclassification to land and development - noncurrent, accounted as investment property	(10,996)	(36,484,925)
Development cost incurred	4,153,918	20,358,758
Borrowing cost capitalized	199	4,047
Cost of real estate sold	(3,323,252)	(15,390,471)
Transfer to condominium and residential units for sale	(32,369)	(1,733,711)
Reclassification and others	243,635	34,982
Balance at end of period	P30,518,099	P29,486,964

Included in land and development accounted as real estate inventories are contract fulfillment assets amounting to P929.0 million P1,232.0 million as at March 31, 2019 and December 31, 2018, respectively, representing the unamortized portion of land cost.

The movements in land and development - noncurrent accounted as investment property follow:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of period	P53,928,447	P-
Reclassification from land and development - noncurrent, accounted as real estate inventories	10,996	36,484,925
Land acquisitions	2,048,473	17,443,522
Transfer costs	1,293	-
Balance at end of period	P55,989,209	P53,928,447

The average rates used to determine the amount of borrowing cost eligible for capitalization range from 5.5% in 2019 and 4.6% to 5.1% in 2018.

Not included in land and development - current and noncurrent is P54,092.0 million and P51,097.0 million as at March 31, 2019 and December 31, 2018, respectively, representing the estimated cost to complete the projects.

Land and development is stated at cost. There is no allowance for inventory write-down as at March 31, 2019 and December 31, 2018.

Condominium and Residential Units for Sale

The movements in this account follow:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of period	P8,110,504	P8,829,343
Transfer from land and development	32,369	1,733,711
Development cost incurred	-	1,644
Cost of real estate sold	(1,033,897)	(2,461,799)
Reposessed inventories	-	7,605
Adjustment on allocated cost	7,038	-
Balance at end of period (Note 9)	P7,116,014	P8,110,504

The condominium and residential units for sale are stated at cost as at March 31, 2019 and December 31, 2018.

14. Intangibles and Other Noncurrent Assets

Intangible Assets

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (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	8,133,691	8,163,825
	P25,440,562	P25,470,696

Other Noncurrent Assets

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Bonds and deposits	P65,457,430	P65,893,795
Receivables from real estate buyers (Note 8)	25,440,888	26,232,167
Land use rights	10,603,647	10,403,350
Long-term notes (Notes 19 and 23)	6,728,772	6,739,026
Derivative assets (Notes 19 and 23)	818,412	1,566,788
Deferred input VAT	1,353,952	1,689,045
Defined benefit asset	192,429	73,469
Escrow fund (Note 19)	132,460	132,460
Others	2,938,590	2,705,007
	P113,666,580	P115,435,107

15. Bank Loans

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Peso-denominated:		
Parent Company	P1,750,000	P4,850,000
Subsidiaries	12,178,074	14,035,465
	P13,928,074	P18,885,465

These loans bear interest ranging from 4.0% to 6.5% in 2019 and 2.9% to 6.0% in 2018.

16. Accounts Payable and Other Current Liabilities

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	(In Thousands)	
Trade	P57,927,918	P70,934,888
Accrued expenses	12,055,861	11,697,441
Nontrade	6,700,578	6,230,139
Tenants and customers' deposits*	14,661,800	12,699,887
Payable arising from acquisition of land	7,295,395	7,974,792
Payable to government agencies	4,759,663	4,618,623
Accrued interest (Note 19)	3,581,972	3,058,294
Subscriptions payable	2,021,790	2,021,790
Due to related parties (Note 19)	629,651	1,362,505
Gift checks redeemable and others	3,949,425	4,179,360
	P113,584,053	P124,777,719

* Includes unearned revenue from sales of real estate amounting to P3,871.0 million and P4,195.3 million as at March 31, 2019 and December 31, 2018, respectively.

17. Long-term Debt

This account consists of:

	Availment	Maturity	Interest Rate/Term	Security	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
						(In Thousands)
Parent Company						
U.S. dollar-denominated	October 17, 2012 - July 26, 2018	October 17, 2019 - June 10, 2024	Fixed 4.3%-4.9%; Floating six-month and three-month LIBOR + margin; semi-annual and quarterly	Unsecured	P63,174,444	P65,097,129
Peso-denominated	July 16, 2012 - December 27, 2018	January 14, 2019 - August 8, 2025	Fixed 4.4%-6.9%; three-month PHP BVAL + margin; semi-annual and quarterly	Unsecured	76,154,170	78,864,170
Subsidiaries						
U.S. dollar-denominated	April 23, 2014 - July 30, 2018	April 14, 2019 - June 14, 2023	LIBOR + spread; semi-annual	Unsecured	42,306,803	41,975,402
China Yuan Renminbi-denominated	July 28, 2015 - October 16, 2017	December 31, 2019 - October 16, 2022	CBC rate less 10.0%; quarterly	Secured	3,186,628	3,118,514
Peso-denominated	January 12, 2012 - September 21, 2018	January 28, 2019 - July 26, 2026	Fixed 3.8%-7.6%; PDST-R2 + margin	Unsecured	178,643,502	179,751,217
					363,465,547	368,806,432
Less debt issue cost					1,626,839	1,770,189
					361,838,708	367,036,243
Less current portion					71,890,802	61,480,887
					P289,947,906	P305,555,356

BVAL – Bloomberg Valuation

LIBOR – London Interbank Offered Rate

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

CBC – Central Bank of China

Repayment Schedule

The repayment schedule of long-term debt as at March 31, 2019 follows:

	Gross Debt	Debt Issue Cost	Net
	<i>(In Thousands)</i>		
Within 1 year	P71,938,308	P47,506	P71,890,802
Over 1 year to 5 years	208,528,219	1,337,162	207,191,057
Over 5 years	82,999,020	242,171	82,756,849
	P363,465,547	P1,626,839	P361,838,708

Covenants

The long-term debt of the Group is covered with certain covenants including adherence to financial ratios. The Parent Company's loan covenants include adherence to certain financial ratios namely: (1) debt-to-equity ratio not to exceed 80:20, and, (2) current ratio at a minimum of 0.30, and, certain restrictions with respect to material change in ownership or control. As at March 31, 2019 and December 31, 2018, the Group is in compliance with the terms of its debt covenants.

18. Equity

Capital Stock

a. Common stock

	Number of Shares	
	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Authorized - P10 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 March 31, 2019 and December 31, 2018, 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 1,261 and 1,255 as at March 31, 2019 and December 31, 2018, respectively.

b. Redeemable preferred shares

	Number of Shares	
	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Authorized - P10 par value per share	10,000,000	10,000,000

There are no issued and subscribed preferred shares as at March 31, 2019 and December 31, 2018.

Retained Earnings

▪ Appropriated

Retained earnings appropriated as at March 31, 2019 is intended for the payment of certain long-term debts and new investments as follows:

	Timeline	Amount
		<i>(In Thousands)</i>
Debt service	2019 - 2023	₱27,000,000
Investments	2019 - 2021	10,000,000
		₱37,000,000

▪ Unappropriated

The Parent Company's cash dividend declarations in 2019 and 2018 follow:

Declaration Date	Record Date	Payment Date	Per Share	Total
				<i>(In Thousands)</i>
April 24, 2019	May 9, 2019	May 23, 2019	₱9.12	₱10,986,000
April 25, 2018	May 10, 2018	May 24, 2018	8.20	9,877,566

Unappropriated retained earnings include the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱213,543.4 million and ₱202,669.4 million as at March 31, 2019 and December 31, 2018, 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.

19. 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:

▪ 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).

▪ 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.

▪ Dividend Income

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

▪ 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.

■ Notes Receivable

The Group has certain notes receivable from Carmen Copper Corporation (see Notes 14 and 22).

■ 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			
	March 31, 2019	March 31, 2018	March 31, 2019	December 31, 2018	Terms	Conditions
	(In Thousands)					
Banking Group						
Cash placement and investment in marketable securities			₱69,780,101	₱89,890,525	Interest-bearing at prevailing rates	Unsecured; no impairment
Interest receivable			571,170	227,606	—	—
Interest income	₱759,597	₱522,716			—	—
Interest-bearing debt			26,207,259	31,446,016	Interest-bearing	Unsecured
Interest payable			479,367	65,477	—	—
Interest expense	580,290	280,581			—	—
Rent receivable			134,311	126,809	Noninterest-bearing	Unsecured; no impairment
Rent income	250,409	231,943			—	—
Dividends receivable			—	2,587	Noninterest-bearing	Unsecured; no impairment
Bonds and deposits			18,375,000	18,403,000	Interest-bearing 4.5%	Unsecured; no impairment
Management and service fee receivable			12,431	14,469	Noninterest-bearing	Unsecured; no impairment
Management and service fee income	642	626			—	—
Escrow fund			192,967	284,160	Interest-bearing at prevailing rates	Unsecured; no impairment
Retail and Other Entities						
Rent receivable			229,085	256,615	Noninterest-bearing	Unsecured; no impairment
Rent income	491,970	487,236			—	—
Management and service fee receivable			786,085	937,255	Noninterest-bearing	Unsecured; no impairment
Management and service fee income	244,773	129,271			—	—
Dividends receivable				—	Noninterest-bearing	Unsecured; no impairment
Due from related parties			400,432	953,010	Noninterest-bearing	Unsecured; no impairment
Due to related parties			629,651	1,362,505	Noninterest-bearing	Unsecured
Interest receivable			11,215	9,360	—	—
Interest income	86,509	83,946			—	—
Notes receivable			6,728,772	6,739,026	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.

20. Cost of Merchandise Sales

This account consists of:

	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
	<i>(In Thousands)</i>	
Merchandise inventories at beginning of period	P31,836,333	P27,778,741
Purchases	58,898,758	52,633,920
Total goods available for sale	90,735,091	80,412,661
Less merchandise inventories at end of period	34,944,905	30,795,377
	P55,790,186	P49,617,284

21. Income Tax

Deferred tax assets of P2,855.6 million and P2,726.2 million as at March 31, 2019 and December 31, 2018, 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 P8,862.6 million and P8,810.9 million as at March 31, 2019 and December 31, 2018, 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.

22. 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 the 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 equity investments at FVOCI 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 the 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 17).

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

As at March 31, 2019 and December 31, 2018, after taking into account the effect of the swaps, approximately 81.2% and 81.1%, 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 and non-deliverable forwards.

As at March 31, 2019, the Group's foreign currency-denominated assets and liabilities amounted to P52,621.7 million (\$1,002.3 million) and P52,761.1 million (\$1,005.0 million), respectively.

As at December 31, 2018, the Group's foreign currency-denominated assets and liabilities amounted to P57,237.9 million (\$1,008.6 million) and P54,142.2 million (\$1,029.7 million), respectively.

As at March 31, 2019 and December 31, 2018, approximately 28.8% and 28.4%, 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.

	March 31, 2019	December 31, 2018
Philippine Peso to U.S. Dollar	P52.50	P52.58

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 customer base, it is not exposed to large concentrations of credit risk.

With respect to credit risk arising from the other financial assets of the Group which consist of cash and cash equivalents, time deposits, and financial assets, the Group's credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Receivables from sale of real estate have minimal credit risk and are effectively collateralized by the respective units sold since title to the real estate properties are not transferred to the buyers until full payment is made.

As at March 31, 2019 and December 31, 2018, the financial assets 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 primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

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

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

The Group's gearing ratios follow:

	March 31, 2019	December 31, 2018
Gross	50%	52%
Net	44%	44%

23. Financial Instruments

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

March 31, 2019					
	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					
Derivative assets	P818,412	P818,412	P–	P818,412	P–
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	2,403,716	2,392,789	–	–	2,392,789
Receivables and contract assets - net (including noncurrent portion of receivables from real estate buyers)	62,149,252	60,487,301	–	–	60,487,301
Other noncurrent assets:					
Bonds and deposits	18,375,000	20,201,661	–	–	20,201,661
Long-term notes	6,728,772	8,554,146	–	–	8,554,146
	89,656,740	91,635,897	–	–	91,635,897
	P90,475,152	P92,454,309	P–	P818,412	P91,635,897
Liabilities Measured at Fair Value					
Derivative liabilities	P700,946	P700,946	P–	P700,946	P–
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	289,947,906	278,316,763	–	–	278,316,763
Tenants' deposits and others*	63,730,425	58,593,403	–	–	58,593,403
	353,678,331	336,910,166	–	–	336,910,166
	P354,379,277	P337,611,112	P–	P700,946	P336,910,166

*Excluding nonfinancial liabilities amounting to P3,378.1 million.

December 31, 2018					
	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					
Derivative assets	P1,566,788	P1,566,788	P–	P1,566,788	P–
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	2,392,622	2,339,327	–	–	2,339,327
Receivables and contract assets - net (including noncurrent portion of receivables from real estate buyers)	59,987,359	57,604,083	–	–	57,604,083
Other noncurrent assets:					
Bonds and deposits	18,403,000	19,800,272	–	–	19,800,272
Long-term notes	6,739,026	8,489,300	–	–	8,489,300
	87,522,007	88,232,982	–	–	88,232,982
	P89,088,795	P89,799,770	P–	P1,566,788	P88,232,982
Liabilities Measured at Fair Value					
Derivative liabilities	P335,008	P335,008	P–	P335,008	P–
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	305,555,356	288,274,800	–	–	288,274,800
Tenants' deposits and others*	36,000,150	32,026,177	–	–	32,026,177
	341,555,506	320,300,977	–	–	320,300,977
	P341,890,514	P320,635,985	P–	P335,008	P320,300,977

*Excluding nonfinancial liabilities amounting to P3,432.6 million.

There were no transfers into and out of Levels 1, 2 and 3 fair value measurements as at March 31, 2019 and December 31, 2018 .

Derivative Instruments Accounted for as Cash Flow Hedges

As at Marc 31, 2019, 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	US\$: CN¥	Maturity
	(In US\$)	(In PhP)	(In CN¥)							
	(In Thousands)									
Parent:										
	\$53,000	₱2,761,300		₱2,782,500	₱ 118,481	LIBOR + spread	5.3%	₱52.10		March 6, 2023
	100,000	5,210,000		5,250,000	77,990	LIBOR + spread	5.9%	52.10		April 16, 2023
	56,159	3,000,000		2,948,334	(65,453)	LIBOR + spread	6.1%	53.42		July 26, 2023
SM Prime:										
	50,000	2,666,500		2,625,000	(63,388)	LIBOR + spread	6.4%	53.33		June 14, 2023
	60,000	3,199,200		3,150,000	(98,586)	LIBOR + spread	6.4%	53.32		June 14, 2023
	25,000		¥172,100	1,312,500	(97,556)	LIBOR + spread	5.4%		¥6.884	March 27, 2022
	25,000		172,300	1,312,500	(96,691)	LIBOR + spread	5.4%		6.892	March 27, 2022
	50,000		327,315	2,625,000	(20,845)	LIBOR + spread	5.0%		6.546	June 30, 2022
	50,000		335,940	2,625,000	(10,498)	LIBOR + spread	4.0%		6.719	February 28, 2024
	50,000		335,725	2,625,000	5,794	LIBOR + spread	3.9%		6.715	February 28, 2024
	50,000		335,750	2,625,000	(17,886)	LIBOR + spread	3.9%		6.715	February 28, 2024
	50,000		334,400	2,625,000	(19,310)	LIBOR + spread	3.9%		6.688	February 28, 2024

Principal only and interest rate swaps:

	Notional Amount	Fair Value		US\$:CN¥	Interest Rate	Maturity
		Principal	Interest Only Swap Rate Swap			
(In Thousands)						
SM Prime	US\$150,000	₱8,623,349	₱—	₱19,602	¥—	3.2%
	270,000	14,175,009	(281,980)	244,648	6.458-6.889	6.2%
						April 14, 2019
						January 29, 2021

Derivative Instruments Accounted for as Fair Value Hedge

Forward swaps:

	Notional Amount	Principal	Fair Value	Strike Price		Maturity
				Low	High	
				(In Thousands)		
SM Prime	US\$100,000	₱5,702,264	₱133,654	¥6.314	¥6.485	April 15, 2019
	100,000	5,702,264	128,106	6.289	6.496	April 15, 2019
	100,000	5,702,264	161,385	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.

24. EPS Computation

	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
(In Thousands Except Per Share Data)		
Net income attributable to owners of the Parent (a)	₱10,690,220	₱8,468,814
Weighted average number of common shares outstanding (b)	1,204,583	1,204,583
EPS (a/b)	₱8.87	₱7.03

PART 1 FINANCIAL INFORMATION

Management's Discussion and Analysis or Plan of Operation

Results of Operation

For the Three Months Ended March 31, 2019 and 2018

(amounts in billion pesos)

Accounts	2019	2018	% Change
Revenue	P 109.0	P 95.0	14.7%
Cost and Expenses	85.7	75.6	13.4%
Income from Operations	23.3	19.4	19.8%
Other Charges	3.0	2.5	-17.0%
Provision for Income Tax	3.9	3.4	14.4%
Net Income After Tax	16.4	13.5	21.8%
Non-controlling Interests	5.7	5.0	14.2%
Net Income Attributable to Owners of the Parent	P 10.7	P 8.5	26.2%

SM Investments Corporation and Subsidiaries (the Group) reported P10.7 billion *Net Income Attributable to Owners of the Parent*, 26.2% higher than 2018, and P109.0 billion *Revenues*, 14.7% higher than 2018.

Income from Operations increased by 19.8% to P23.3 billion from P19.4 billion in 2018. *Operating Margin* and *Net Margin* is at 21.3% and 15.0%, respectively.

Merchandise Sales, which grew by 12.9% to P76.1 billion from P67.4 billion in 2018, accounts for 69.7% of total revenues in 2019. The increase is attributable to the opening of 1 *SM Supermarket*, 1 *Savemore* stores, 52 *Alfamart* stores and 8 *Specialty* stores and strong same-store sales growth.

The *Non-Food* and *Food Group* comprised 46% and 54%, respectively, of merchandise sales in 2019 and 48% and 52% in 2018, respectively.

As of March 31, 2019, *SM Retail* had 2,385 stores nationwide, namely: 63 *SM Stores*, 57 *SM Supermarkets*, 194 *Savemore* stores, 53 *SM Hypermarkets*, 52 *WalterMart* stores, 578 *Alfamart* stores and 1,388 *Specialty* stores.

Real Estate Sales increased by 22.5% to P9.1 billion from P7.4 billion in 2018 due to higher construction accomplishments of launched projects including *Cheerful*, *Green 2*, *Trees PH3*, *Hope*, *Charm* and *Bloom Residences* and increase in sales of Ready-for-Occupancy (RFO) projects.

Rent Revenues, derived mainly from the mall operations of *SM Prime Holdings, Inc.* (*SM Prime*), increased by 9.3% to P12.5 billion from P11.4 billion in 2018. The increase in *Rent Revenue* is primarily due to the new malls and expansions which opened in 2017 and 2018, namely, *SM CDO Downtown Premier*, *SM City Puerto Princesa*, *SM Center Tuguegarao Downtown*, *SM City Urdaneta Central*, *SM City Telabastagan*, *SM City Legazpi*, *SM Center Ormoc* and *S Maison* at the Conrad Manila. Excluding the new malls, same-mall rental growth is at 7%.

As of March 31, 2019, *SM Prime* had 72 malls in the Philippines with total GFA of 8.3 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 43.8% to P5.5 billion from P3.8 billion in 2018 due mainly to the increase in earnings of bank associates.

Dividend, Management Fees and Others increased by 24.3% to P4.2 billion from P3.4 billion in 2018 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 15.3% to P25.6 billion from P22.2 billion in 2018 due mainly to additional operating expenses associated with new/renovated retail stores and malls and new real estate projects.

Other Charges (Net) increased by 17.0% to P3.0 billion from P2.5 billion in 2018. *Interest Expense* increased by 12.9% to P4.3 billion from P3.8 billion in 2018 due mainly to new debt availments for working capital and capital expenditure requirements. *Interest Income* increased by 11.2% to P1.0 billion from P0.9 billion in 2018 coming mainly from temporary investments. *Gain (Loss) on Fair Value Changes on Derivatives - Net* increased to a gain of P55.3 million from a loss of P166.7 million in 2018 resulting mainly from the mark-to-market valuation of outstanding non-deliverable forward (NDF) contracts and from matured NDF contracts in both periods.

Provision for Income Tax increased by 14.4% to P3.9 billion from P3.4 billion in 2018 due mainly to increase in taxable income. The effective income tax rate is 19.4% in 2019 and 20.4% in 2018.

Non-controlling interests increased by 14.2% to P5.7 billion from P5.0 billion in 2018 due to the increase in net income of partly-owned subsidiaries.

Financial Position

As at March 31, 2019 and December 31, 2018

(amounts in billion pesos)

Accounts	2019	2018	% Change
Current Assets	P 230.7	P 241.7	-4.6%
Noncurrent Assets	861.0	818.9	5.1%
Total Assets	P 1,091.7	P 1,060.6	2.9%
Current Liabilities	P 209.0	P 212.7	-1.7%
Noncurrent Liabilities	368.2	355.6	3.5%
Total Liabilities	577.2	568.3	1.6%
Total Equity	514.5	492.3	4.5%
Total Liabilities and Equity	P 1,091.7	P 1,060.6	2.9%

Total Assets increased by 2.9% to P1,091.7 billion from P1,060.6 billion in 2018. On the other hand, total Liabilities increased by 1.6% to P577.2 billion from P568.3 billion in 2018.

Current Assets

Current Assets decreased by 4.6% to P230.7 billion from P241.7 billion in 2018.

Cash and Cash Equivalents decreased by 19.1% to P64.2 billion from P79.3 billion in 2018 due mainly to settlement of loans and trade payables.

Receivables and Contract Assets increased by 8.7% to P36.7 billion from P33.8 billion in 2018. This is attributable mainly to the increase in receivable from real estate buyers.

Merchandise Inventories increased by 9.8% to P34.9 billion from P31.8 billion in 2018. The Food Group contributed the most to the increase.

Other Current Assets increased by 1.3% to P71.2 billion from P70.3 billion in 2018 due mainly to higher prepaid taxes and other prepayments and increase in land and development - current, partly offset by the decrease in receivable from banks.

Noncurrent Assets

Noncurrent Assets increased by 5.1% to P861.0 billion from P818.9 billion in 2018.

Financial Assets increased by 3.4% to P27.6 billion from P26.7 billion in 2018 due mainly to increase in market value of certain investments.

Investments in Associate Companies and Joint Ventures increased by 3.2% to P268.0 billion from P259.8 billion in 2018. The increase mainly represents equity in net earnings of associates, new investments, and share in other comprehensive income of associates, partly offset by dividends received from associates.

Time Deposits remained at P2.4 billion in both periods. On the other hand, the current portion of Time Deposits decreased by 11.5% to P22.9 billion from P25.8 billion in 2018. Bulk of the decrease was used to pay off maturing loans.

Current Liabilities

Current Liabilities decreased by 1.7% to P209.0 billion from P212.7 billion in 2018.

Bank Loans decreased by 26.2% to P13.9 billion from P18.9 billion in 2018 resulting mainly from loan payments during the period.

Current Portion of Long-term Debt increased by 16.9% to P71.9 billion from P61.5 billion in 2018 due mainly to reclassification from noncurrent to current of maturing loans.

Accounts Payable and Other Current Liabilities decreased by 9.0% to P113.6 billion from P124.8 billion in 2018 due mainly to settlement of trade payables.

Dividends Payable increased by 12.4% to P4.4 billion from P3.9 billion in 2018. This represents dividends due to minority stockholders of certain subsidiaries.

Income Tax Payable increased by 43.3% to P5.2 billion from P3.6 billion in 2018 due mainly to higher income tax in 2019.

Noncurrent Liabilities

Noncurrent Liabilities increased by 3.5% to P368.2 billion from P355.6 billion in 2018.

Long-term Debt - Net of Current Portion decreased by 5.1% to P289.9 billion from P305.6 billion in 2018 due mainly to payments during the period.

Lease liabilities - net of current portion amounted to P26.9 billion while *Right-of-use assets - net* amounted to P27.5 billion. These accounts were recognized and presented separately in the consolidated balance sheet in 2019 relative to the Group's adoption of *PFRS 16, Leases* using the modified retrospective approach effective January 1, 2019.

Equity

Total *Equity* increased by 4.5% to P514.5 billion from P492.3 billion in 2018.

Equity Attributable to Owners of the Parent increased by 4.4% to P369.1 billion from P353.4 billion in 2018. This increase resulted mainly from (a) *Net Unrealized Gain on Financial Assets* which increased by 31.1% to P15.4 billion from P11.7 billion in 2018 coming mainly from higher market values of certain investments of the Group, (b) 5.5% increase in *Retained earnings* which mainly represents the P10.7 billion *Net Income Attributable to Owners of the Parent* for the first quarter of 2019. These were partially offset by the 13.7% or P284.9 million decrease in *Cumulative Translation Adjustment* which mainly represents the translation of the financial accounts of *SM China* malls from China Yuan Renminbi to Philippine Peso.

Non-controlling Interests increased by 4.7% to P145.4 billion from P138.9 billion in 2018 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	03 / 31/ 2019	12 / 31/ 2018
Current Ratio	1.1	1.1
Asset to Equity	2.1	2.2
Debt - equity Ratios:		
On Gross Basis	50 : 50	52 : 48
On Net Basis	44 : 56	44 : 56
Return on Equity	11.2%	10.9%

Accounts	03 / 31/ 2019	03 / 31/ 2018
Revenue Growth	14.7%	11.4%
Net Margin	15.0%	14.1%
Net Income Growth	26.2%	10.1%
EBITDA (<i>In Billions of Pesos</i>)	27.4B	23.0B
Interest Cover	6.4x	6.0x

Gross Debt-equity Ratio improved to 50:50 from 52:48 in 2018 due mainly to the 2.6% decrease in total debt to P375.8 billion from P385.9 billion in 2018.

Return on Equity increased to 11.2% from 10.9% in 2018 due mainly to the 6.0% increase in annualized income with only 2.5% increase in average equity in 2019 compared with 2018.

Revenue Growth increased to 14.7% from 11.4% in 2018 while *Net Income Growth* increased to 15.0% from 14.1% in 2018 due mainly to higher growth of *Merchandise* sales and *Equity in Net Earnings* in 2019 compared to 2018.

EBITDA increased by 19.4% to P27.4 billion from P23.0 billion in 2018 due mainly to the 19.8% increase in income from operations. Consequently, *Interest Cover* increased to 6.4x from 6.0x in 2018.

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 $\frac{\text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investment in}}{\text{Total Equity Attributable to Owners of the Parent} + \text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash Time deposits, Investments in Bonds)}}$
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

In the succeeding quarters, SM Prime plans to open four new malls in the Philippines. By the end of 2019, there will be 83 malls, 76 in the Philippines and 7 in China with an estimated combined gross floor area of almost 10.0 million square meters.

In the residential segment, 15,000 to 18,000 residential condominium units that include high-rise, mid-rise and single-detached housing and lot projects will be launched. These new projects will be located in Metro Manila and other key cities in the provinces.

In the commercial segment, SM Prime plans to launch the campus-office building named NU Tower and the FourE-Com Center both located in the Mall of Asia Complex in 2019 and 2020, respectively.

In the hotels and convention centers segment, two new hotels will be launched in 2019 namely: Park Inn by Radisson - Iloilo and Park Inn by Radisson - North Edsa.

SM Prime's land banking initiatives will continue in 2019.

Retail Group

For the rest of 2019, the Retail Group plans to open 4 *SM Stores*, 2 *SM Supermarkets*, 13 *Savemore* stores, 1 *SM Hypermarket*, 8 *WalterMart*, and 90 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 March 31, 2019

(in Thousands)

Receivable from tenants		
Third-party tenants	₱	6,850,765
Related-party tenants		363,396
Receivable from real estate buyers		
- net of noncurrent portion		28,979,890
Other trade receivables		10,410
Total	₱	<u><u>36,204,461</u></u>

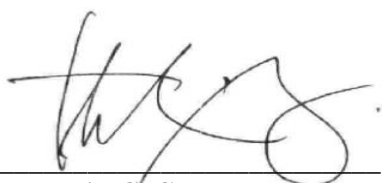
Aging:

Neither past due nor impaired	₱	33,285,970
31-90 days		621,713
91-120 days		199,992
Over 120 days		1,061,029
Impaired		1,035,757
Total	₱	<u><u>36,204,461</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: 5-10-19