

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	09/30

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON'S ADDRESS

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

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

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

SEC Number **16342**
PSE Disclosure Security Code _____

SM INVESTMENTS CORPORATION

(Company's Full Name)

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

(Company's Address)

857- 0100

(Telephone Number)

December 31

(Year Ending)
(month & day)

**SEC Form 17-Q
3rd Quarter Report**

Form Type

Amendment Designation (If applicable)

September 30, 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 **September 30, 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 II – SIGNATURE

PART I FINANCIAL INFORMATION

Item 1. Interim Condensed Consolidated Financial Statements

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements

As at September 30, 2019

**and for the Nine-Month Periods Ended September 30, 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)

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 22)	₱64,347,669	₱79,313,215
Time deposits (Notes 6 and 22)	19,514,500	25,842,829
Financial assets (Notes 7 and 22)	822,128	639,316
Receivables and contract assets (Notes 8, 22 and 23)	40,898,922	33,755,192
Merchandise inventories - at cost (Note 20)	35,995,670	31,836,333
Other current assets (Notes 9 and 22)	75,918,910	70,338,577
Total Current Assets	237,497,799	241,725,462
Noncurrent Assets		
Financial assets - net of current portion (Notes 7 and 22)	24,011,871	26,702,764
Investments in associate companies and joint ventures (Note 10)	285,484,629	259,795,077
Time deposits- net of current portion (Notes 6, 22 and 23)	2,540,941	2,392,622
Property and equipment (Note 11)	24,012,270	23,201,667
Investment properties (Note 12)	326,808,044	309,264,274
Right-of-use assets - net (Note 3)	36,848,576	—
Land and development - net of current portion (Note 13)	54,510,518	53,928,447
Intangibles (Note 14)	25,304,959	25,470,696
Deferred tax assets (Note 21)	2,862,288	2,726,155
Other noncurrent assets (Notes 14 and 22)	114,789,590	115,435,107
Total Noncurrent Assets	897,173,686	818,916,809
	₱1,134,671,485	₱1,060,642,271
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 15, 19 and 22)	₱16,333,391	₱18,885,465
Accounts payable and other current liabilities (Notes 16 and 22)	124,900,282	124,777,719
Income tax payable	2,798,802	3,641,379
Current portion of long-term debt (Notes 17, 19, 22 and 23)	59,577,046	61,480,887
Dividends payable (Note 22)	1,565,260	3,906,476
Total Current Liabilities	205,174,781	212,691,926
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 17, 19, 22 and 23)	315,402,974	305,555,356
Lease liabilities - net of current portion (Note 3)	29,804,980	—
Deferred tax liabilities (Note 21)	9,896,707	8,810,862
Tenants' deposits and others (Notes 22 and 23)	45,577,867	41,294,115
Total Noncurrent Liabilities	400,682,528	355,660,333
Total Liabilities	605,857,309	568,352,259

(Forward)

	September 30, 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	75,815,923	75,815,520
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	60,171	2,077,017
Net unrealized gain on financial assets	15,722,663	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	246,038,643	222,213,054
Total Equity Attributable to Owners of the Parent	379,170,030	353,387,201
Non-controlling Interests	149,644,146	138,902,811
Total Equity	528,814,176	492,290,012
	₱1,134,671,485	₱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)

	Nine-Month Periods Ended September 30	
	2019 (Unaudited)	2018 (Unaudited)
REVENUES		
Sales:		
Merchandise	₱244,992,124	₱218,807,880
Real estate	31,386,202	24,911,036
Rent (Note 19)	37,771,102	34,658,237
Equity in net earnings of associate companies and joint ventures	18,510,960	13,074,026
Cinema ticket sales, amusement and others	5,694,578	5,346,094
Dividend, management fees and others	12,379,356	10,618,256
	350,734,322	307,415,529
COST AND EXPENSES		
Cost of sales:		
Merchandise (Note 20)	180,672,435	162,157,741
Real estate (Note 13)	14,670,902	12,579,503
Selling, general and administrative expenses	82,510,751	71,687,916
	277,854,088	246,425,160
OTHER INCOME (CHARGES)		
Interest expense (Note 19)	(13,520,544)	(11,535,536)
Interest income (Note 19)	3,172,362	2,705,482
Gain on fair value changes on derivatives - net (Note 23)	111,215	357,307
Foreign exchange gain - net and others (Note 22)	496,390	45,581
	(9,740,577)	(8,427,166)
INCOME BEFORE INCOME TAX	63,139,657	52,563,203
PROVISION FOR INCOME TAX (Note 21)		
Current	11,056,822	10,766,323
Deferred	1,361,218	(8,132)
	12,418,040	10,758,191
NET INCOME	₱50,721,617	₱41,805,012
Attributable to		
Owners of the Parent	33,060,296	₱26,174,647
Non-controlling interests	17,661,321	15,630,365
	₱50,721,617	₱41,805,012
Basic/Diluted Earnings Per Common Share		
Attributable to Owners of the Parent (Note 24)	₱27.45	₱21.73

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 September 30	
	2019	2018
	(Unaudited)	(Unaudited)
REVENUES		
Sales:		
Merchandise	₱81,217,855	₱73,817,042
Real estate	10,353,751	8,084,383
Rent	12,604,397	11,371,229
Equity in net earnings of associate companies and joint ventures	6,753,351	4,720,487
Cinema ticket sales, amusement and others	1,770,852	1,735,326
Dividend, management fees and others	4,313,382	3,419,019
	117,013,588	103,147,486
COST AND EXPENSES		
Cost of sales:		
Merchandise	59,855,838	55,078,053
Real estate	4,665,493	4,095,383
Selling, general and administrative expenses	29,616,147	24,369,880
	94,137,478	83,543,316
OTHER INCOME (CHARGES)		
Interest expense	(4,647,126)	(4,243,701)
Interest income	1,122,902	897,487
Gain on fair value changes on derivatives - net	10,039	148,982
Foreign exchange loss and others	(65,824)	(401,284)
	(3,580,009)	(3,598,516)
INCOME BEFORE INCOME TAX	19,296,101	16,005,654
PROVISION FOR INCOME TAX		
Current	3,415,234	3,456,594
Deferred	678,085	(188,803)
	4,093,319	3,267,791
NET INCOME	₱15,202,782	₱12,737,863
Attributable to		
Owners of the Parent	₱10,016,405	₱8,080,196
Non-controlling interests	5,186,377	4,657,667
	₱15,202,782	₱12,737,863
Basic/Diluted Earnings Per Common Share		
Attributable to Owners of the Parent	₱8.32	₱6.71

See accompanying notes to Interim Consolidated Financial Statements.

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

	Nine-Month Periods Ended September 30	
	2019	2018
	(Unaudited)	(Unaudited)
NET INCOME	₱50,721,617	₱41,805,012
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will be reclassified to profit or loss in subsequent periods		
Net unrealized loss on financial assets	–	(73,545)
Share in unrealized gain (loss) on financial assets of associates	4,141,217	(2,250,086)
Cumulative translation adjustment	(2,711,300)	824,616
Income tax relating to items to be reclassified to profit or loss in subsequent periods	–	(270,804)
	1,429,917	(1,769,819)
Items not to be reclassified to profit or loss in subsequent periods		
Net unrealized gain on financial assets	848,975	–
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	411,506	–
	1,260,481	–
TOTAL COMPREHENSIVE INCOME	₱53,412,015	₱40,035,193
Attributable to		
Owners of the Parent	₱36,766,874	₱23,590,218
Non-controlling interests	16,645,141	16,444,975
	₱53,412,015	₱40,035,193

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 September 30	
	2019	2018
	(Unaudited)	(Unaudited)
NET INCOME	₱15,202,782	₱12,737,863
OTHER COMPREHENSIVE LOSS		
Items that will be reclassified to profit or loss in subsequent periods		
Net unrealized gain on financial assets	—	2,167,365
Share in unrealized gain (loss) loss on financial assets of associates	670,440	(272,495)
Cumulative translation adjustment	(1,226,860)	145,018
Income tax relating to items to be reclassified to profit or loss in subsequent periods	—	(109,076)
	(556,420)	1,930,812
Items not to be reclassified to profit or loss in subsequent periods		
Net unrealized loss on financial assets	(264,819)	—
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	27,667	—
	(237,152)	—
TOTAL COMPREHENSIVE INCOME	₱14,409,210	₱14,668,675
Attributable to		
Owners of the Parent	₱9,865,175	₱8,917,237
Non-controlling interests	4,544,035	5,751,438
	₱14,409,210	₱14,668,675

See accompanying Notes to Interim Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands Except Per Share Data)

	Equity Attributable to Owners of the Parent										Non-controlling	Total
	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 loss on Defined Benefit Asset/ Obligation	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Interests	Equity
As at December 31, 2018 (Audited)	₱12,045,829	₱75,815,520	(₱5,424,455)	(₱25,386)	₱2,077,017	₱11,748,980	(₱2,063,358)	₱37,000,000	₱222,213,054	₱353,387,201	₱138,902,811	₱492,290,012
Net income	—	—	—	—	—	—	—	—	33,060,296	33,060,296	17,661,321	50,721,617
Other comprehensive income	—	—	—	—	(2,016,846)	5,723,424	—	—	—	3,706,578	(1,016,180)	2,690,398
Total comprehensive income	—	—	—	—	(2,016,846)	5,723,424	—	—	33,060,296	36,766,874	16,645,141	53,412,015
Realized gain on sale of financial assets at FVOCI	—	—	—	—	—	(1,749,741)	—	—	1,749,741	—	—	—
Sale of non-controlling interests	—	403	—	—	—	—	—	—	—	403	(81,462)	(81,059)
Cash dividends - ₱9.12 per share	—	—	—	—	—	—	—	—	(10,984,448)	(10,984,448)	—	(10,984,448)
Cash dividends received by non-controlling interests	—	—	—	—	—	—	—	—	—	—	(6,098,955)	(6,098,955)
Increase in previous year's non-controlling interests	—	—	—	—	—	—	—	—	—	—	276,611	276,611
As at September 30, 2019 (Unaudited)	₱12,045,829	₱75,815,923	(₱5,424,455)	(₱25,386)	₱60,171	₱15,722,663	(₱2,063,358)	₱37,000,000	₱246,038,643	₱379,170,030	₱149,644,146	₱528,814,176
As at December 31, 2017 (Audited)	₱12,045,829	₱76,439,288	(₱5,424,455)	(₱25,386)	₱1,402,623	₱15,324,123	(₱701,255)	₱37,000,000	₱192,071,968	₱328,132,735	₱125,679,489	₱453,812,224
Net income	—	—	—	—	—	—	—	—	26,174,647	26,174,647	15,630,365	41,805,012
Other comprehensive income	—	—	—	—	711,951	(3,296,380)	—	—	—	(2,584,429)	814,610	(1,769,819)
Total comprehensive income	—	—	—	—	711,951	(3,296,380)	—	—	26,174,647	23,590,218	16,444,975	40,035,193
Sale of treasury shares held by a subsidiary	—	294,015	—	—	—	—	—	—	—	294,015	—	294,015
Acquisition of non-controlling interests	—	2,238	—	—	—	—	—	—	—	2,238	—	2,238
Cash dividends - ₱8.20 per share	—	—	—	—	—	—	—	—	(9,877,566)	(9,877,566)	—	(9,877,566)
Cash dividends received by non-controlling interests	—	—	—	—	—	—	—	—	—	—	(5,793,514)	(5,793,514)
Decrease in previous year's non-controlling interests	—	—	—	—	—	—	—	—	—	—	(146,281)	(146,281)
As at September 30, 2018 (Unaudited)	₱12,045,829	₱76,735,541	(₱5,424,455)	(₱25,386)	₱2,114,574	₱12,027,743	(₱701,255)	₱37,000,000	₱208,369,049	₱342,141,640	₱136,184,669	₱478,326,309

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

	Nine-Month Periods Ended September 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱63,139,657	₱52,563,203
Adjustments for:		
Equity in net earnings of associate companies and joint ventures	(18,510,960)	(13,074,026)
Interest expense	13,520,544	11,535,536
Depreciation and amortization (Notes 3, 11, 12 and 14)	13,526,731	10,982,165
Interest income	(3,172,362)	(2,705,482)
Dividend, management fees and others	(316,862)	(254,231)
Unrealized foreign exchange (gain) loss and others	(125,854)	632,114
Gain on fair value changes on derivatives - net	(111,215)	(357,307)
Income before working capital changes	67,949,679	59,321,972
Decrease (increase) in:		
Receivables and contract assets	(6,948,906)	1,257,096
Merchandise inventories	(4,159,338)	(4,446,120)
Other current assets	181,064	7,293,993
Land and development	(18,046,820)	(44,390,723)
Increase in:		
Accounts payable and other current liabilities	868,286	6,858,723
Tenants' deposits and others	3,894,142	2,469,661
Net cash generated from operations	43,738,107	28,364,602
Income tax paid	(11,889,225)	(10,409,559)
Net cash provided by operating activities	31,848,882	17,955,043
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Financial assets	3,771,616	716
Property and equipment	13,680	26,959
Investment properties	5,875	67,165
Proceeds from maturity of available-for-sale investments	—	727,562
Additions to:		
Investment properties (Note 12)	(23,870,904)	(20,127,564)
Property and equipment (Note 11)	(4,535,158)	(3,866,791)
Financial assets	—	(2,459,485)
Investments in associate companies and joint ventures	(6,889,704)	(4,578,143)
Decrease (increase) in:		
Time deposits	5,901,818	12,687,962
Other noncurrent assets	1,948,593	(7,651,403)
Dividends received	3,594,457	3,358,814
Interest received	2,799,119	2,414,266
Net cash used in investing activities	(17,260,608)	(19,399,942)

(Forward)

	Nine-Month Periods Ended September 30	
	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of:		
Long-term debt	₱24,870,330	₱66,017,135
Bank loans	11,664,500	24,607,752
Payments of:		
Long-term debt	(15,872,882)	(39,821,193)
Bank loans	(14,151,574)	(24,679,174)
Dividends	(19,424,618)	(17,029,008)
Interest	(15,981,949)	(12,495,504)
Net cash used in financing activities	(28,896,193)	(3,399,992)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,307,919)	(4,844,891)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(657,627)	395,787
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)	₱64,347,669	₱69,869,086

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 interim condensed consolidated financial statements were authorized for issue by the Board of Directors (BOD), as approved and recommended for approval by the Audit Committee on November 6, 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 its subsidiaries. As at September 30, 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 lease commencement date, the lessee shall recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset for the lease term. Interest expense on the lease liability and depreciation expense on right-of-use (ROU) assets shall be recognized separately.

Lessees shall re-measure the lease liability upon the occurrence of certain events. The lessee shall recognize the re-measurement of the lease liability as an adjustment to the ROU assets.

Lessor accounting under PFRS 16 is substantially unchanged from the prescribed accounting under PAS 17. Lessors shall continue to classify leases as operating or finance lease. PFRS 16 requires lessees and lessors to make more extensive disclosures compared to PAS 17.

The Group applied PFRS 16 using the modified retrospective approach with an initial application date of January 1, 2019. The Group elected to use the recognition exemptions for low-value assets and short-term leases.

The Group has various lease contracts covering land and buildings, which were accounted for as operating leases under PAS 17. With the adoption of PFRS 16, the Group applied a single recognition and measurement approach for all these leases.

The following are the changes in the accounting of operating leases relative to the adoption of PFRS 16:

- ROU assets amounting to ₱36,848.6 million, including land use rights of ₱9,976.4 million previously presented as part of “Other noncurrent assets”, was recognized and presented separately in the unaudited interim consolidated balance sheet as at September 30, 2019. The ROU assets are initially measured at an amount equal to the lease liabilities recognized and subsequently depreciated over the lease term.
- Lease liabilities - net of current portion amounting to ₱29,805.0 million was recognized and presented separately in the unaudited interim balance sheet as at September 30, 2019. The current portion amounting to ₱909.3 million was recognized and presented under “Accounts payable and other current liabilities”. These are initially measured at the present value of future lease payments using the Group’s incremental borrowing rate and subsequently measured at amortized cost using the effective interest method.
- Depreciation and interest expense amounting to ₱1,567.8 million and ₱876.0 million, respectively were recognized in the interim consolidated statements of income.

- Accrued rent payable on leases previously accounted for as operating leases under PAS 17, amounting to ₱2,641.2 million was adjusted to ROU assets.

As at September 30, 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. 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 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

Nine-Month Period Ended September 30, 2019 (Unaudited)					
	Property	Retail	Financial Services and Others	Eliminations/ Adjustments	Consolidated
	<i>(In Thousands)</i>				
Revenue:					
External customers	₱77,548,986	₱253,361,111	₱19,824,225	₱-	₱350,734,322
Inter-segment	10,764,583	151,692	2,264,421	(13,180,696)	-
	₱88,313,569	₱253,512,803	₱22,088,646	(₱13,180,696)	₱350,734,322
Segment results:					
Income before income tax	₱ 36,345,188	₱13,454,499	₱ 13,339,970	₱-	₱63,139,657
Provision for income tax	(7,877,165)	(4,315,524)	(225,351)	-	(12,418,040)
Net income	₱28,468,023	₱9,138,975	₱13,114,619	₱-	₱50,721,617
Net income attributable to:					
Owners of the Parent	₱13,866,842	₱6,288,371	₱12,905,083	₱-	₱33,060,296
Non-controlling interests	14,601,181	2,850,604	209,536	-	17,661,321

Nine-Month Period Ended September 30, 2018 (Unaudited)					
	Property	Retail	Financial Services and Others	Eliminations/ Adjustments	Consolidated
	<i>(In Thousands)</i>				
Revenue:					
External customers	₱66,710,853	₱226,497,886	₱14,206,790	₱-	₱307,415,529
Inter-segment	10,027,212	154,318	2,061,685	(12,243,215)	-
	₱76,738,065	₱226,652,204	₱16,268,475	(₱12,243,215)	₱307,415,529
Segment results:					
Income before income tax	₱30,971,411	₱12,879,839	₱8,711,953	₱-	₱52,563,203
Provision for income tax	(6,709,541)	(3,844,545)	(204,105)	-	(10,758,191)
Net income	₱24,261,870	₱9,035,294	₱8,507,848	₱-	₱41,805,012
Net income attributable to:					
Owners of the Parent	₱11,730,997	₱6,126,341	₱8,317,309	₱-	₱26,174,647
Non-controlling interests	12,530,873	2,908,953	190,539	-	15,630,365

5. Cash and Cash Equivalents

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Cash on hand and in banks (Note 19)	₱12,404,616	₱13,609,347
Temporary investments (Note 19)	51,943,053	65,703,868
	₱64,347,669	₱79,313,215

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:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Current	₱19,514,500	₱25,842,829
Noncurrent	2,540,941	2,392,622
	₱22,055,441	₱28,235,451

The time deposits bear interest ranging from 2.0% to 4.0% in 2019 and 1.0% to 4.2% in 2018.

7. Financial Assets

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Financial assets at FVOCI:		
Shares of stock		
Listed	₱22,091,395	₱23,382,060
Unlisted	2,561,944	2,613,690
Club shares	29,460	31,830
Financial assets at FVPL -		
Corporate notes	151,200	1,314,500
	24,833,999	27,342,080
Less current portion	822,128	639,316
Noncurrent portion	₱24,011,871	₱26,702,764

Investments in corporate notes as at September 30, 2019 bear a fixed interest of 10.0%.

Gain from the sale of certain listed financial assets amounting to ₱1,189.1 million was directly recognized in OCI and reclassified to Retained Earnings as at September 30, 2019.

8. Receivables and Contract Assets

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Trade:		
Real estate buyers	₱66,165,472	₱50,878,438
Third-party tenants	6,847,004	7,252,071
Related-party tenants (Note 19)	373,684	383,424
Others	17,283	124,530
Due from related parties (Note 19)	255,856	953,010
Management and service fees (Note 19)	1,419,317	1,244,159
Dividends (Note 19)	422,382	185,767
	75,500,998	61,021,399
Less allowance for impairment loss	1,043,418	1,034,040
	74,457,580	59,987,359
Less noncurrent portion of receivables from real estate buyers (Note 14)	33,558,658	26,232,167
Current portion	₱40,898,922	₱33,755,192

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 as good and collectible.

9. Other Current Assets

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Land and development (Note 13)	₱32,249,727	₱29,486,964
Prepaid taxes and other prepayments	13,277,557	11,730,967
Condominium and residential units for sale (Note 13)	7,900,537	8,110,504
Bonds and deposits	8,837,862	6,601,305
Receivable from banks	1,739,726	4,158,765
Non-trade receivables	4,388,641	4,605,743
Input tax	3,873,626	2,439,164
Accrued interest receivable (Note 19)	732,957	359,714
Escrow fund (Note 19)	71,743	157,719
Others	2,846,534	2,687,732
	₱75,918,910	₱70,338,577

10. Investments in Associate Companies and Joint Ventures

The ₱25.7 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	₱12,435,886	₱3,250,294	₱7,005,457	₱9,249,821	₱7,775,635	₱17,099,137	₱827,238	₱1,226,846	₱58,870,314
Additions	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	327,439	84,611	438,182	550,777	578,360	638,391	69,974	1,847,424	4,535,158
Reclassifications	434,224	118,015	50,032	148,767	83,212	463,655	1,497	(993,064)	306,338
Disposals/retirements	(21,000)	(699)	(15,625)	(24,369)	(35,947)	(21,337)	(8,629)	(10,182)	(137,788)
As at September 30, 2019	₱14,395,935	₱3,864,533	₱8,309,356	₱10,238,837	₱10,048,265	₱19,892,826	₱1,027,153	₱2,358,682	₱70,135,587
Accumulated Depreciation and Amortization									
As at December 31, 2017	₱5,045,238	₱2,205,165	₱5,552,533	₱6,117,842	₱5,335,664	₱12,638,169	₱636,296	₱—	₱37,530,907
Depreciation and amortization	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	649,115	281,850	487,850	704,832	725,413	1,026,000	128,960	—	4,004,020
Reclassifications	(4,457)	3,744	(4,513)	15,585	(6,073)	2,465	(1,467)	—	5,284
Disposals/retirements	(19,913)	(683)	(14,727)	(17,406)	(34,996)	(19,888)	(8,586)	—	(116,199)
As at September 30, 2019	₱6,498,025	₱2,847,608	₱6,667,721	₱7,658,413	₱6,902,745	₱14,875,896	₱672,909	₱—	₱46,123,317
Net Book Value									
As at September 30, 2019	₱7,897,910	₱1,016,925	₱1,641,635	₱2,580,424	₱3,145,520	₱ 5,016,930	₱354,244	₱2,358,682	₱24,012,270
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	₱68,319,833	₱222,001,891	₱36,167,105	₱32,958,780	₱359,447,609
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	4,559,089	1,237,066	1,158,294	16,916,455	23,870,904
Reclassifications	(134,050)	10,380,633	987,530	(7,847,330)	3,386,783
Translation adjustment	(71,272)	(2,089,018)	(166,868)	(73,287)	(2,400,445)
Disposals	(71)	(16,463)	(145,142)	—	(161,676)
As at September 30, 2019	₱75,483,615	₱248,834,351	₱41,711,996	₱47,749,487	₱413,779,449
Accumulated Depreciation, Amortization and Impairment Loss					
As at December 31, 2017	₱1,988,051	₱46,650,292	₱21,791,001	₱—	₱70,429,344
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	174,316	5,349,395	2,264,145	—	7,787,856
Reclassifications	7,563	(7,563)	—	—	—
Translation adjustment	(37,451)	(376,713)	(94,482)	—	(508,646)
Disposals	63	(8,576)	(118,901)	—	(127,414)
As at September 30, 2019	₱2,297,612	₱58,305,976	₱26,367,817	₱—	₱86,971,405
Net Book Value					
As at September 30, 2019	₱73,186,003	₱190,528,375	₱15,344,179	₱47,749,487	₱326,808,044
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 ₱3,427.0 million and ₱2,681.0 million as at September 30, 2019 and December 31, 2018, respectively. Capitalization rates used range from 2.4% to 5.9% 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” - current accounted as real estate inventories follow:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of period	₱29,486,964	₱62,698,284
Reclassification to land and development - noncurrent, accounted as investment property	(5,653)	(36,484,925)
Development cost incurred	15,691,136	20,358,758
Transfer from land and development - noncurrent	1,399,665	—
Borrowing cost capitalized	8,900	4,047
Cost of real estate sold	(11,808,395)	(15,390,471)
Transfer to condominium and residential units for sale	(2,642,600)	(1,733,711)
Translation adjustment and others	119,710	34,982
Balance at end of period (Note 9)	₱32,249,727	₱29,486,964

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of period	₱53,928,447	₱—
Reclassification from land and development - current, accounted as real estate inventories	5,653	36,484,925
Land acquisitions	2,355,684	17,443,522
Reclassification to investment property	(379,601)	—
Transfer to land and development - current	(1,399,665)	—
Balance at end of period	₱54,510,518	₱53,928,447

The average rates used to determine the amount of borrowing cost eligible for capitalization rate ranging 3.9% to 5.5% in 2019 and 4.6% to 5.1% in 2018.

The estimated cost to complete the projects amounted to ₱79,819.0 million and ₱51,097.0 million as at September 30, 2019 and December 31, 2018, respectively.

Land and development is stated at cost. There is no allowance for inventory write-down as at September 30, 2019 and December 31, 2018.

Condominium and Residential Units for Sale

The movements in this account follow:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of period	₱8,110,504	₱8,829,343
Transfer from land and development	2,642,600	1,733,711
Development cost incurred	—	1,644
Cost of real estate sold	(2,862,507)	(2,461,799)
Repossessioned inventories	9,940	7,605
Balance at end of period (Note 9)	₱7,900,537	₱8,110,504

The condominium and residential units for sale are stated at cost as at September 30, 2019 and December 31, 2018.

14. Intangibles and Other Noncurrent Assets

Intangible Assets

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Goodwill	₱17,398,491	₱17,398,491
Less accumulated impairment loss	91,620	91,620
Net book value	17,306,871	17,306,871
Trademarks and brand names	7,998,088	8,163,825
	₱25,304,959	₱25,470,696

Other Noncurrent Assets

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Bonds and deposits	₱68,493,912	₱65,893,795
Receivables from real estate buyers (Note 8)	33,558,658	26,232,167
Land use rights	–	9,976,393
Long-term notes (Notes 19 and 23)	6,642,900	6,739,026
Derivative assets (Note 23)	1,468,286	1,566,788
Deferred input VAT	1,666,867	1,689,045
Defined benefit asset	302,071	73,469
Escrow fund (Note 19)	132,460	132,460
Others	2,524,436	3,131,964
	₱114,789,590	₱115,435,107

15. Bank Loans

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Peso-denominated:		
Parent Company	₱1,750,000	₱4,850,000
Subsidiaries	14,583,391	14,035,465
	₱16,333,391	₱18,885,465

These loans bear interest ranging from 4.1% to 5.3% in 2019 and 2.9% to 6.0% in 2018.

16. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
		(In Thousands)
Trade	₱61,033,466	₱70,934,888
Tenants and customers' deposits	22,374,061	12,699,887
Accrued expenses	13,339,729	11,697,441
Nontrade	6,495,213	6,230,139
Payable arising from acquisition of land	5,375,102	7,974,792
Payable to government agencies	4,080,588	4,618,623
Accrued interest (Note 19)	3,586,080	3,058,294
Subscriptions payable	2,021,790	2,021,790
Due to related parties (Note 19)	480,415	1,362,505
Gift checks redeemable and others	6,113,838	4,179,360
	₱124,900,282	₱124,777,719

17. Long-term Debt

This account consists of:

	Availment	Maturity	Interest Rate/Term	Security	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
						(In Thousands)
Parent Company						
U.S. dollar-denominated	October 17, 2012 - July 16, 2019	October 17, 2019 - June 28, 2024	Fixed 4.3%-4.9%; Three-month LIBOR + margin; semi-annual and quarterly	Unsecured	₱71,593,958	₱65,097,129
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	68,498,010	78,864,170
Subsidiaries						
U.S. dollar-denominated	April 23, 2014 - April 15, 2019	April 14, 2019 - February 28, 2024	LIBOR + spread; semi-annual	Unsecured	40,664,788	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	2,943,397	3,118,514
Peso-denominated	January 12, 2012 - September 7, 2019	January 28, 2019 - August 7, 2029	Fixed 3.8%-7.6%; PDST-R2 + margin	Unsecured	192,966,251	179,751,217
					376,666,404	368,806,432
Less debt issue cost					1,686,384	1,770,189
					374,980,020	367,036,243
Less current portion					59,577,046	61,480,887
					₱315,402,974	₱305,555,356

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 September 30, 2019 follows:

	Gross Debt	Debt Issue Cost	Net
	<i>(In Thousands)</i>		
Within 1 year	₱59,584,177	₱7,131	₱59,577,046
Over 1 year to 5 years	288,622,287	1,650,942	286,971,345
Over 5 years	28,459,940	28,311	28,431,629
	₱376,666,404	₱1,686,384	₱374,980,020

Covenants

The long-term debt of the Group is covered with certain covenants including adherence to financial ratios. The Parent Company's loan covenants include adherence to certain financial ratios namely: (1) debt-to-equity ratio not to exceed 80:20, and, (2) current ratio at a minimum of 0.30, and, certain restrictions with respect to material change in ownership or control. As at September 30, 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	
	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Authorized - ₱10 par value per share	2,790,000,000	2,790,000,000
Issued and subscribed	1,204,582,867	1,204,582,867

As at September 30, 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 September 30, 2019 and December 31, 2018, respectively.

b. Redeemable preferred shares

	Number of Shares	
	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Authorized - ₱10 par value per share	10,000,000	10,000,000

There are no issued and subscribed preferred shares as at September 30, 2019 and December 31, 2018.

Retained Earnings

- **Appropriated**

Retained earnings appropriated as at September 30, 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	₱10,985,796
April 25, 2018	May 10, 2018	May 24, 2018	8.20	9,877,580

Unappropriated retained earnings include the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱229,626.1 million and ₱202,669.4 million as at September 30, 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		Terms	Conditions
	September 30, 2019	September 30, 2018	September 30, 2019	December 31, 2018		
<i>(In Thousands)</i>						
Banking Group						
Cash placement and investment in marketable securities			₱65,658,168	₱89,890,525	Interest-bearing at prevailing rates	Unsecured; no impairment
Interest receivable			538,412	227,606	—	—
Interest income	₱2,229,540	₱1,577,341			—	—
Interest-bearing debt			28,398,284	31,446,016	Interest-bearing	Unsecured
Interest payable			110,275	65,477	—	—
Interest expense	1,321,330	906,740			—	—
Rent receivable			123,073	126,809	Noninterest-bearing	Unsecured; no impairment
Rent income	761,542	688,601			—	—
Dividends receivable			13,462	2,587	Noninterest-bearing	Unsecured; no impairment
Bonds and deposits			18,140,500	18,403,000	Interest-bearing 4.5%	Unsecured; no impairment
Management and service fee receivable			8,441	14,469	Noninterest-bearing	Unsecured; no impairment
Management and service fee income	2,442	2,486			—	—
Escrow fund			204,202	284,160	Interest-bearing at prevailing rates	Unsecured; no impairment
Retail and Other Entities						
Rent receivable			250,611	256,615	Noninterest-bearing	Unsecured; no impairment
Rent income	1,477,919	1,357,656			—	—
Management and service fee receivable			967,922	937,255	Noninterest-bearing	Unsecured; no impairment
Dividends receivable			458,220	—	Noninterest-bearing	Unsecured; no impairment
Management and service fee income	700,275	454,092			—	—
Due from related parties			255,856	953,010	Noninterest-bearing	Unsecured; no impairment
Due to related parties			480,415	1,362,505	Noninterest-bearing	Unsecured
Interest receivable			9,964	9,360	—	—
Interest income	288,719	259,367			—	—
Notes receivable			6,642,900	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:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
	<i>(In Thousands)</i>	
Merchandise inventories at beginning of period	₱31,836,333	₱27,778,741
Purchases	184,831,772	166,603,861
Total goods available for sale	216,668,105	194,382,602
Less merchandise inventories at end of period	35,995,670	32,224,861
	₱180,672,435	₱162,157,741

21. Income Tax

Deferred tax assets of ₱2,862.3 million and ₱2,726.2 million as at September 30, 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 ₱9,896.7 million and ₱8,810.9 million as at September 30, 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 September 30, 2019 and December 31, 2018, after taking into account the effect of the swaps, approximately 82.4% 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 September 30, 2019, the Group's foreign currency-denominated assets and liabilities amounted to ₱ 52,713.2 million (\$1,017.0 million) and ₱50,998.2 million (\$984.0 million), respectively.

As at December 31, 2018, the Group's foreign currency-denominated assets and liabilities amounted to ₱57,237.9 million (\$1,008.6 million) and ₱54,142.2 million (\$1,029.7 million), respectively.

As at September 30, 2019 and December 31, 2018, approximately 29.3% 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.

	September 30, 2019	December 31, 2018
Philippine Peso to U.S. Dollar	₱51.83	₱52.58

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 September 30, 2019 and December 31, 2018, the financial assets are generally assessed to be 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:

	September 30, 2019	December 31, 2018
Gross	51%	52%
Net	45%	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:

September 30, 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					
Derivative assets	₱1,468,286	₱1,468,286	₱–	₱1,468,286	₱–
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	2,540,941	2,493,972	–	–	2,493,972
Other noncurrent assets:					
Bonds and deposits	18,140,500	22,193,439	–	–	22,193,439
Long-term notes	6,642,900	8,598,879	–	–	8,598,879
	27,324,341	33,286,290	–	–	33,286,290
	₱28,792,627	₱34,754,576	₱–	₱1,468,286	₱33,286,290
Liabilities Measured at Fair Value					
Derivative liabilities	₱1,200,434	₱1,200,434	₱–	₱1,200,434	₱–
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion, net of debt issue cost)	315,402,974	279,906,578	–	–	279,906,578
Tenants' deposits and others*	38,730,252	32,524,534	–	–	32,524,534
	354,133,226	312,431,112	–	–	312,431,112
	₱355,333,660	₱311,008,615	₱–	₱1,200,434	₱309,808,181
*Excluding nonfinancial liabilities amounting to ₱3,971.1 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)
<i>(In Thousands)</i>					
Assets Measured at Fair Value					
Derivative assets	₱1,566,788	₱1,566,788	₱–	₱1,566,788	₱–
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
	₱89,088,795	₱89,799,770	₱–	₱1,566,788	₱88,232,982
Liabilities Measured at Fair Value					
Derivative liabilities	₱335,008	₱335,008	₱–	₱335,008	₱–
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion, net of 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
	₱341,890,514	₱320,635,985	₱–	₱335,008	₱320,300,977
*Excluding nonfinancial liabilities amounting to ₱3,432.6 million.					

There were no transfers into and out of Levels 1, 2 and 3 fair value measurements as at September 30, 2019 and December 31, 2018.

Derivative Instruments Accounted for as Cash Flow Hedges

As at September 30, 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		₱ 2,746,990	₱ (54,678)	LIBOR + spread	5.3%		₱52.10	March 6, 2023
	100,000	5,210,000		5,183,000	(245,098)	LIBOR + spread	5.9%		52.10	April 16, 2023
	56,159	3,000,000		2,910,708	(251,930)	LIBOR + spread	6.1%		53.42	July 26, 2023
	100,000	5,140,000		5,183,000	(60,492)	LIBOR + spread	5.5%		51.40	June 28, 2024
	100,000	5,115,000		5,183,000	(25,218)	LIBOR + spread	5.4%		51.15	June 28, 2024
SM Prime:										
	50,000	2,666,500		2,591,500	(253,368)	LIBOR + spread	6.4%		53.33	June 14, 2023
	60,000	3,199,200		3,109,800	(309,649)	LIBOR + spread	6.4%		53.32	June 14, 2023
	25,000		¥172,100	1,295,750	(15,534)	LIBOR + spread	5.4%		¥6.884	March 27, 2022
	25,000		172,300	1,295,750	(15,775)	LIBOR + spread	5.4%		6.892	March 27, 2022
	50,000		327,315	2,591,500	121,488	LIBOR + spread	5.0%		6.546	June 30, 2022
	50,000		335,940	2,591,500	105,459	LIBOR + spread	4.0%		6.719	February 28, 2024
	50,000		335,725	2,591,500	112,566	LIBOR + spread	3.9%		6.715	February 28, 2024
	50,000		335,750	2,591,500	105,371	LIBOR + spread	3.9%		6.715	February 28, 2024
	50,000		334,400	2,591,500	91,572	LIBOR + spread	3.9%		6.688	February 28, 2024
	50,000		335,750	2,591,500	108,841	LIBOR + spread	3.9%		6.715	February 28, 2024
	36,000		241.643	1,865.880	76.241	LIBOR + spread	3.9%		6.712	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\$270.000	₱13,994,148	₱723,267	₱54,790	¥6.458-6.889	6.2% 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.

24. EPS Computation

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
<i>(In Thousands Except Per Share Data)</i>		
Net income attributable to owners of the Parent (a)	₱33,060,296	₱26,174,647
Weighted average number of common shares outstanding (b)	1,204,583	1,204,583
EPS (a/b)	₱27.45	₱21.73

PART 1 FINANCIAL INFORMATION

Management's Discussion and Analysis or Plan of Operation

Results of Operation

For the Nine Months Ended September 30, 2019 and 2018

(amounts in billion pesos)

Accounts	2019	2018	% Change
Revenues	P 350.7	P 307.4	14.1%
Cost and Expenses	277.8	246.4	12.8%
Income from Operations	72.9	61.0	19.5%
Other Charges	9.7	8.4	15.6%
Provision for Income Tax	12.4	10.8	15.4%
Net Income After Tax	50.8	41.8	21.3%
Non-controlling Interests	17.7	15.6	13.0%
Net Income Attributable to Owners of the Parent	P 33.1	P 26.2	26.3%

SM Investments Corporation and Subsidiaries (the Group) reported P33.1 billion *Net Income Attributable to Owners of the Parent*, 26.3% higher than 2018, and P350.7 billion *Revenues*, 14.1% higher than 2018.

Income from Operations increased by 19.5% to P72.9 billion from P61.0 billion in 2018. *Operating Margin* and *Net Margin* is at 20.8% and 14.5%, respectively.

Merchandise Sales, which grew by 12.0% to P245.0 billion from P218.8 billion in 2018, accounts for 69.9% of total revenues in 2019. The increase is attributable to the opening of 288 stores alongside strong same-store sales growth.

The *Non-Food* and *Food Group* comprised 47% and 53%, respectively, of merchandise sales in 2019 and 49% and 51% in 2018, respectively.

As of September 30, 2019, *SM Retail* had 2,693 stores nationwide, namely: 64 *SM Stores*, 58 *SM Supermarkets*, 199 *Savemore* stores, 51 *SM Hypermarkets*, 56 *WalterMart* stores, 700 *Alfamart* stores and 1,565 Specialty stores.

Real Estate Sales increased by 26.0% to P31.4 billion from P24.9 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, particularly those located within the *Mall of Asia Complex* and *Makati Central Business District*.

Rent Revenues, derived mainly from the mall operations of *SM Prime Holdings, Inc.* (*SM Prime*), increased by 9.0% to P37.8 billion from P34.7 billion in 2018. The increase in *Rent Revenue* is primarily due to strong tenants' sales, escalation of rental rates and expansion of leasable and temporary selling areas. Excluding the new malls opened in 2018, same-mall rental growth is at 7%. Rental from commercial operations likewise increased due to the opening of *Three E-Com Center* and *SM Southmall South Tower* in 2018.

As of September 30, 2019, *SM Prime* had 73 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 increased by 41.6% to P18.5 billion from P13.1 billion in 2018 due mainly to the increase in earnings of bank associates.

Dividend, Management Fees and Others increased by 16.6% to P12.4 billion from P10.6 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 15.1% to P82.5 billion from P71.7 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 15.6% to P9.7 billion from P8.4 billion in 2018. *Interest Expense* increased by 17.2% to P13.5 billion from P11.5 billion in 2018 due mainly to new debt availments for working capital and capital expenditure requirements. *Interest Income* increased by 17.3% to P3.2 billion from P2.7 billion in 2018 coming mainly from temporary investments. *Gain on Fair Value Changes on Derivatives - Net* decreased to P111.2 million from P357.3 million in 2018 resulting mainly from matured 2018 non-deliverable forward contracts.

Provision for Income Tax increased by 15.4% to P12.4 billion from P10.8 billion in 2018 due mainly to increase in taxable income. The effective income tax rate is 19.7% in 2019 and 20.5% in 2018.

Non-controlling interests increased by 13.0% to P17.7 billion from P15.6 billion in 2018 due to the increase in net income of partly-owned subsidiaries.

Financial Position

As at September 30, 2019 and December 31, 2018

(amounts in billion pesos)

Accounts	2019	2018	% Change
Current Assets	P 237.5	P 241.7	-1.7%
Noncurrent Assets	897.2	818.9	9.6%
Total Assets	P 1,134.7	P 1,060.6	7.0%
Current Liabilities	P 205.2	P 212.7	-3.5%
Noncurrent Liabilities	400.7	355.6	12.7%
Total Liabilities	605.9	568.3	6.6%
Total Equity	528.8	492.3	7.4%
Total Liabilities and Equity	P 1,134.7	P 1,060.6	7.0%

Total *Assets* increased by 7.0% to P1,134.7 billion from P1,060.6 billion in 2018. On the other hand, total *Liabilities* increased by 6.6% to P605.9 billion from P568.3 billion in 2018.

Current Assets

Current Assets decreased by 1.7% to P237.5 billion from P241.7 billion in 2018.

Cash and Cash Equivalents decreased by 18.9% to P64.3 billion from P79.3 billion in 2018 due mainly to settlement of loans and trade payables and payments for capital expenditure projects.

Receivables and Contract Assets increased by 21.2% to P40.9 billion from P33.8 billion in 2018 due mainly to the increase in receivables from real estate buyers.

Merchandise Inventories increased by 13.1% to P36.0 billion from P31.8 billion in 2018. The Specialty stores contributed the most to the increase.

Other Current Assets increased by 7.9% to P75.9 billion from P70.3 billion in 2018. This is attributable mainly to the increase in bonds and deposits, current portion of land and development, and prepaid taxes and other prepayments.

Noncurrent Assets

Noncurrent Assets increased by 9.6% to P897.2 billion from P818.9 billion in 2018.

Financial Assets decreased by 10.1% to P24.0 billion from P26.7 billion in 2018 due mainly to the disposal of some financial assets.

Investments in Associate Companies and Joint Ventures increased by 9.9% to P285.5 billion from P259.8 billion in 2018. The increase consists mainly of equity in net earnings and share in other comprehensive income of associates, and new investments, partly offset by dividend income.

Time Deposits increased by 6.2% to P2.5 billion from P2.4 billion in 2018. On the other hand, the current portion decreased by 24.5% to P19.5 billion from P25.8 billion in 2018 due to maturity. Bulk of the maturity proceeds was used to pay off maturing loans.

Investment Properties increased by 5.7% to P326.8 billion from P309.3 billion in 2018. The increase mainly represents the construction cost of new malls and commercial buildings and of expansion and redevelopment of existing malls.

Current Liabilities

Current Liabilities decreased by 3.5% to P205.2 billion from P212.7 billion in 2018.

Bank Loans decreased by 13.5% to P16.3 billion from P18.9 billion in 2018 resulting mainly from loan payments.

Current Portion of Long-term Debt decreased by 3.1% to P59.6 billion from P61.5 billion in 2018 due mainly to payments partly offset by reclassification of maturing loans from noncurrent to current.

Income Tax Payable decreased by 23.1% to P2.8 billion from P3.6 billion in 2018 due to tax payments.

Dividends Payable decreased by 59.9% to P1.6 billion from P3.9 billion in 2018. These are dividends payable to the minority stockholders of partly-owned subsidiaries.

Noncurrent Liabilities

Noncurrent Liabilities increased by 12.7% to P400.7 billion from P355.6 billion in 2018.

Long-term Debt - Net of Current Portion increased by 3.2% to P315.4 billion from P305.6 billion in 2018 due mainly to loan availments partly offset by payments.

Lease Liabilities - Net of Current Portion amounting to P29.8 billion was initially measured at the present value of future lease payments. A corresponding *Right-of-use (ROU) Assets - Net* of P36.8 billion was recognized, net of depreciation and accrued rent that was previously set up under PAS 17. These two accounts were recognized and presented separately in the consolidated balance sheet relative to the Group's adoption of *PFRS 16, Leases*, effective January 1, 2019.

Deferred Tax Liabilities increased by 12.3% to P9.9 billion from P8.8 billion. This mainly pertains to deferred tax on unrealized gross profit on sale of real estate.

Tenants' Deposits and Others increased by 10.4% to P45.6 billion from P41.3 billion in 2018. The increase is attributable to deposits from mall and office building tenants as well as deposits from residential buyers.

Equity

Total *Equity* increased by 7.4% to P528.8 billion from P492.3 billion in 2018.

Equity Attributable to Owners of the Parent increased by 7.3% to P379.2 billion from P353.4 billion in 2018. This increase resulted mainly from (a) *Net Unrealized Gain on Financial Assets* which increased by 33.8% to P15.7 billion from P11.7 billion in 2018 coming mainly from higher market values of certain financial assets held by the Group, (b) 10.7% increase in *Retained earnings* which mainly represents the P33.1 billion *Net Income Attributable to Owners of the Parent* net of dividend declaration of P11.0 billion.

Non-controlling Interests increased by 7.7% to P149.6 billion from P138.9 billion in 2018. The increase represents the minority's share in the increase in net assets of subsidiaries that are not wholly owned.

The Company has no known direct or contingent financial obligation that is material to the Company operations, including any default or acceleration of an obligation. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year and as of the balance sheet date.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the company's continuing operations.

Key Performance Indicators

The key financial ratios of the Group follow:

Accounts	09 / 30/ 2019	12 / 31/ 2018
Current Ratio	1.2	1.1
Asset to Equity	2.1	2.2
Debt - equity Ratios:		
On Gross Basis	51 : 49	52 : 48
On Net Basis	45 : 55	44 : 56
Return on Equity	12.0%	10.9%

Accounts	09 / 30/ 2019	09 / 30/ 2018
Revenue Growth	14.1%	12.0%
Net Margin	14.5%	13.6%
Net Income Growth	26.3%	10.0%
EBITDA (<i>In Billions of Pesos</i>)	86.4B	72.0B
Interest Cover	6.4x	6.2x

Current Ratio slightly increased to 1.2 from 1.1 in 2018 due mainly to the higher decrease in *Current Liabilities* of 3.5% compared to only 1.7% of *Current Assets*.

Gross Debt-equity Ratio slid to 51:49 from 52:48 in 2018 due mainly to the 1.4% increase in total debt to P391.3 billion from P385.9 billion in 2018 with a 7.3% increase in equity attributable to equity holders of the parent. On the other hand, *Net Debt-equity Ratio* increased to 45:55 from 44:56 in 2018 due mainly to the 9.3% increase in net debt to P306.3 billion from P280.1 billion in 2018.

Revenue Growth increased to 14.1% from 12.0% in 2018 while *Net Income Growth* increased to 26.3% from 10.0% in 2018 due mainly to higher growth of *Merchandise* and *Real estate* sales and *Equity in Net Earnings* in 2019 compared to 2018, as well as lower growth of *Other charges* in 2019 compared to 2018.

EBITDA increased by 20.1% to P86.4 billion from P72.0 billion in 2018 due mainly to the 19.5% increase in income from operations relative to the 14.1% increase in revenues.

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 $\frac{\text{Total Interest Bearing Debt}}{\text{Total Equity Attributable to Owners of the Parent} + \text{Total Interest Bearing Debt}}$
 - Net Basis $\frac{\text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investments in Bonds}}{\text{Total Equity Attributable to Owners of the Parent} + \text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time deposits, Investments in Bonds}}$
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 $\frac{\text{Annualized Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to Owners of the Parent}}$
8. EBITDA $\text{Income from Operations} + \text{Depreciation \& Amortization}$
9. Interest Cover $\frac{\text{EBITDA}}{\text{Interest Expense}}$

Expansion Plans / Prospects for the Future

Property Group

Malls

For the rest of the year, SM Prime will open one new mall and complete the expansion of another mall in the Philippines. By the end of 2019, SM Prime should have 81 malls, 74 in the Philippines and 7 in China with an estimated combined gross floor area of almost 9.8 million square meters.

Residential

As at end of September, SM Prime has already launched 14,500 residential units. The target is to launch 15,000 to 20,000 new units.

Commercial

SM Prime is set to launch *Four E-Com Center* in the *Mall of Asia Complex* in 2020.

Retail Group

For the rest of the year, the Retail Group is aiming to open 91 additional stores.

The above expenditures will be funded through internally generated sources and other capital raising initiatives such as bond issuances and loan availments.

PART I FINANCIAL INFORMATION

Item 3. Aging of Accounts Receivable - Trade

As of September 30, 2019

(in Thousands)

Receivable from tenants		
Third-party tenants	₱	6,847,004
Related-party tenants		373,684
Receivable from real estate buyers		
- net of noncurrent portion		32,606,814
Other trade receivables		17,283
Total	₱	<u>39,844,785</u>

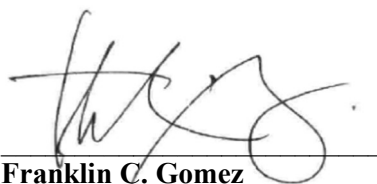
Aging:

Neither past due nor impaired	₱	36,527,897
31-90 days		815,720
91-120 days		365,178
Over 120 days		1,092,572
Impaired		1,043,418
Total	₱	<u>39,844,785</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: 11-13-19