

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

857-0100

Mobile Number

—

No. of Stockholders

1,260

Annual Meeting (Month / Day)

--

Fiscal Year (Month / Day)

03/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Franklin C. Gomez

Email Address

—

Telephone Number/s

857-0100

Mobile Number

—

CONTACT PERSON'S ADDRESS

10th Floor, OneE-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, 2020

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, 2020**
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, 2020 and for the
Three-Month Periods Ended March 31, 2020 and 2019
(with Comparative Audited Consolidated Balance Sheet as at
December 31, 2019)

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

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 22)	P70,828,712	P76,213,774
Time deposits (Notes 6 and 22)	30,739	30,488
Financial assets (Notes 7 and 22)	567,102	659,077
Receivables and contract assets (Notes 8 and 22)	55,152,663	53,617,200
Merchandise inventories - at cost (Note 20)	34,402,700	33,157,622
Other current assets (Notes 9 and 22)	88,465,218	84,678,819
Total Current Assets	249,447,134	248,356,980
Noncurrent Assets		
Financial assets - net of current portion (Notes 7 and 22)	18,038,688	24,229,560
Investments in associate companies and joint ventures (Note 10)	282,259,117	280,971,638
Time deposits - net of current portion (Notes 6, 22 and 23)	2,412,972	2,412,972
Property and equipment (Note 11)	25,189,679	24,720,873
Investment properties (Note 12)	342,622,033	338,075,303
Right-of-use assets - net	36,900,513	37,664,176
Land and development - net of current portion (Note 13)	74,980,002	74,946,694
Intangibles (Note 14)	25,227,078	25,289,609
Deferred tax assets (Note 21)	3,661,613	3,121,117
Other noncurrent assets (Notes 14 and 22)	93,983,511	84,375,645
Total Noncurrent Assets	905,275,206	895,807,587
	P1,154,722,340	P1,144,164,567
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 15, 19 and 22)	P35,731,174	P18,710,465
Accounts payable and other current liabilities (Notes 16 and 22)	124,957,682	141,451,764
Income tax payable	3,936,601	3,273,872
Current portion of long-term debt (Notes 17, 19, 22 and 23)	50,151,469	29,077,719
Dividends payable	3,957,888	4,204,962
Total Current Liabilities	218,734,814	196,718,782
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 17, 19, 22 and 23)	310,574,467	327,358,208
Lease liabilities - net of current portion	27,397,531	27,600,392
Deferred tax liabilities (Note 21)	10,534,929	9,604,043
Tenants' deposits and others (Notes 22 and 23)	49,246,457	46,731,664
Total Noncurrent Liabilities	397,753,384	411,294,307
Total Liabilities	616,488,198	608,013,089

(Forward)

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Equity Attributable to Owners of the Parent		
Capital stock (Note 18)	P12,045,829	P12,045,829
Additional paid-in capital	75,815,923	75,815,923
Equity adjustments from common control transactions	(5,424,455)	(5,424,455)
Cost of Parent common shares held by subsidiaries	(25,386)	(25,386)
Cumulative translation adjustment	1,190,386	1,308,228
Net fair value changes on cash flow hedges	(1,291,152)	(1,406,026)
Net unrealized gain on financial assets	3,772,845	14,399,640
Remeasurement loss on defined benefit asset/obligation	(8,633,269)	(8,633,269)
Retained earnings (Note 18):		
Appropriated	37,000,000	37,000,000
Unappropriated	266,553,868	257,546,591
Total Equity Attributable to Owners of the Parent	381,004,589	382,627,075
Non-controlling Interests	157,229,553	153,524,403
Total Equity	538,234,142	536,151,478
	P1,154,722,340	P1,144,164,567

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	
	2020	2019
	(Unaudited)	(Unaudited)
REVENUES		
Sales:		
Merchandise	P78,289,599	P76,059,266
Real estate	11,293,965	9,109,799
Rent (Note 19)	11,076,148	12,471,507
Equity in net earnings of associate companies and joint ventures	5,298,309	5,535,151
Cinema ticket sales, amusement and others	955,640	1,692,754
Dividend, management fees and others	4,238,832	4,179,168
	111,152,493	109,047,645
COST AND EXPENSES		
Cost of sales:		
Merchandise (Note 20)	59,434,998	55,790,186
Real estate (Note 13)	4,964,036	4,357,150
Selling, general and administrative expenses	26,550,681	25,619,860
	90,949,715	85,767,196
OTHER INCOME (CHARGES)		
Interest expense (Note 19)	(4,192,716)	(4,294,118)
Interest income (Note 19)	764,626	998,947
Gain on fair value changes on derivatives - net (Note 23)	472	55,278
Foreign exchange gain (loss) - net and others (Note 22)	(10,097)	269,274
	(3,437,715)	(2,970,619)
INCOME BEFORE INCOME TAX	16,765,063	20,309,830
PROVISION FOR INCOME TAX (Note 21)		
Current	2,727,400	3,710,093
Deferred	260,770	223,689
	2,988,170	3,933,782
NET INCOME	P13,776,893	P16,376,048
Attributable to		
Owners of the Parent	9,007,277	P10,690,220
Non-controlling interests	4,769,616	5,685,828
	P13,776,893	P16,376,048
Basic/Diluted Earnings Per Common Share		
Attributable to Owners of the Parent (Note 24)	P7.48	P8.87

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	
	2020	2019
	(Unaudited)	(Unaudited)
NET INCOME	₱13,776,893	₱16,376,048
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will be reclassified to profit or loss in subsequent periods		
Share in unrealized gain (loss) on financial assets of associates	(2,860,183)	2,206,223
Cumulative translation adjustment	(231,447)	(166,568)
Net fair value changes on cash flow hedges	(184,091)	–
	(3,275,721)	2,039,655
Items not to be reclassified to profit or loss in subsequent periods		
Net unrealized gain (loss) on financial assets	(8,991,818)	2,083,652
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	(129,618)	301,361
	(9,121,436)	2,385,013
TOTAL COMPREHENSIVE INCOME	₱1,379,736	₱20,800,716
Attributable to		
Owners of the Parent	(₱1,622,486)	₱14,772,174
Non-controlling interests	3,002,222	6,028,542
	₱1,379,736	₱20,800,716

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												
	Capital Stock	Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment	Net Fair Value Changes on Cash Flow Hedges	Net Unrealized Gain (Loss) on Financial Assets	Remeasurement loss on Defined Benefit Asset/ Obligation	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
As at December 31, 2019	₱12,045,829	₱75,815,923	(₱5,424,455)	(₱25,386)	₱1,308,228	(₱1,406,026)	₱14,399,640	(₱8,633,269)	₱37,000,000	₱257,546,591	₱382,627,075	₱153,524,403	₱536,151,478
Net income	—	—	—	—	—	—	—	—	—	9,007,277	9,007,277	4,769,616	13,776,893
Other comprehensive income	—	—	—	—	(117,842)	114,874	(10,626,795)	—	—	—	(10,629,763)	(1,767,394)	(12,397,157)
Total comprehensive income	—	—	—	—	(117,842)	114,874	(10,626,795)	—	—	9,007,277	(1,622,486)	3,002,222	1,379,736
Increase in previous year's non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	702,928	702,928
As at March 31, 2020 (Unaudited)	₱12,045,829	₱75,815,923	(₱5,424,455)	(₱25,386)	₱1,190,386	(₱1,291,152)	₱3,772,845	(₱8,633,269)	₱37,000,000	₱266,553,868	₱381,004,589	₱157,229,553	₱538,234,142
As at December 31, 2018 (Audited)	₱12,045,829	₱75,815,520	(₱5,424,455)	(₱25,386)	₱2,014,573	₱62,444	₱11,748,980	(₱2,063,358)	₱37,000,000	₱222,213,054	₱353,387,201	₱138,902,811	₱492,290,012
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)	2,014,573	62,444	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	—	—	—	—	154,084	(438,947)	4,361,345	—	—	—	4,076,482	348,186	4,424,668
Total comprehensive income	—	—	—	—	154,084	(438,947)	4,361,345	—	—	10,690,220	14,766,702	6,034,014	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)	₱12,045,829	₱75,815,520	(₱5,424,455)	(₱25,386)	₱2,168,657	(₱376,503)	₱15,406,854	(₱2,063,358)	₱37,000,000	₱234,497,412	₱369,044,570	₱145,450,441	₱514,495,011

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

	Three-Month Periods Ended March 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱16,765,063	₱20,309,830
Adjustments for:		
Equity in net earnings of associate companies and joint ventures	(5,298,309)	(5,535,151)
Interest expense	4,192,716	4,294,118
Depreciation and amortization (Notes 11, 12 and 14)	4,839,355	4,149,130
Interest income	(764,626)	(998,947)
Dividend, management fees and others	(31,261)	(103,628)
Unrealized foreign exchange (gain) loss and others	127,080	(171,527)
Gain on fair value changes on derivatives - net	(472)	(55,278)
Income before working capital changes	19,829,546	21,888,547
Decrease (increase) in:		
Receivables and contract assets	(2,069,865)	(3,038,966)
Merchandise inventories	(1,245,078)	(3,108,572)
Other current assets	(2,381,359)	491,404
Land and development	(6,246,151)	(6,203,684)
Increase in:		
Accounts payable and other current liabilities	(12,186,550)	(9,259,710)
Tenants' deposits and others	3,094,114	55,904
Net cash generated from (used in) operations	(1,205,343)	824,923
Income tax paid	(2,059,721)	(2,136,826)
Net cash used in operating activities	(3,265,064)	(1,311,903)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Financial assets	—	1,455,363
Property and equipment	—	769
Investment properties	2,059	19,302
Additions to:		
Investment properties (Note 12)	(6,365,822)	(5,963,981)
Property and equipment (Note 11)	(1,700,207)	(1,274,841)
Financial assets	(2,854,936)	(1,312,500)
Investments in associate companies and joint ventures	—	(1,585,342)
Decrease (increase) in:		
Time deposits	15,498	2,933,293
Other noncurrent assets	(10,219,030)	4,698,845
Dividends received	1,487,908	1,320,702
Interest received	537,258	675,548
Net cash provided by (used in) investing activities	(19,097,272)	967,158

(Forward)

	Three-Month Periods Ended March 31	
	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of:		
Long-term debt	P17,600,412	P-
Bank loans	28,223,000	2,250,000
Payments of:		
Long-term debt	(13,452,316)	(5,649,902)
Bank loans	(11,202,291)	(7,207,391)
Dividends	(247,075)	(33,602)
Interest	(3,630,577)	(4,532,242)
Net cash provided by (used in) financing activities	17,291,153	(15,173,137)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,071,183)	(15,517,882)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(313,879)	359,369
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD (Note 5)	76,213,774	79,313,215
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	P70,828,712	P64,154,702

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 December 27, 2019, the Philippine Securities and Exchange Commission (SEC) approved the amendment of the Parent Company's articles of incorporation changing its corporate life to perpetual. Its registered office address is 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300.

SMIC is the largest publicly listed company in the Philippines that is invested in market leading businesses in retail, banking and property. It also invests in ventures that capture high growth opportunities in the emerging Philippine economy.

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 May 21, 2020.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The interim condensed consolidated financial statements of the Group are prepared on a historical cost basis, except for derivative financial instruments and financial assets and liabilities which are 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 accompanying interim condensed consolidated financial statements have been prepared under the going concern assumption. The Group believes that its businesses would remain relevant despite the challenges posed by the COVID-19 pandemic. Whilst the pandemic may adversely impact short-term business results, long-term prospects remain attractive. The Group maintains a conservative Balance Sheet and is confident it would be able to navigate through these challenges and take on opportunities as these arise.

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, 2019.

Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. As at March 31, 2020, there were no significant changes in the Parent Company's ownership interest 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, 2020:

Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

• Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of "material" in PAS 1 and align the definitions used across PFRSs and other pronouncements. These are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgement.

The above amendments shall be applied prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

The Group is assessing the impact of adopting these standards.

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 hotel and convention center 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. The 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 is engaged in asset management and capital investments as well as its associate companies which include the banks.

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, 2020 (Unaudited)					
	Property	Retail	Financial Services and Others	Eliminations/ Adjustments	Consolidated
	<i>(In Thousands)</i>				
Revenue:					
External customers	P24,453,291	P80,927,693	P5,771,509	P-	P111,152,493
Inter-segment	3,028,498	-	605,840	(3,634,338)	-
	P27,481,789	P80,927,693	P6,377,349	(P3,634,338)	P111,152,493
Segment results:					
Income before income tax	P10,771,091	P2,079,521	P3,914,451	P-	P16,765,063
Provision for income tax	(2,172,200)	(745,473)	(70,497)	-	(2,988,170)
Net income	P8,598,891	P1,334,048	P3,843,954	P-	P13,776,893
Net income attributable to:					
Owners of the Parent	P4,273,442	P950,387	P3,783,448	P-	P9,007,277
Non-controlling interests	4,325,449	383,661	60,506	-	4,769,616

Three-Month Period Ended March 30, 2019 (Unaudited)					
	Property	Retail	Financial Services and Others	Eliminations/ Adjustments	Consolidated
	<i>(In Thousands)</i>				
Revenue:					
External customers	P24,141,846	P78,900,982	P6,004,817	P-	P109,047,645
Inter-segment	3,415,968	-	691,348	(4,107,316)	-
	P27,557,814	P78,900,982	P6,696,165	(P4,107,316)	P109,047,645
Segment results:					
Income before income tax	P11,631,655	P4,373,021	P4,305,154	P-	P20,309,830
Provision for income tax	(2,542,744)	(1,320,508)	(70,530)	-	(3,933,782)
Net income	P9,088,911	P3,052,513	P4,234,624	P-	P16,376,048
Net income attributable to:					
Owners of the Parent	P4,436,282	P2,088,104	P4,165,834	P-	P10,690,220
Non-controlling interests	4,652,629	964,409	68,790	-	5,685,828

5. Cash and Cash Equivalents

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Cash on hand and in banks (Note 19)	P16,269,047	P19,218,912
Temporary investments (Note 19)	54,559,665	56,994,862
	P70,828,712	P76,213,774

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, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Current	P30,739	P30,488
Noncurrent	2,412,972	2,412,972
	P2,443,711	P2,443,460

The time deposits bear interest ranging from 2.0% to 3.2% in 2020 and 2019.

7. Financial Assets

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Financial assets at FVOCI:		
Shares of stock		
Listed	P15,911,581	P22,240,653
Unlisted	2,678,509	2,635,484
Club shares	15,700	12,500
	18,605,790	24,888,637
Less current portion	567,102	659,077
Noncurrent portion	P18,038,688	P24,229,560

8. Receivables and Contract Assets

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Trade:		
Real estate buyers	P71,308,390	P66,679,220
Third party tenants	6,191,383	8,469,829
Related party tenants (Note 19)	137,230	432,513
Others	29,532	66,747
Due from related parties (Note 19)	2,238,431	1,079,944
Management and service fees (Note 19)	2,079,639	2,212,623
Dividends (Note 19)	276,774	610,649
	82,261,379	79,551,525
Less allowance for expected credit loss (ECL)	1,053,447	1,053,549
	81,207,932	78,497,976
Less noncurrent portion of receivables from real estate buyers (Note 14)	26,055,269	24,880,776
Current portion	P55,152,663	P53,617,200

Allowance for ECL pertains to receivables from tenants which were identified to be impaired based on specific assessment. Receivables other than those identified as impaired, are assessed as good and collectible.

9. Other Current Assets

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Land and development (Note 13)	P39,166,997	P37,935,968
Prepaid taxes and other prepayments	14,598,778	13,985,109
Condominium and residential units for sale (Note 13)	6,019,997	6,026,426
Bonds and deposits	10,149,559	9,519,229
Receivable from banks	3,323,188	5,497,587
Non-trade receivables	6,700,281	4,362,489
Input tax	5,061,565	4,261,278
Accrued interest receivable (Note 19)	419,867	192,499
Escrow fund (Note 19)	142,835	117,985
Others	2,882,151	2,780,249
	P88,465,218	P84,678,819

10. Investments in Associate Companies and Joint Ventures

The P1.3 billion increase in this account pertains mainly to equity in earnings, net of share in net comprehensive loss and dividends of 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, 2018	P13,655,272	P3,662,606	P7,836,767	P9,563,662	P9,422,640	P18,812,117	P964,311	P1,514,504	P65,431,879
Additions	356,889	144,070	681,626	1,284,065	864,377	1,347,570	90,239	2,677,577	7,446,413
Effect of business combination	–	–	750	86,517	14,443	–	1,562	–	103,272
Reclassifications	544,069	237,227	98,281	(974,418)	82,394	533,433	311	(1,459,977)	(938,680)
Disposals/retirements	(229,272)	(33,454)	(28,431)	(74,845)	(46,189)	(93,669)	(8,629)	(13,183)	(527,672)
As at December 31, 2019	14,326,958	4,010,449	8,588,993	9,884,981	10,337,665	20,599,451	1,047,794	2,718,921	71,515,212
Additions	109,925	63,520	107,238	217,234	199,318	173,788	4,534	824,650	1,700,207
Reclassifications	97,322	(33,402)	(30,574)	685,506	15,816	53,659	(1,081)	(151,432)	635,814
Disposals/retirements	(7,199)	(2,998)	(60,654)	(46,849)	(44,447)	(190,960)	(300)	(1,555)	(354,962)
As at March 31, 2020	P14,527,006	P4,037,569	P8,605,003	P10,740,872	P10,508,352	P20,635,938	P1,050,947	P3,390,584	P73,496,271
Accumulated Depreciation and Amortization									
As at December 31, 2018	P5,873,280	P2,562,697	P6,199,111	P6,955,402	P6,218,401	P13,867,319	P554,002	P–	P42,230,212
Depreciation and amortization	773,894	380,986	695,475	554,216	1,003,150	1,467,314	59,215	–	4,934,250
Effect of business combination	–	–	205	33,216	2,643	–	1,157	–	37,221
Reclassifications	(31,628)	(80,706)	(6,405)	861,310	(7,303)	(840,944)	(6,294)	–	(111,970)
Disposals/retirements	(90,774)	(15,556)	(21,913)	(23,952)	(43,342)	(91,236)	(8,601)	–	(295,374)
As at December 31, 2019	6,524,772	2,847,421	6,866,473	8,380,192	7,173,549	14,402,453	599,479	–	46,794,339
Depreciation and amortization	184,354	87,338	162,073	232,674	244,431	402,727	49,941	–	1,363,538
Reclassifications	570	(598)	(16,251)	464,901	61	(354)	–	–	448,329
Disposals/retirements	(7,100)	(2,948)	(44,508)	(41,193)	(28,802)	(174,763)	(300)	–	(299,614)
As at March 31, 2020	P6,702,596	P2,931,213	P6,967,787	P9,036,574	P7,389,239	P14,630,063	P649,120	P–	P48,306,592
Net Book Value									
As at March 31, 2020	P7,824,410	P1,106,356	P1,637,216	P1,704,298	P3,119,113	P6,005,875	P401,827	P3,390,584	P25,189,679
As at December 31, 2019	7,802,186	1,163,028	1,722,520	1,504,789	3,164,116	6,196,998	448,315	2,718,921	24,720,873

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, 2018	₱71,129,919	₱239,322,133	₱39,878,182	₱38,753,649	₱389,083,883
Additions	3,563,225	2,334,200	1,883,218	29,121,761	36,902,404
Reclassifications	(120,439)	12,621,438	1,261,397	(14,002,546)	(240,150)
Effect of common control business combination	510,586	3,771,736	—	382,207	4,664,529
Translation adjustment	(67,417)	(1,976,026)	(157,843)	(69,323)	(2,270,609)
Disposals	(5,125)	(18,639)	(159,680)	(1,153)	(184,597)
As at December 31, 2019	75,010,749	256,054,842	42,705,274	54,184,595	427,955,460
Additions	448,383	242,558	481,851	5,193,030	6,365,822
Reclassifications	(2,268)	4,722,335	201,274	(3,371,672)	1,549,669
Translation adjustment	(23,190)	(695,806)	(55,427)	(63,189)	(837,612)
Disposals	(82)	—	(25,631)	—	(25,713)
As at March 31, 2020	₱75,433,592	₱260,323,929	₱43,307,341	₱55,942,764	₱435,007,626
Accumulated Depreciation, Amortization and Impairment Loss					
As at December 31, 2018	₱2,153,121	₱53,349,433	₱24,317,055	₱—	₱79,819,609
Depreciation and amortization	244,454	7,297,151	3,064,236	—	10,605,841
Reclassifications	7,563	(11,523)	—	—	(3,960)
Effect of common control business combination	—	57,712	—	—	57,712
Translation adjustment	(35,052)	(355,546)	(88,474)	—	(479,072)
Disposals	(3,626)	(10,454)	(105,893)	—	(119,973)
As at December 31, 2019	2,366,460	60,326,773	27,186,924	—	89,880,157
Depreciation and amortization	59,784	1,870,397	778,399	—	2,708,580
Reclassifications	—	—	—	—	—
Translation adjustment	(14,051)	(134,093)	(32,270)	—	(180,414)
Disposals	(18)	—	(22,712)	—	(22,730)
As at March 31, 2020	₱2,412,175	₱62,063,077	₱27,910,341	₱—	₱92,385,593
Net Book Value					
As at March 31, 2020	₱73,021,417	₱198,260,852	₱15,397,000	₱55,942,764	₱342,622,033
As at December 31, 2019	72,644,289	195,728,069	15,518,350	54,184,595	338,075,303

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 ₱1,412.0 million and ₱3,143.0 million as at March 31, 2020 and December 31, 2019, respectively. Capitalization rates used range from 2.4% to 5.2% in 2020 and 2.4% to 5.1% in 2019.

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

The fair value of substantially all investment properties amounting to ₱1,350,307.2 million as at December 31, 2019 was determined by accredited independent appraisers with appropriate qualifications and experience in the valuation of similar properties in the relevant locations. The fair value represents the price that would be received to sell the investment properties in an orderly transaction between market participants at the measurement date. The emergence of COVID-19 pandemic poses a potential impact in the fair value measurement of investment properties.

The Company has no restriction on the realizability of its investment properties and no obligation to purchase, construct or develop, repair, maintain and/or enhance any of these properties.

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 - current” accounted as real estate inventories follow:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of period	P37,935,968	P29,486,964
Reclassification to land and development - noncurrent, accounted as investment property	–	(7,227)
Development cost incurred	6,184,118	22,277,052
Transfer from land and development - noncurrent	–	1,810,966
Borrowing cost capitalized	–	–
Cost of real estate sold	(3,916,902)	(14,638,083)
Transfer to condominium and residential units for sale	(1,038,259)	(4,089,397)
Translation adjustment and others	2,072	3,095,693
Balance at end of period (Note 9)	P39,166,997	P37,935,968

The movements in “Land and development - noncurrent” accounted as investment property follow:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of period	P74,946,694	P53,928,447
Reclassification from land and development - current, accounted as real estate inventories	–	7,227
Land acquisitions	62,033	23,254,266
Reclassification to investment property	(28,725)	(432,280)
Transfer to land and development - current	–	(1,810,966)
Balance at end of period	P74,980,002	P74,946,694

Not included in land and development - current and noncurrent is the estimated cost to complete the projects amounting to P80,846.0 million and P74,238.0 million as at March 31, 2020 and December 31, 2019, respectively.

Land and development is stated at cost. There is no allowance for inventory writedown as at March 31, 2020 and December 31, 2019.

Condominium and Residential Units for Sale

The movements in this account follow:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of period	P6,026,426	P8,110,504
Transfer from land and development	1,038,259	4,089,397
Cost of real estate sold	(1,047,134)	(6,168,529)
Repossessioned inventories and others	2,446	(4,946)
Balance at end of period (Note 9)	P6,019,997	P6,026,426

The condominium and residential units for sale are stated at cost as at March 31, 2020 and December 31, 2019.

14. Intangibles and Other Noncurrent Assets

Intangible Assets

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Goodwill	P17,456,168	P17,458,431
Less accumulated impairment loss	91,620	91,620
Net book value	17,364,548	17,366,811
Trademarks and brand names	7,862,530	7,922,798
	P25,227,078	P25,289,609

Other Noncurrent Assets

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Bonds and deposits	P56,716,495	P48,643,102
Receivables from real estate buyers (Note 8)	26,055,269	24,880,776
Long-term notes (Notes 19 and 23)	5,948,159	5,942,878
Deferred input VAT	1,399,736	1,410,699
Derivative assets (Note 23)	834,730	826,315
Land use rights	364,106	377,722
Escrow fund (Note 19)	132,460	132,460
Defined benefit asset	120,599	95,057
Others	2,411,957	2,066,636
	P93,983,511	P84,375,645

15. Bank Loans

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Peso-denominated:		
Parent Company	P6,750,000	P8,829,900
Subsidiaries	28,981,174	9,880,565
	P35,731,174	P18,710,465

These loans bear interest ranging from 3.9% to 5.3% in 2020 and 3.8% to 7.9% in 2019.

16. Accounts Payable and Other Current Liabilities

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	(In Thousands)	
Trade	P63,447,815	P85,996,862
Tenants and customers' deposits	15,664,612	12,868,406
Accrued expenses	13,930,761	11,324,572
Nontrade	10,661,107	9,790,527
Payable arising from acquisition of land	4,965,263	4,769,349
Payables to government agencies	4,465,966	6,331,940
Accrued interest (Note 19)	3,286,438	2,833,930
Subscriptions payable	2,021,790	2,021,790
Due to related parties (Note 19)	772,561	1,031,812
Lease liabilities	1,455,295	1,534,154
Gift checks redeemable and others	4,286,074	2,948,422
	P124,957,682	P141,451,764

17. Long-term Debt

This account consists of:

	Availment	Maturity	Interest Rate/Term	Security	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
						(In Thousands)
Parent Company						
U.S. dollar-denominated	June 10, 2014 - July 16, 2019	September 18, 2020 - June 28, 2024	Fixed 4.9%; three-month LIBOR + margin; semi-annual and quarterly	Unsecured	P44,961,205	P44,921,283
Peso-denominated	July 16, 2012 - December 27, 2018	April 23, 2020 - August 8, 2025	Fixed 4.4%-6.9%; three-month PHP BVAL + margin; semi-annual and quarterly	Unsecured	68,498,010	68,498,010
Subsidiaries						
U.S. dollar-denominated	March 21, 2016 - April 15, 2019	January 29, 2021 - February 28, 2024	LIBOR + spread; semi-annual	Unsecured	39,783,902	39,749,299
China Yuan Renminbi-denominated	January 14, 2016 - October 16, 2017	June 1, 2020 - October 16, 2022	CBC rate less 10.0%; quarterly; Fixed - 5.8%	Secured	2,619,723	2,670,803
Peso-denominated	January 12, 2012 - March 31, 2020	June 3, 2020 - August 7, 2029	Fixed 3.8%-7.6%; BVAL + margin	Unsecured	206,431,964	202,247,332
					362,294,804	358,086,727
Less debt issue cost					1,568,868	1,650,800
					360,725,936	356,435,927
Less current portion					50,151,469	29,077,719
					P310,574,467	P327,358,208

BVAL – Bloomberg Valuation

LIBOR – London Interbank Offered Rate

CBC – Central Bank of China

Repayment Schedule

The repayment schedule of long-term debt as at March 31, 2020 follows:

	Gross Debt	Debt Issue Cost	Net
	<i>(In Thousands)</i>		
Within 1 year	P50,214,643	P63,174	P50,151,469
Over 1 year to 5 years	290,904,221	1,472,512	289,431,709
Over 5 years	21,175,940	33,182	21,142,758
	P362,294,804	P1,568,868	P360,725,936

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. SM Prime's loan covenants include adherence to certain financial ratios namely: (1) current ratio of not less than 1:1, (2) debt to equity ratio of not more than 70:30 to 75:25, and (3) interest coverage ratio of not less than 2.5x; and, certain restrictions with respect to material change in ownership or control. As at March 31, 2020 and December 31, 2019, the Group is in compliance with the terms of its debt covenants.

18. **Equity**

Capital Stock

a. Common stock

	Number of Shares	
	March 31, 2020 (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, 2020 and December 31, 2019, 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 1,260 and 1,261 as at March 31, 2020 and December 31, 2019, respectively.

b. Redeemable preferred shares

	Number of Shares	
	March 31, 2020 (Unaudited)	December 31, 2019 (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, 2020 and December 31, 2019.

Retained Earnings

▪ Appropriated

Retained earnings appropriated as at March 31, 2020 is intended for the payment of certain long-term debts and new investments as follows:

	Timeline	Amount
		<i>(In Thousands)</i>
Debt service	2020 - 2023	₱27,000,000
Investments	2020 - 2021	10,000,000
		₱37,000,000

▪ Unappropriated

The Parent Company's cash dividend declaration in 2019 follows:

Declaration Date	Record Date	Payment Date	Per Share	Total
				<i>(In Thousands)</i>
April 24, 2019	May 9, 2019	May 23, 2019	₱9.12	₱10,985,796

Unappropriated retained earnings include the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱246,523.1 million and ₱237,286.0 million as at March 31, 2020 and December 31, 2019, 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		Terms	Conditions
	March 31, 2020	March 31, 2019	March 31, 2020	December 31, 2019		
(In Thousands)						
Banking Group						
Cash placement and investment in marketable securities			P62,855,860	P60,819,475	Interest-bearing at prevailing rates	Unsecured; no impairment
Interest receivable			272,162	96,400	—	—
Interest income	P495,462	P759,597			—	—
Interest-bearing debt			31,660,732	25,787,720	Interest-bearing	Unsecured
Interest payable			116,387	85,185	—	—
Interest expense	1,045,164	580,290			—	—
Rent receivable			33,254	130,907	Noninterest-bearing	Unsecured; no impairment
Rent income	184,718	250,409			—	—
Receivable financed			2,350,503	—	Without recourse	Unsecured
Dividends receivable			486	13,462	Noninterest-bearing	Unsecured; no impairment
Bonds and deposits			17,738,000	17,722,250	Interest-bearing 4.5%	Unsecured; no impairment
Management and service fee receivable			8,459	16,882	Noninterest-bearing	Unsecured; no impairment
Management and service fee income	49	642			—	—
Escrow fund			275,295	250,445	Interest-bearing at prevailing rates	Unsecured; no impairment
Retail and Other Entities						
Rent receivable			103,976	301,606	Noninterest-bearing	Unsecured; no impairment
Rent income	378,427	491,970			—	—
Management and service fee receivable			1,406,616	1,938,102	Noninterest-bearing	Unsecured; no impairment
Management and service fee income	162,103	244,773			—	—
Due from related parties			2,238,431	1,079,944	Noninterest-bearing	Unsecured; no impairment
Due to related parties			772,561	1,031,812	Noninterest-bearing	Unsecured
Interest receivable			11,566	9,905	—	—
Interest income	92,391	86,509			—	—
Dividend receivable			274,720	369,988	Noninterest-bearing	Unsecured; no impairment
Notes receivable			5,948,159	5,942,878	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, 2020 (Unaudited)	March 31, 2019 (Unaudited)
	<i>(In Thousands)</i>	
Merchandise inventories at beginning of period	P33,157,622	P31,836,333
Purchases	60,680,076	58,898,758
Total goods available for sale	93,837,698	90,735,091
Less merchandise inventories at end of period	34,402,700	34,944,905
	P59,434,998	P55,790,186

21. Income Tax

Deferred tax assets of P3,661.6 million and P3,121.1 million as at March 31, 2020 and December 31, 2019, respectively, consist of the tax effects of unrealized gain on intercompany 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 P10,534.9 million and P9,604.0 million as at March 31, 2020 and December 31, 2019, 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 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, 2020 and December 31, 2019, after taking into account the effect of the swaps, approximately 79.4% and 79.0%, 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 and non-deliverable forwards.

As at March 31, 2020, the Group's foreign currency-denominated assets and liabilities amounted to ₱25,637.8 million (\$505.9 million) and ₱24,252.8 million (\$478.5 million), respectively.

As at December 31, 2019, the Group's foreign currency-denominated assets and liabilities amounted to ₱25,817.4 million (\$509.9 million) and ₱24,115.0 million (\$476.3 million), respectively.

As at March 31, 2020 and December 31, 2019, approximately 21.9% and 23.1%, 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, 2020	December 31, 2019
Philippine Peso to U.S. Dollar	₱50.68	₱50.64

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 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 fundraising 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 certain derivative instruments, 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, 2020 and December 31, 2019, the financial assets, except for some receivables, are generally viewed by the 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 payoff 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, 2020	December 31, 2019
Gross	42%	41%
Net	38%	36%

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, 2020					
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
Assets Measured at Fair Value					
Derivative assets	P834,730	P834,730	P-	P834,730	P-
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	2,412,972	2,412,972	-	-	2,412,972
Other noncurrent assets:					
Bonds and deposits	17,738,000	20,714,251	-	-	20,714,251
Long-term notes	5,948,159	7,861,676	-	-	7,861,676
	26,099,131	30,988,899	-	-	30,988,899
	P26,933,861	P31,823,629	P-	P834,730	P30,988,899
Liabilities Measured at Fair Value					
Derivative liabilities	P1,556,256	P1,556,256	P-	P1,556,256	P-
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion, net of debt issue cost)	310,574,467	296,867,413	-	-	296,867,413
Lease liabilities - noncurrent portion	27,397,531	39,783,809	-	-	39,783,809
Tenants' deposits and others*	37,449,263	34,686,806	-	-	34,686,806
	375,421,261	371,338,028	-	-	371,338,028
	P376,977,517	P372,894,284	P-	P1,556,256	P371,338,028

*Excluding nonfinancial liabilities amounting to P6,281.9 million.

December 31, 2019					
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	P22,240,653	P22,240,653	P22,240,653	P-	P-
Unlisted shares of stock	2,635,484	2,635,484	-	-	2,635,484
Club shares	12,500	12,500	-	12,500	-
Derivative assets	826,315	826,315	-	826,315	-
	25,714,952	25,714,952	22,240,653	838,815	2,635,484
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	2,412,972	2,412,972	-	-	2,412,972
Other noncurrent assets:					
Bonds and deposits	17,722,250	19,763,982	-	-	19,763,982
Long-term notes	5,942,878	7,577,904	-	-	7,577,904
	26,078,100	29,754,858	-	-	29,754,858
	P51,793,052	P55,469,810	P22,240,653	P838,815	P32,390,342
Liabilities Measured at Fair Value					
Derivative liabilities	P1,966,090	P1,966,090	P-	P1,966,090	P-
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	327,358,208	331,463,306	-	-	331,463,306
Lease liabilities - noncurrent portion	27,600,392	38,144,838	-	-	38,144,838
Tenants' deposits and others*	35,607,059	32,355,186	-	-	32,355,186
	390,565,659	401,963,330	-	-	401,963,330
	P392,531,749	P403,929,420	P-	P1,966,090	P401,963,330

*Excluding nonfinancial liabilities amounting to P5,086.4 million.

There were no transfers into and out of Levels 1, 2 and 3 fair value measurements as at March 31, 2020 and December 31, 2019.

Derivative Instruments Accounted for as Cash Flow Hedges

As at March 31, 2020, 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		₱2,686,040	(₱87,375)	LIBOR + spread	5.3%	₱52.10		March 6, 2023
	100,000	5,210,000		5,068,000	(288,809)	LIBOR + spread	5.9%	52.10		April 16, 2023
	56,159	3,000,000		2,846,125	(272,110)	LIBOR + spread	6.1%	53.42		July 26, 2023
	100,000	5,140,000		5,068,000	(105,313)	LIBOR + spread	5.5%	51.40		June 28, 2024
	100,000	5,115,000		5,068,000	(71,153)	LIBOR + spread	5.4%	51.15		June 28, 2024
SM Prime:										
	50,000	2,666,500		2,534,000	(290,424)	LIBOR + spread	6.4%	53.33		June 14, 2023
	60,000	3,199,200		3,040,800	(353,581)	LIBOR + spread	6.4%	53.32		June 14, 2023
	25,000		¥172,100	1,267,000	(35,546)	LIBOR + spread	5.4%		¥6.884	March 27, 2022
	25,000		172,300	1,267,000	(36,604)	LIBOR + spread	5.4%		6.892	March 27, 2022
	50,000		327,315	2,534,000	67,261	LIBOR + spread	5.0%		6.546	June 30, 2022
	50,000		335,940	2,534,000	18,507	LIBOR + spread	4.0%		6.719	February 28, 2024
	50,000		335,725	2,534,000	25,599	LIBOR + spread	3.9%		6.715	February 28, 2024
	50,000		335,750	2,534,000	13,606	LIBOR + spread	3.9%		6.715	February 28, 2024
	50,000		334,400	2,534,000	4,594	LIBOR + spread	3.9%		6.688	February 28, 2024
	50,000		335,750	2,534,000	16,834	LIBOR + spread	3.9%		6.715	February 28, 2024
	36,000		241,643	1,824,480	15,695	LIBOR + spread	3.9%		6.712	February 28, 2024

Principal only and interest rate swaps:

	Notional Amount	Principal	Fair Value		Interest Rate	US\$:CN¥	Maturity
			Principal	Interest			
			Only Swap	Rate Swap			
(In Thousands)							
SM Prime	US\$270,000	₱13,683,654	₱744,784	(₱86,949)	6.2%	¥6.458-6.889	January 29, 2021

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

Other Derivative Instruments Not Designated as Accounting Hedges

Non-deliverable Forwards and Swaps. The net fair value changes from the settled currency forward and swap contracts recognized in the interim consolidated statements of income amounted to nil in 2020 and ₱20.0 million gain in 2019.

24. EPS Computation

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
(In Thousands Except Per Share Data)		
Net income attributable to owners of the Parent (a)	₱9,007,277	₱10,690,220
Weighted average number of common shares outstanding (b)	1,204,583	1,204,583
EPS (a/b)	₱7.48	₱8.87

25. Other Matters

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic, the declaration of nationwide state of calamity and implementation of community quarantine throughout the Philippines starting March 16 and in most parts of China starting January 25, have caused disruptions in the Group's business activities. As this global problem evolves, the Group would continually adapt and adjust its business model according to the business environment in the areas where the Group operates, in full cooperation with the national and local government units.

PART 1 FINANCIAL INFORMATION

Management's Discussion and Analysis or Plan of Operation

Results of Operation

For the Three Months Ended March 31, 2020 and 2019

(amounts in billion pesos)

	2020	2019	% Change
Revenues	P 111.2	P 109.0	1.9%
Cost and Expenses	91.0	85.7	6.0%
Income from Operations	20.2	23.3	-13.2%
Other Charges	3.4	3.0	-15.7%
Provision for Income Tax	3.0	3.9	-24.0%
Net Income After Tax	13.8	16.4	-15.9%
Non-controlling Interests	4.8	5.7	-16.1%
Net Income Attributable to Owners of the Parent	P 9.0	P 10.7	-15.7%

SM Investments Corporation and Subsidiaries (the Group) reported P9.0 billion *Net Income Attributable to Owners of the Parent*, 15.7% lower than 2019, and P111.1 billion *Revenues*, 1.9% higher than 2019, partly reflecting the effect of COVID-19 global pandemic including that of the enhanced community quarantine (ECQ).

Income from Operations decreased by 13.2% to P20.2 billion from P23.3 billion in 2019. *Operating Margin* and *Net Margin* is at 18.2% and 12.4%, respectively.

Merchandise Sales, which grew by 2.9% to P78.3 billion from P76.1 billion in 2019, accounts for 70.4% of total revenues in 2020. The increase is attributable mainly to the opening of 83 stores, partly offset by the effect of temporary closure of certain stores relative to the ECQ.

Real Estate Sales increased by 24.0% to P11.3 billion from P9.1 billion in 2019 due primarily to higher sales take-up and construction accomplishments during the period for ongoing projects, including *Shore 3*, *Shore 2*, *Fame* and *Leaf Residences* and fast take-up of various Ready-For-Occupancy (RFO) projects, particularly those located in Mall of Asia, and Taguig and Quezon City areas. Actual construction of projects usually starts within twelve to eighteen months from launch date and revenues are recognized based on percentage of completion.

Rent Revenue, derived mainly from the mall operations of SM Prime Holdings, Inc. (SM Prime), decreased by 11.2% to P11.1 billion from P12.5 billion in 2019. The decrease reflects the impact of COVID-19 pandemic. With the quarantine measures implemented in the Philippines and China, several malls as well as other businesses were closed starting March 16, 2000 in the Philippines and January 25, 2020 in China. The reopening of affected malls is being implemented in phases.

Cinema Ticket Sales, Amusement and Others decreased by 43.5% to P1.0 billion from P1.7 billion in 2019 due to lower event ticket sales and fewer blockbuster movies screened. The cinema business suspended its operations starting March 15, 2020 relative to the closure of malls as mentioned above.

As of March 31, 2020, *SM Prime* had 74 malls in the Philippines with total GFA of 8.5 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 decreased by 4.3% to P5.3 billion from P5.5 billion in 2019 due mainly to the decrease in net income of bank and retail associates which also reflects the impact of decline in market value of their financial assets.

Operating Expenses increased by 3.6% to P26.6 billion from P25.6 billion in 2019 attributable mainly to new or renovated retail stores and malls and new real estate projects.

Other Charges (net) increased by 15.7% to P3.4 billion from P3.0 billion in 2019. *Interest Expense* increased by 2.4% to P4.2 billion from P4.3 billion in 2019 while *Interest Income* decreased by 23.5% to P0.8 billion from P1.0 billion in 2019.

Provision for Income Tax decreased by 24.0% to P3.0 billion from P3.9 billion in 2019 due mainly to decrease in taxable income. The effective income tax rate is 17.8% in 2020 and 19.4% in 2019.

Non-controlling interests decreased by 16.1% to P4.8 billion from P5.7 billion in 2019 due mainly to the decrease in net income of partly-owned subsidiaries.

Financial Position
(amounts in billion pesos)

	03 / 31 / 2020	12 / 31 / 2019	% Change
Current Assets	P 249.4	P 248.4	0.4%
Noncurrent Assets	905.3	895.8	1.1%
Total Assets	P 1,154.7	P 1,144.2	0.9%
Current Liabilities	P 218.7	P 196.7	11.2%
Noncurrent Liabilities	397.8	411.3	-3.3%
Total Liabilities	616.5	608.0	1.4%
Total Equity	538.2	536.2	0.4%
Total Liabilities and Equity	P 1,154.7	P 1,144.2	0.9%

Total Assets increased by 0.9% to P1,154.7 billion from P1,144.2 billion in 2019. Likewise, total Liabilities increased by 1.4% to P616.5 billion from P608.0 billion in 2019.

Current Assets

Current Assets increased by 0.4% to P249.4 billion from P248.4 billion in 2019.

Cash and Cash Equivalents decreased by 7.1% to P70.8 billion from P76.2 billion in 2019 due mainly to payments for trade, investments and capital expenditures, partially offset by proceeds from issuance of bonds in March 2020.

Receivables and Contract Assets increased by 2.9% to P55.2 billion from P53.6 billion in 2019 due mainly to the increase in receivables from real estate buyers resulting from the high take-up of residential projects of SM Prime, net of subsequent collections from tenants.

Other Current Assets increased by 4.5% to P88.5 billion from P84.7 billion in 2019 due mainly to the increase in current portion of Land and development pertaining to development costs on ongoing projects and Non-trade receivables.

Noncurrent Assets

Noncurrent Assets increased by 1.1% to P905.3 billion from P895.8 billion in 2019.

Financial assets decreased by 25.6% to P18.0 billion from P24.2 billion due mainly to the drop in market prices of financial assets.

Investments in Associate Companies and Joint Ventures increased by 0.5% to P282.3 billion from P281.0 billion in 2019. The increase mainly represents equity in net earnings of associates and investments in new associates, partly offset by dividends received in 2020 and fair value loss on the financial assets of associates.

Investment Properties increased by 1.3% to P342.6 billion from P338.1 billion in 2019 due mainly to ongoing new mall projects and commercial building construction as well as the redevelopment of *SM Mall of Asia* and other existing malls, net of depreciation expense for the period.

Other Noncurrent Assets increased by 11.4% to P94.0 billion from P84.4 billion in 2019 due mainly to additional bonds and deposits for real estate acquisitions and construction for the period.

Current Liabilities

Current Liabilities increased by 11.2% to P218.7 billion from P196.7 billion in 2019.

Bank Loans increased by 91.0% to P35.7 billion from P18.7 billion in 2019 due to new loan availments, partly offset by payments during the period.

Accounts Payable and Other Current Liabilities decreased by 11.7% to P125.0 billion from P141.5 billion in 2019 due mainly to settlement of trade payables partly offset by the increase in payable to contractors and suppliers related to ongoing projects and customers' deposits.

Current Portion of Long-term Debt increased by 72.5% to P50.2 billion from P29.1 billion in 2019 due mainly to reclassification from noncurrent of maturing loans.

Dividends Payable decreased by 5.9% to P4.0 billion from P4.2 billion in 2019. This represents dividends due to minority stockholders of certain subsidiaries.

Noncurrent Liabilities

Noncurrent Liabilities decreased by 3.3% to P397.8 billion from P411.3 billion in 2019.

Long-term Debt - Net of Current Portion decreased by 5.1% to P310.6 billion from P327.4 billion in 2019 due mainly to payments partly offset by new debt availments.

Deferred tax liabilities increased by 9.7% to P10.5 billion from P9.6 billion due mainly to unrealized gross profit on sale of real estate for income tax purposes.

Tenants' Deposits and Others increased by 6.7% to P47.8 billion from P44.8 billion in 2019. This account includes deposits from residential buyers and tenants from new malls and office buildings.

Equity

Total *Equity* increased by 0.4% to P538.2 billion from P536.2 billion in 2019.

Equity Attributable to Owners of the Parent decreased by 0.4% to P381.0 billion from P382.6 billion in 2019. This decrease resulted mainly from the *Net Unrealized Gain on Financial Assets at Fair Value* which decreased by 73.8% to P3.8 billion from P14.4 billion in 2019 due mainly to the depreciation in the market values of certain investments of the Group. This was partially offset by the P9.0 billion net increase in Retained Earnings representing the *Net Income Attributable to Owners of the Parent* during the period.

Non-controlling Interests increased by 2.4% to P157.2 billion from P153.5 billion in 2019 due mainly to the increase in net assets of subsidiaries that are not wholly owned.

The COVID-19 pandemic has caused disruptions to the various businesses of the group – retail, property and banking. Given the uncertain environment, the Group will continually adapt its business model to serve and fulfill the needs of our customers. Our priorities are:

- Keep our businesses operating safely to support the national agenda and serve affected communities with essential products and services while urging our partners to do the same;
- Expand our customer access channels while synergizing our businesses on various modes of delivery;
- Assure our employees, customers and partners with the aim to maintain their economic well-being; and,
- Mobilize medical donations, relief missions and other forms of support swiftly and on time in areas which need them most.

The Group has no known direct or contingent financial obligation that is material to the Group operations, including any default or acceleration of an obligation. The Group 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 Group's continuing operations other than those mentioned above.

Key Performance Indicators

The key financial ratios of the Group follow:

	03/31/2020	12/31/2019
Current Ratio	1.1	1.3
Asset to Equity	2.2	2.1
Debt – Equity Ratios:		
On Gross Basis	42 : 58	41 : 59
On Net Basis	38 : 62	36 : 64
Return on Equity	11.3%	11.9%

	03/31/2019	03/31/2019
Revenue Growth	1.9%	14.7%
Net Margin	12.4%	15.0%
Net Income Growth	-15.7%	26.2%
EBITDA (<i>In Billions of Pesos</i>)	25.0B	27.4B
Interest Cover	6.0x	6.4x

Current Ratio decreased to 1.1 from 1.3 in 2019 due mainly to the 0.4% increase in *Current Assets* vs. 11.2% increase in *Current Liabilities*.

Asset to Equity Ratio increased to 2.2 from 2.1 in 2019 due mainly to the higher increase in *Total Assets* of 0.9% vs. 0.4% in *Total Equity*.

Gross Debt - Equity Ratio increased to 42:58 in 2020 due mainly to the 5.7% increase in gross debt.

Net Debt - Equity Ratio increased to 38:62 from 36:64 in 2019 due mainly to the 8.6% increase in net debt.

Return on equity slightly decreased to 11.3% from 11.9% in 2019 due mainly to drop in net income growth in the first quarter of 2020.

Revenue Growth decreased to 1.9% from 14.7% in 2019 due mainly to the closure of retail stores and malls relative to the COVID-19 pandemic.

Net Income Growth decreased to -15.7% from 26.2% in 2019 due mainly to the drop in revenue growth in 2020.

EBITDA decreased by 8.7% to P25.0 billion from P27.4 billion in 2019 due mainly to the 13.2% decrease in income from operations vs. 16.6% increase in depreciation.

Interest Cover decreased to 6.0x from 6.4x in 2019 due to the 8.7% decrease in EBITDA vs. 2.4% decrease in *Interest Expense*.

The manner by which the Group 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 $\frac{\text{Total Interest Bearing Debt}}{\text{Total Equity} + \text{Total Interest Bearing Debt}}$
 - b. Net Basis $\frac{\text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investment in Bonds}}{\text{Total Equity} + \text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investments in Bonds}}$
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 in 2020

The Parent Company as well as its major business segments, Property and Retail, have appropriated certain portions of Retained Earnings to cover expansion plans which include corporate projects, expansions, new development projects, land acquisitions and/or investment in new business ventures.

These projects would 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, 2020

(in Thousands)

Receivable from tenants		
Third party	₱	6,191,383
Related party		137,230
Receivable from real estate buyers		
- net of noncurrent portion		45,253,121
Other trade receivables		29,532
Total	₱	<u>51,611,266</u>

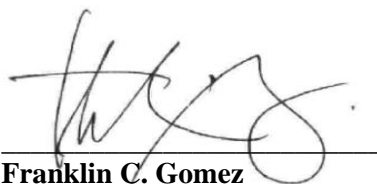
Aging:

Neither past due nor impaired	₱	46,643,048
31-90 days		1,946,952
91-120 days		445,134
Over 120 days		1,522,685
Impaired		1,053,447
Total	₱	<u>51,611,266</u>

PART II - SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **SM INVESTMENTS CORPORATION**



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

Date: 6-11-20