

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

8857-0100

Mobile Number

—

No. of Stockholders

1,254

Annual Meeting (Month / Day)

--

Fiscal Year (Month / Day)

06/30

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

8857-0100

Mobile Number

—

CONTACT PERSON'S ADDRESS

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

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

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause 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)

8857- 0100

(Telephone Number)

December 31

(Year Ending)
(month & day)

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

Form Type

Amendment Designation (If applicable)

June 30, 2024

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2024**
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. **8857-0100**
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	1,222,023,358	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

Unaudited Interim Condensed Consolidated Financial Statements
Balance Sheets as at June 30, 2024 (Unaudited) and
December 31, 2023 (Audited)
Statements of Income for the Six-Month Periods Ended
June 30, 2024 and 2023 (Unaudited)

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

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 20 and 23)	P84,474,197	P103,745,558
Time deposits (Notes 6, 20 and 23)	218,036	602,466
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 7 and 24)	776,237	747,840
Receivables and contract assets (Notes 8 and 20)	75,246,094	79,209,522
Inventories (Note 9)	122,961,237	117,474,980
Other current assets (Notes 10 and 20)	53,642,453	57,690,959
Total Current Assets	337,318,254	359,471,325
Noncurrent Assets		
Financial assets at FVOCI - net of current portion (Notes 7 and 24)	24,379,074	26,317,778
Investments in associate companies and joint ventures (Note 11)	383,902,773	361,324,800
Time deposits - net of current portion (Notes 6, 20, 23 and 24)	3,120,752	22,324,681
Property and equipment (Note 12)	55,361,590	52,851,633
Investment properties (Note 13)	561,782,757	537,067,223
Right-of-use assets (Note 22)	49,317,806	48,540,412
Intangibles (Note 14)	40,386,020	40,275,568
Other noncurrent assets (Notes 14, 22, 23 and 24)	147,647,808	138,045,093
Total Noncurrent Assets	1,265,898,580	1,226,747,188
	P1,603,216,834	P1,586,218,513
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 15, 20 and 23)	P54,748,450	P13,414,239
Accounts payable and other current liabilities (Notes 16, 20, and 22)	190,175,238	200,169,027
Income tax payable	2,734,978	3,649,923
Current portion of long-term debt (Notes 17, 20, and 23)	94,483,168	113,528,791
Total Current Liabilities	342,141,834	330,761,980
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 17, 20, 23 and 24)	341,286,491	374,758,859
Lease liabilities - net of current portion (Note 22)	32,724,684	32,342,279
Deferred tax liabilities (Note 21)	18,328,678	18,129,316
Tenants' deposits and others (Notes 22 and 24)	60,311,427	58,025,874
Total Noncurrent Liabilities	452,651,280	483,256,328
Total Liabilities	794,793,114	814,018,308

(Forward)

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Equity Attributable to Owners of the Parent		
Capital stock (Note 18)	P12,261,146	P12,261,146
Additional paid-in capital	71,837,361	71,837,361
Treasury stock	(40,912)	(40,912)
Equity adjustments from common control transactions	(6,660,472)	(6,660,472)
Cost of Parent common shares held by subsidiaries	(25,386)	(25,386)
Cumulative translation adjustment	2,167,273	1,587,205
Fair value changes on cash flow hedges and others	497,503	809,143
Unrealized gain on financial assets at FVOCI (Note 7)	9,212,210	11,075,393
Remeasurement loss on defined benefit asset/obligation	(3,174,473)	(3,150,991)
Share in other comprehensive loss of associate companies and joint ventures - net	(11,029,210)	(11,376,601)
Retained earnings (Note 18):		
Appropriated	37,000,000	37,000,000
Unappropriated	472,493,739	443,288,813
Total Equity Attributable to Owners of the Parent	584,538,779	556,604,699
Non-controlling Interests	223,884,941	215,595,506
Total Equity	808,423,720	772,200,205
	P1,603,216,834	P1,586,218,513

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Six-Month Periods Ended June 30		Three-Month Periods Ended June 30	
	2024	2023	2024	2023
REVENUES				
Sales:				
Merchandise	P190,314,267	P182,639,771	P99,523,781	P94,206,735
Real estate	19,591,097	18,569,688	10,802,606	10,292,941
Rent (Notes 13, 20 and 22)	32,908,214	29,575,809	16,729,981	14,908,766
Equity in net earnings of associate companies and joint ventures (Note 11)	24,644,113	21,597,949	13,209,398	11,483,905
Others (Note 19)	33,974,569	34,300,045	17,446,309	17,505,283
	301,432,260	286,683,262	157,712,075	148,397,630
COST AND EXPENSES (Note 9)	231,011,061	220,459,242	120,416,978	113,972,849
OTHER INCOME (CHARGES)				
Interest expense (Note 20)	(10,920,330)	(10,258,967)	(5,369,875)	(5,073,230)
Interest income (Note 20)	2,402,815	1,867,793	1,279,442	907,888
Gain (loss) from fair value changes on derivatives - net (Note 24)	(99,936)	27,426	143,960	(48,020)
Foreign exchange gain (loss) - net and others (Note 23)	881,181	77,060	554,640	(34,996)
	(7,736,270)	(8,286,688)	(3,391,833)	(4,248,358)
INCOME BEFORE INCOME TAX	62,684,929	57,937,332	33,903,264	30,176,423
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 21)				
Current	7,535,446	8,164,986	3,880,980	4,604,400
Deferred	43,488	(250,241)	154,069	(629,446)
	7,578,934	7,914,745	4,035,049	3,974,954
NET INCOME	P55,105,995	P50,022,587	P29,868,215	P26,201,469
Attributable to				
Owners of the Parent	P40,201,806	P36,533,048	P21,808,124	P19,229,380
Non-controlling interests	14,904,189	13,489,539	8,060,091	6,972,089
	P55,105,995	P50,022,587	P29,868,215	P26,201,469
Basic/Diluted Earnings Per Common Share				
Attributable to Owners of the Parent (Note 25)	P32.90	P29.90	P17.85	P15.74

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Six-Month Periods Ended June 30		Three-Month Periods Ended June 30	
	2024	2023	2024	2023
NET INCOME	P55,105,995	P50,022,587	P29,868,215	P26,201,469
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified to profit or loss in subsequent periods				
Cumulative translation adjustment	1,127,167	(1,633,009)	1,167,109	(452,184)
Fair value changes on cash flow hedges	(500,665)	(930,343)	(457,724)	(339,196)
	626,502	(2,563,352)	709,385	(791,380)
Items not to be reclassified to profit or loss in subsequent periods				
Remeasurement loss on defined benefit obligation	(51,065)	–	(66,154)	–
Net unrealized loss on financial assets at FVOCI	(1,930,931)	(2,092,459)	(1,349,048)	(1,026,202)
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	(280,375)	(535,280)	(13,398)	(190,069)
	(2,262,371)	(2,627,739)	(1,428,600)	(1,216,271)
Share in other comprehensive income (loss) of associate companies and joint ventures - net	353,257	382,601	(27,251)	(808,000)
TOTAL COMPREHENSIVE INCOME	P53,823,383	P45,214,097	P29,121,749	P23,385,818
Attributable to				
Owners of the Parent	P38,930,960	P33,337,413	P20,902,407	P17,206,748
Non-controlling interests	14,892,423	11,876,684	8,219,342	6,179,070
	P53,823,383	P45,214,097	P29,121,749	P23,385,818

See accompanying Notes to Condensed Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands Except Per Share Data)

	Equity Attributable to Owners of the Parent													Non-controlling Interests	Total Equity
	Capital Stock	Additional Paid-in Capital	Treasury Stock	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment	Fair Value Changes on Cash Flow Hedges and Others	Unrealized Gain on Financial Assets at FVOCI	Remeasurement Loss on Defined Benefit Asset/ Obligation	Share in Other Comprehensive Loss of Associates - Net	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total		
As at December 31, 2023 (Audited)	P12,261,146	P71,837,361	(P40,912)	(P6,660,472)	(P25,386)	P1,587,205	P809,143	P11,075,393	(P3,150,991)	(P11,376,601)	P37,000,000	P443,288,813	P556,604,699	P215,595,506	P772,200,205
Net income	–	–	–	–	–	–	–	–	–	–	–	40,201,806	40,201,806	14,904,189	55,105,995
Other comprehensive income (loss)	–	–	–	–	–	580,068	(311,640)	(1,863,183)	(23,482)	347,391	–	–	(1,270,846)	(11,766)	(1,282,612)
Total comprehensive income	–	–	–	–	–	580,068	(311,640)	(1,863,183)	(23,482)	347,391	–	40,201,806	38,930,960	14,892,423	53,823,383
Cash dividends - P9.00 per share (Note 18)	–	–	–	–	–	–	–	–	–	–	–	(10,996,880)	(10,996,880)	–	(10,996,880)
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(6,909,071)	(6,909,071)
Net change in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	306,083	306,083
As at June 30, 2024	P12,261,146	P71,837,361	(P40,912)	(P6,660,472)	(P25,386)	P2,167,273	P497,503	P9,212,210	(P3,174,473)	(P11,029,210)	P37,000,000	P472,493,739	P584,538,779	P223,884,941	P808,423,720
As at December 31, 2022 (Audited)	P12,261,146	P75,839,217	(P40,912)	(P6,660,472)	(P25,386)	P2,102,782	P1,610,364	P11,823,413	(P1,721,868)	(P10,763,209)	P37,000,000	P375,463,837	P496,888,912	P195,301,099	P692,190,011
Net income	–	–	–	–	–	–	–	–	–	–	–	36,533,048	36,533,048	13,489,539	50,022,587
Other comprehensive income (loss)	–	–	–	–	–	(783,881)	(413,219)	(2,359,825)	–	361,290	–	–	(3,195,635)	(1,612,855)	(4,808,490)
Total comprehensive income	–	–	–	–	–	(783,881)	(413,219)	(2,359,825)	–	361,290	–	36,533,048	33,337,413	11,876,684	45,214,097
Transactions with non-controlling interests	–	(4,619,883)	–	–	–	–	–	–	–	–	–	–	(4,619,883)	719	(4,619,164)
Cash dividends - P7.50 per share (Note 18)	–	–	–	–	–	–	–	–	–	–	–	(9,164,067)	(9,164,067)	–	(9,164,067)
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,869,798)	(3,869,798)
Net change in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(733,206)	(733,206)
As at June 30, 2023	P12,261,146	P71,219,334	(P40,912)	(P6,660,472)	(P25,386)	P1,318,901	P1,197,145	P9,463,588	(P1,721,868)	(P10,401,919)	P37,000,000	P402,832,818	P516,442,375	P202,575,498	P719,017,873

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Six-Month Periods Ended June 30	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P62,684,929	P57,937,332
Adjustments for:		
Equity in net earnings of associate companies and joint ventures	(24,644,113)	(21,597,949)
Depreciation and amortization (Notes 12, 13, 14 and 22)	12,829,134	11,883,439
Interest expense	10,920,330	10,258,967
Interest income	(2,402,815)	(1,867,793)
Dividend income	(408,007)	(302,348)
Loss (gain) from fair value changes on derivatives - net	99,936	(27,426)
Unrealized foreign exchange loss (gain) and others - net	(33,120)	54,400
Income before working capital changes	59,046,274	56,338,622
Decrease (increase) in:		
Receivables and contract assets	(5,330,584)	(9,098,041)
Inventories	(5,454,231)	(6,144,392)
Other current assets	2,268,318	1,316,554
Increase (decrease) in:		
Accounts payable and other current liabilities	(4,967,979)	(4,188,964)
Tenants' deposits and others	2,484,470	4,426,281
Net cash generated from operations	48,046,268	42,650,060
Income tax paid	(8,455,725)	(8,383,366)
Net cash provided by operating activities	39,590,543	34,266,694
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Investments in associate companies and joint ventures	1,585,469	–
Investment properties	270,885	6,095
Property and equipment	39,291	21,589
Additions to:		
Investment properties (Note 13)	(30,348,224)	(37,422,937)
Property and equipment (Note 12)	(6,390,786)	(4,767,093)
Investments in associate companies and joint ventures (Note 11)	(5,288,548)	(4,165)
Financial assets at FVOCI	(274,060)	–
Decrease (increase) in:		
Time deposits	19,588,360	9,995,248
Other noncurrent assets	392,630	(2,020,874)
Dividends received	7,662,496	6,107,455
Acquisition of non-controlling interest in a subsidiary	–	(5,169,476)
Interest received	2,358,794	2,083,196
Net cash used in investing activities	(10,403,693)	(31,170,962)
<i>(Forward)</i>		

	Six-Month Periods Ended	
	June 30	
	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of:		
Bank loans	₱79,582,679	₱35,407,915
Long-term debt	32,888,899	72,200,216
Payments of:		
Long-term debt	(92,316,515)	(64,964,357)
Bank loans	(38,993,063)	(36,406,277)
Dividends	(19,211,083)	(14,440,389)
Interest	(10,326,746)	(9,508,686)
Lease liabilities (Note 22)	(2,635,748)	(2,652,202)
Proceeds from matured derivatives - net	2,502,438	—
Net cash used in financing activities	(48,509,139)	(20,363,780)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(19,322,289)	(17,268,048)
EFFECT OF EXCHANGE RATE CHANGES		
ON CASH AND CASH EQUIVALENTS	50,928	50,917
CASH AND CASH EQUIVALENTS AT BEGINNING		
OF YEAR (Note 5)	103,745,558	106,561,072
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	₱84,474,197	₱89,343,941

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

SM Investments Corporation (SMIC or Parent Company) was incorporated in the Philippines on January 15, 1960.

SMIC is one of the largest publicly listed companies in the Philippines with interests 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 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 August 7, 2024.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The interim condensed consolidated financial statements of the Parent Company and its subsidiaries (the Group) are prepared on a historical cost basis, except for derivative financial instruments and financial assets at fair value through other comprehensive income (FVOCI) and liabilities which are measured at fair value. The consolidated financial statements are presented in Philippine Peso, the Parent Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRSs). All values are rounded to the nearest thousand Pesos except when otherwise indicated.

The Group reclassified certain income and expense accounts in 2023 to conform to the 2024 presentation and classification. The reclassification has no impact on the 2024 and 2023 consolidated profit or loss and equity.

The interim condensed consolidated financial statements have been prepared on the going concern assumption.

Statement of Compliance

The accompanying 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 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, 2023.

Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. As at June 30, 2024, 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 interim condensed 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.

3. Summary of Material Accounting Policies, Changes and Improvements

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, the adoption of these new standards did not have a significant impact on the interim condensed consolidated financial statements.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective on or after January 1, 2024 to be applied retrospectively.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction such that the gain or loss that relates to the right of use retained is not recognized.

The amendments are effective on or after January 1, 2024 to be applied retrospectively, with early adoption permitted.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

The amendments specify disclosure requirements which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on liabilities, cash flows and exposure to liquidity risk.

The amendments are effective on or after January 1, 2024, with early adoption permitted.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts i.e., life, non-life, direct insurance and re-insurance, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions apply.

On December 15, 2021, the Financial and Sustainability Reporting Standards Council (FSRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the International Accounting Standards Board (IASB).

- Amendments to PAS 21, *Lack of exchangeability*

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments are effective on or after January 1, 2025, with early adoption permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associates or joint ventures.

On January 13, 2016, the FSRSC deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. Segment Information

The Group has identified four reportable operating segments as follows: property, retail, banking and portfolio investments.

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 banking segment includes the Group's equity in net earnings in BDO Unibank, Inc. (BDO) and China Banking Corporation (China Bank).

The portfolio investments segment includes 2GO Group, Inc. (2GO), Philippine Geothermal Production Company, Inc., Neo subsidiaries and associates, Atlas Consolidated Mining and Development Corporation (Atlas), Belle Corporation (Belle), Goldilocks Bakeshop, Inc. and others.

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 Results by Segment

Six-Month Period Ended June 30, 2024 (Unaudited)							
	Property	Retail	Banking	Portfolio Investments	Others	Eliminations	Consolidated
<i>(In Thousands)</i>							
Revenues:							
External customers	P60,869,768	P196,225,265	P21,003,914	P21,849,874	P1,483,439	P-	P301,432,260
Revenues from contracts with customers	19,591,097	190,314,267	-	-	-	-	209,905,364
Merchandise sales	-	190,314,267	-	-	-	-	190,314,267
Real estate sales	19,591,097	-	-	-	-	-	19,591,097
Rent	31,016,863	700,456	-	1,190,161	734	-	32,908,214
Equity in net earnings of associate companies and joint ventures	1,244,400	1,100,519	21,003,914	1,223,713	71,567	-	24,644,113
Others	9,017,408	4,110,023	-	19,436,000	1,411,138	-	33,974,569
Inter-segment	7,601,284	340,363	-	222,445	2,108,267	(10,272,359)	-
	P68,471,052	P196,565,628	P21,003,914	P22,072,319	P3,591,706	(P10,272,359)	P301,432,260
Segment results:							
Income before income tax	P27,313,613	P10,829,789	P21,003,914	P4,397,848	(P860,235)	P-	P62,684,929
Provision for income tax	4,664,287	2,438,934	-	398,009	77,704	-	7,578,934
Net income after tax	P22,649,326	P8,390,855	P21,003,914	P3,999,839	(P937,939)	P-	P55,105,995
Net income attributable to:							
Owners of the Parent	P11,204,606	P5,756,466	P20,427,086	P3,733,774	(P920,126)	P-	P40,201,806
Non-controlling interests	11,444,720	2,634,389	576,828	266,065	(17,813)	-	14,904,189
Six-Month Period Ended June 30, 2023 (Unaudited)							
	Property	Retail	Banking	Portfolio Investments	Others	Eliminations	Consolidated
<i>(In Thousands)</i>							
Revenues:							
External customers	P55,417,843	P188,641,059	P18,894,126	P22,678,577	P1,051,657	P-	P286,683,262
Revenues from contracts with customers	18,569,688	182,639,771	-	-	-	-	201,209,459
Merchandise sales	-	182,639,771	-	-	-	-	182,639,771
Real estate sales	18,569,688	-	-	-	-	-	18,569,688
Rent	27,919,636	599,579	-	1,056,594	-	-	29,575,809
Equity in net earnings of associate companies and joint ventures	1,111,888	853,517	18,894,126	799,264	(60,846)	-	21,597,949
Others	7,816,631	4,548,192	-	20,822,719	1,112,503	-	34,300,045
Inter-segment	7,372,268	280,819	-	284,801	1,994,993	(9,932,881)	-
	P62,790,111	P188,921,878	P18,894,126	P22,963,378	P3,046,650	(P9,932,881)	P286,683,262
Segment results:							
Income before income tax	P24,828,730	P11,926,744	P18,894,126	P4,517,930	(P2,230,198)	P-	P57,937,332
Provision for income tax	4,744,572	2,755,770	-	377,606	36,797	-	7,914,745
Net income after tax	P20,084,158	P9,170,974	P18,894,126	P4,140,324	(P2,266,995)	P-	P50,022,587
Net income attributable to:							
Owners of the Parent	P9,962,863	P6,475,479	P18,379,017	P3,972,419	(P2,256,730)	P-	P36,533,048
Non-controlling interests	10,121,295	2,695,495	515,109	167,905	(10,265)	-	13,489,539

The disaggregation of revenues is as indicated in the interim consolidated statements of income and in the operating results by segment.

5. Cash and Cash Equivalents

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
	<i>(In Thousands)</i>	
Cash on hand and in banks (Note 20)	P27,980,853	P22,918,721
Temporary investments (Note 20)	56,493,344	80,826,837
	P84,474,197	P103,745,558

Cash in banks and investments earn interest at the prevailing rates. Temporary investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group.

6. Time Deposits

This account consists of time deposits as follows:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
	<i>(In Thousands)</i>	
Current	P218,036	P602,466
Noncurrent	3,120,752	22,324,681
	P3,338,788	P22,927,147

The time deposits bear interest ranging from 0.1% to 6.1% and 1.3% to 4.8% for the six-month periods ended June 30, 2024 and 2023, respectively.

Time deposits with various maturities within one year were used as collateral for some credit lines.

7. Financial Assets at FVOCI

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
<i>(In Thousands)</i>		
Shares of stock		
Listed	P23,276,707	P25,505,874
Unlisted	1,849,454	1,534,894
Club shares	29,150	24,850
	25,155,311	27,065,618
Less current portion	776,237	747,840
Noncurrent portion	P24,379,074	P26,317,778

8. Receivables and Contract Assets

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
<i>(In Thousands)</i>		
Trade:		
Real estate buyers*	P139,429,446	P132,187,696
Third-party tenants	9,677,370	10,714,323
Shipping and logistics**	3,066,070	2,753,168
Related party tenants (Note 20)	512,236	533,448
Others	2,786,688	2,922,100
Royalty and service fees (Note 20)	1,999,170	2,980,499
Dividends (Note 20)	219,606	1,003,114
	157,690,586	153,094,348
Less allowance for expected credit loss (ECL)	3,281,451	3,284,523
	154,409,135	149,809,825
Less noncurrent portion of receivables from real estate buyers (Note 14)	79,163,041	70,600,303
Current portion	P75,246,094	P79,209,522

* Includes unbilled revenues from sales of real estate of P127.0 billion and P114.9 billion as at June 30, 2024 and December 31, 2023, respectively.

** Includes contract assets representing shipping and logistics services delivered but not yet invoiced of P456.1 million and P616.8 million as at June 30, 2024 and December 31, 2023, respectively.

Allowance for ECL is provided for receivables from sales of real estate and revenues from rental, shipping and logistics, and other receivables which were identified to be impaired based on specific and collective assessment.

As at June 30, 2024 and December 31, 2023, receivables from sales of real estate assigned to local banks on without recourse basis amounted to ₱1.2 billion and ₱4.1 billion, respectively (Note 20) and receivables assigned on with recourse basis amounted to ₱0.2 billion as at June 30, 2024 and December 31, 2023. The corresponding liability from the assignment of receivables with recourse bears interest at 6.5% and 5.0% to 6.5% as at June 30, 2024 and December 31, 2023, respectively.

Receivables other than those identified as impaired, are assessed as good and collectible.

9. Inventories

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
<i>(In Thousands)</i>		
Real estate inventories	₱79,741,525	₱77,892,908
Merchandise inventories	42,611,925	38,869,576
Processed food and others	607,787	712,496
	₱122,961,237	₱117,474,980

Inventories are stated at cost as at June 30, 2024 and December 31, 2023.

Real Estate Inventories

The movements in this account follow:

	Land and Development	Condominium, Residential Units and Subdivision Lots for Sale	Total
<i>(In Thousands)</i>			
Balance as at January 1, 2023	₱43,780,861	₱26,725,642	₱70,506,503
Development cost incurred	22,141,007	–	22,141,007
Cost of real estate sold	(13,166,921)	(3,494,522)	(16,661,443)
Transfers	(1,902,929)	1,902,929	–
Reclassifications from investment properties	1,807,712	–	1,807,712
Translation adjustment and others	98,608	521	99,129
Balance as at December 31, 2023 (Audited)	52,758,338	25,134,570	77,892,908
Development cost incurred	9,950,906	–	9,950,906
Cost of real estate sold	(4,633,282)	(3,642,174)	(8,275,456)
Transfers	(2,174,553)	2,174,553	–
Translation adjustment and others	141,814	31,353	173,167
Balance as at June 30, 2024 (Unaudited)	₱56,043,223	₱23,698,302	₱79,741,525

Contract fulfillment assets included in land and development represent the unamortized portion of land cost of ₱1.9 billion and ₱1.8 billion as at June 30, 2024 and December 31, 2023, respectively.

The details of cost of sales and services follow:

	Six-Month Periods Ended	
	June 30	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>(In Thousands)</i>	
Cost of sales:		
Merchandise	₱139,566,877	₱133,988,475
Real estate	8,275,456	7,482,023
Processed food and others	6,070,266	7,568,536
Cost of shipping, logistics and other services	7,717,762	6,791,402
	₱161,630,361	₱155,830,436

10. Other Current Assets

This account consists of:

	June 30,	December 31,
	2024	2023
	(Unaudited)	(Audited)
	<i>(In Thousands)</i>	
Prepaid taxes and other prepayments	₱19,269,976	₱20,539,740
Bonds and deposits	11,169,403	10,845,768
Input tax	7,216,863	7,226,317
Nontrade receivables (Note 20)	6,339,827	6,233,033
Receivables from banks	4,523,505	7,207,447
Uniform and supplies inventory	2,063,492	1,724,324
Derivative assets	1,308,550	3,167,911
Accrued interest receivable (Note 20)	369,884	325,863
Others	1,380,953	420,556
	₱53,642,453	₱57,690,959

11. Investments in Associate Companies and Joint Ventures

The movements in this account follow:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of year	₱361,324,800	₱328,271,536
Additions	5,288,548	288,227
Disposal	(1,383,245)	(1,186,682)
Equity in net earnings	24,644,113	44,945,113
Dividends received and others	(6,470,983)	(10,622,941)
Share in other comprehensive income (loss) of associate companies	353,257	(641,624)
Reversal of impairment loss	105,531	320,206
Translation adjustment	40,752	(49,035)
Balance at end of period	₱383,902,773	₱361,324,800

* Investment in associate companies amounted to ₱372.9 billion and ₱350.8 billion as at June 30, 2024 and December 31, 2023, respectively.

12. Property and Equipment

The movements in this account follow:

	Land	Buildings and Improvements	Store Equipment and Improvements	Data Processing Equipment	Furniture, Fixtures and Office Equipment	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Vessels in Operation	Containers and Reefer Vans	Construction in Progress	Total
<i>(In Thousands)</i>												
Cost												
As at January 1, 2023	P1,718,794	P19,892,747	P3,349,277	P10,622,599	P12,611,163	P21,456,447	P30,307,204	P1,657,255	P14,707,557	P1,625,035	P4,771,166	P122,719,244
Additions	–	697,001	201,286	1,614,927	1,059,198	851,219	2,347,796	67,955	762,647	34	4,759,700	12,361,763
Reclassifications	–	762,184	(443,822)	26,868	(39,013)	2,268,988	427,755	98,278	(13,530)	301	(3,406,915)	(318,906)
Disposals/retirements	–	(579,239)	(143,433)	(410,945)	(849,258)	(170,268)	(260,104)	(100,567)	(102,792)	(21,660)	–	(2,638,266)
As at December 31, 2023 (Audited)	1,718,794	20,772,693	2,963,308	11,853,449	12,782,090	24,406,386	32,822,651	1,722,921	15,353,882	1,603,710	6,123,951	132,123,835
Additions	–	239,923	91,199	574,973	695,178	937,584	880,739	194,316	412,563	164,024	2,200,287	6,390,786
Reclassifications	–	737,909	111,717	30,138	24,606	550,224	(28,486)	1,415	1,333,875	–	(2,889,262)	(127,864)
Disposals/retirements	–	(1,495)	(34,989)	(64,788)	(58,783)	(41,431)	(94,175)	(39,296)	(15,746)	–	–	(350,703)
As at June 30, 2024 (Unaudited)	P1,718,794	P21,749,030	P3,131,235	P12,393,772	P13,443,091	P25,852,763	P33,580,729	P1,879,356	P17,084,574	P1,767,734	P5,434,976	P138,036,054
Accumulated Depreciation and Amortization												
As at January 1, 2023	P–	P7,756,779	P2,623,730	P8,387,765	P10,000,055	P12,253,720	P23,324,307	P1,219,539	P7,862,443	P1,409,892	P–	P74,838,230
Depreciation and amortization	–	922,703	226,928	1,307,897	767,376	1,501,025	1,479,149	86,398	961,991	48,134	–	7,301,601
Reclassifications	–	19,324	(587,914)	(280,871)	262,420	(83,810)	275,569	102,087	–	–	–	(293,195)
Disposals/retirements	–	(544,403)	(140,809)	(403,861)	(822,584)	(181,623)	(256,732)	(99,970)	(102,792)	(21,660)	–	(2,574,434)
As at December 31, 2023 (Audited)	–	8,154,403	2,121,935	9,010,930	10,207,267	13,489,312	24,822,293	1,308,054	8,721,642	1,436,366	–	79,272,202
Depreciation and amortization	–	508,074	115,564	445,668	368,927	806,982	774,559	45,080	540,044	25,135	–	3,630,033
Reclassifications	–	(2,550)	110,662	14,101	(28,852)	6,641	15,125	188	–	–	–	115,315
Disposals/retirements	–	(111)	(34,566)	(63,121)	(57,361)	(40,067)	(92,819)	(39,295)	(15,746)	–	–	(343,086)
As at June 30, 2024 (Unaudited)	P–	P8,659,816	P2,313,595	P9,407,578	P10,489,981	P14,262,868	P25,519,158	P1,314,027	P9,245,940	P1,461,501	P–	P82,674,464
Net Book Value												
As at June 30, 2024 (Unaudited)	P1,718,794	P13,089,214	P817,640	P2,986,194	P2,953,110	P11,589,895	P8,061,571	P565,329	P7,838,634	P306,233	P5,434,976	P55,361,590
As at December 31, 2023 (Audited)	1,718,794	12,618,290	841,373	2,842,519	2,574,823	10,917,074	8,000,358	414,867	6,632,240	167,344	6,123,951	52,851,633

As at June 30, 2024 and December 31, 2023, a passenger/cargo ship was used as collateral for a subsidiary's long-term debt (see Note 17).

13. Investment Properties

The movements in this account follow:

	Land Held for Future Development	Land and Improvements	Buildings and Leasehold Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
<i>(In Thousands)</i>						
Cost						
As at January 1, 2023	P83,846,727	P87,712,636	P313,956,225	P55,344,683	P68,562,497	P609,422,768
Additions	4,442,123	11,637,554	2,421,367	3,121,210	46,583,698	68,205,952
Reclassifications	(89,781)	2,683,563	24,423,632	2,482,213	(31,251,512)	(1,751,885)
Translation adjustment	—	(61,972)	(1,756,871)	(170,289)	(391,352)	(2,380,484)
Disposals	(3,594)	(312,626)	(109,550)	(530,451)	—	(956,221)
As at December 31, 2023 (Audited)	88,195,475	101,659,155	338,934,803	60,247,366	83,503,331	672,540,130
Additions	1,443,087	1,099,187	621,413	1,207,214	25,977,323	30,348,224
Reclassifications	188,628	(1,102,711)	6,694,467	1,303,526	(7,225,724)	(141,814)
Translation adjustment	—	60,406	1,879,769	164,082	263,561	2,367,818
Disposals	(121,802)	(18,444)	(127,431)	(28,088)	—	(295,765)
As at June 30, 2024 (Unaudited)	P89,705,388	P101,697,593	P348,003,021	P62,894,100	P102,518,491	P704,818,593
Accumulated Depreciation, Amortization and Impairment Loss						
As at January 1, 2023	P—	P3,126,825	P84,927,678	P35,385,964	P—	P123,440,467
Depreciation and amortization	—	265,404	9,071,500	3,983,725	—	13,320,629
Reclassifications	—	45	4,475	9,427	—	13,947
Translation adjustment	—	(42,708)	(431,780)	(86,870)	—	(561,358)
Disposals	—	(301,936)	(65,033)	(373,809)	—	(740,778)
As at December 31, 2023 (Audited)	—	3,047,630	93,506,840	38,918,437	—	135,472,907
Depreciation and amortization	—	129,104	4,969,786	2,000,980	—	7,099,870
Reclassifications	—	—	49	—	—	49
Translation adjustment	—	33,949	448,094	86,822	—	568,865
Disposals	—	(18,444)	(62,496)	(24,915)	—	(105,855)
As at June 30, 2024 (Unaudited)	P—	P3,192,239	P98,862,273	P40,981,324	P—	P143,035,836
Net Book Value						
As at June 30, 2024 (Unaudited)	P89,705,388	P98,505,354	P249,140,748	P21,912,776	P102,518,491	P561,782,757
As at December 31, 2023 (Audited)	88,195,475	98,611,525	245,427,963	21,328,929	83,503,331	537,067,223

Rent income from investment properties, which is primarily attributable to SM Prime Holdings, Inc. (SM Prime), amounted to P32.1 billion and P28.9 billion for the six-month periods ended June 30, 2024 and 2023, respectively. The corresponding direct operating expenses amounted to P17.3 billion and P16.0 billion for the six-month periods ended June 30, 2024 and 2023, respectively.

Construction in progress includes costs incurred for the construction of shopping malls, commercial buildings, land banking and coastal development amounting to P101.0 billion and P82.0 billion as at June 30, 2024 and December 31, 2023, respectively.

Portions of investment properties located in China with carrying value of P1.5 billion as at June 30, 2024 and December 31, 2023 are used as collateral to secure domestic borrowings (see Notes 15 and 17).

The outstanding construction contracts with various contractors amounted to P67.8 billion and P78.4 billion as at June 30, 2024 and December 31, 2023, respectively, inclusive of overhead, cost of labor and materials and all other costs necessary for the proper execution of works.

Interest capitalized to investment properties amounted to P4.4 billion and P5.8 billion as at June 30, 2024 and December 31, 2023, respectively. Capitalization rates used range from 2.4% to 5.7% and 2.3% to 5.4% as at June 30, 2024 and December 31, 2023, respectively.

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

There is no restriction on the realizability of investment properties other than those used as collateral for certain borrowings.

14. Intangibles and Other Noncurrent Assets

Intangible Assets

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
	(In Thousands)	
Goodwill	P34,431,642	P34,320,712
Less accumulated impairment loss	172,213	172,213
Net book value	34,259,429	34,148,499
Trademarks, brand names and copyright	6,126,591	6,127,069
	P40,386,020	P40,275,568

Other Noncurrent Assets

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
	(In Thousands)	
Receivables from sales of real estate (Note 8)*	P79,163,041	P70,600,303
Bonds and deposits	49,852,180	50,388,596
Deferred tax assets (Note 21)	6,337,606	6,462,108
Derivative assets (Note 24)	5,087,144	3,611,478
Deferred input VAT	1,285,439	1,559,521
Escrow fund (Note 20)	1,064,992	843,732
Defined benefit asset	134,661	110,831
Others	4,722,745	4,468,524
	P147,647,808	P138,045,093

* Pertains to the noncurrent portion of unbilled revenues from sales of real estate (see Note 8).

15. Bank Loans

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
	(In Thousands)	
Parent Company:		
U.S. dollar-denominated loans	P720,903	P415,275
Peso-denominated loans	9,800,000	4,200,000
Subsidiaries:		
U.S. dollar-denominated loans*	17,373,704	—
China Yuan renminbi-denominated loans	1,684,843	2,288,964
Peso-denominated loans	25,169,000	6,510,000
	P54,748,450	P13,414,239

*Hedged against foreign exchange risks using derivative instruments

The interest rates of Peso-denominated loans for the six-month periods ended June 30, 2024 and 2023 ranged from 5.9% to 7.0% and 4.0% to 6.8%, respectively. The interest rates of U.S. dollar-denominated loans bear the secured overnight financing rate (SOFR) for the six-month periods ended June 30, 2024 and nil in 2023. The China Yuan renminbi-denominated loans bear the China Loan Prime Rate (LPR) in both periods.

These loans have maturities of less than one year.

16. Accounts Payable and Other Current Liabilities

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
	(In Thousands)	
Trade	P102,908,809	P116,681,582
Accrued expenses	29,775,050	23,778,417
Tenants and customers' deposits*	14,934,356	14,595,837
Nontrade (Note 20)	14,815,874	17,528,203
Payables to government agencies	5,789,287	7,046,388
Accrued interest (Note 20)	3,783,734	3,690,975
Lease liabilities (Note 22)	2,949,288	2,977,457
Payable arising from acquisition of land	2,907,806	4,502,475
Subscriptions payable	1,966,477	1,966,477
Dividends payable	1,181,289	2,486,420
Gift checks redeemable and others	9,163,268	4,914,796
	P190,175,238	P200,169,027

* Includes unearned revenues from shipping and logistics of P60.3 million and P54.1 million as at June 30, 2024 and December 31, 2023, respectively, and unearned revenues from sales of real estate of P8.0 billion and P7.0 billion as at June 30, 2024 and December 31, 2023, respectively.

17. Long-term Debt

This account consists of:

	June 30, 2024 (Unaudited)					December 31, 2023 (Audited)
	Availment	Maturity	Interest Rate/Term	Security	Amount	Amount
						(in Thousands)
Parent Company						
U.S. dollar-denominated*	June 2023 - August 2023	June 2027 - August 2028	ROP reference rate + margin; Three-Month SOFR + margin; semi-annual and quarterly	Unsecured	P4,981,850	P35,159,950
GBP-denominated*	April 2023 - July 2023	April 2025 - July 2028	Fixed 4.2%-5.3%; quarterly	Unsecured	6,685,172	6,403,683
Peso-denominated	September 2017 - April 2024	September 2024 - May 2031	Fixed 3.6%-5.2%; Three-Month and Two-year PHP BVAL + margin; semi-annual and quarterly	Unsecured	60,067,400	65,156,900
Subsidiaries						
U.S. dollar-denominated*	January 2021 - June 2022	March 2025 - June 2027	SOFR + spread; quarterly	Unsecured	62,712,713	84,350,144
China Yuan Renminbi-denominated**	May 2021 - May 2024	April 2026 - June 2037	Fixed 3.7%; LPR, SOFR; annually	Secured	11,125,552	10,590,461
Peso-denominated***	September 2014 - June 2024	July 2024 - April 2032	Fixed 2.9%-7.5%; BVAL + margin	Unsecured /Secured	292,217,248	288,983,232
					437,789,935	490,644,370
Less debt issue cost					2,020,276	2,356,720
					435,769,659	488,287,650
Less current portion					94,483,168	113,528,791
					P341,286,491	P374,758,859

ROP – Republic of the Philippines

BVAL – Bloomberg Valuation

*Hedged against foreign exchange and interest rate risks using derivative instruments (see Notes 23 and 24)

**Secured by portions of investment properties located in China (see Note 13)

***Secured by portions of property and equipment (see Note 12)

Repayment Schedule

The repayment schedule of long-term debt as at June 30, 2024 follows:

	Gross Debt	Debt Issue Cost	Net
	(In Thousands)		
Within 1 year	P95,214,990	P731,822	P94,483,168
Over 1 year to 5 years	297,797,695	1,174,748	296,622,947
Over 5 years	44,777,250	113,706	44,663,544
	P437,789,935	P2,020,276	P435,769,659

Covenants

The long-term debt of the Group is covered with certain covenants including adherence to financial ratios. As at June 30, 2024 and December 31, 2023, the Group is in compliance with the terms of its debt covenants with the exception of 2GO. This exception is covered with a waiver from its creditor bank.

18. Equity

Capital Stock

a. Common stock

	Number of Shares	
	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Authorized - ₱10 par value per share	2,790,000,000	2,790,000,000
Issued and subscribed	1,226,114,578	1,226,114,578

As at June 30, 2024 and December 31, 2023, the Parent Company is compliant with the minimum public float as required by the PSE.

The total number of shareholders of the Parent Company is 1,254 and 1,242 as at June 30, 2024 and December 31, 2023, respectively.

b. Redeemable preferred shares

	Number of Shares	
	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Authorized - ₱10 par value per share	10,000,000	10,000,000

There are no issued and subscribed preferred shares as at June 30, 2024 and December 31, 2023.

Retained Earnings

▪ Appropriated

Retained earnings appropriated as at June 30, 2024 is intended for the payment of certain long-term debts and new investments as follows:

	Timeline	Amount
		<i>(In Thousands)</i>
Debt service	2024	₱27,000,000
Investments	2024	10,000,000
		₱37,000,000

▪ Unappropriated

The Parent Company's cash dividend declarations in 2024 and 2023 follow:

Declaration Date	Record Date	Payment Date	Per Share	Total
				<i>(In Thousands)</i>
April 24, 2024	May 9, 2024	May 23, 2024	₱9.00	₱10,998,210
April 26, 2023	May 11, 2023	May 25, 2023	7.50	9,165,175

Unappropriated retained earnings include the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱418.4 billion and ₱393.8 billion as at June 30, 2024 and December 31, 2023, respectively, that is not available for distribution until such time that the Parent Company receives the dividends from its subsidiaries, associates and joint ventures.

19. Other Revenues

This account consists of:

	Six-Month Periods Ended	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>(In Thousands)</i>	
Sales - processed food and others	₱9,632,365	₱12,398,382
Shipping, logistics and other services	9,299,704	8,014,828
Cinema and event ticket sales and others	4,709,517	4,405,195
Royalty and service fees	3,886,754	3,681,210
Food and beverage	1,232,297	1,128,846
Dividends	408,007	302,348
Others	4,805,925	4,369,236
	₱33,974,569	₱34,300,045

Others include membership revenues, sponsorship income and related items, commission income, as well as miscellaneous income from the various business operations of the Group.

20. Related Party Disclosures

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Group has a policy that requires approval of related party transaction by the Related Party Transactions Committee of the BOD when these breach certain limits and/or when these are not of a usual nature.

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).

- Royalty and Service Fees

The Parent Company and SM Retail receive service fees from retail entities under common stockholders for management, consultancy, manpower and other services. In addition to service fees, the Parent Company also receives royalty fees from related parties.

- 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.

- 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
	Six-Month Periods Ended		June 30, 2024 (Unaudited)	December 31, 2023 (Audited)		
	2024	June 30				
	(Unaudited)	2023 (Unaudited)				
<i>(In Thousands)</i>						
Banking Group						
Cash placement and investment in marketable securities	₱–	₱–	₱73,754,825	₱112,090,550	Interest-bearing at prevailing rates	Unsecured; no impairment
Interest receivable	–	–	234,301	122,166	–	–
Interest income	2,142,736	1,517,747	–	–	–	–
Interest-bearing debt	–	–	71,980,983	63,521,896	Interest-bearing	Unsecured
Interest payable	–	–	360,781	365,746	–	–
Interest expense	1,997,450	1,647,685	–	–	–	–
Rent receivable	–	–	159,858	162,982	Noninterest-bearing	Unsecured; no impairment
Rent income	685,404	661,550	–	–	–	–
Receivable financed	1,177,783	–	–	–	Without recourse	Unsecured
Dividends receivable	–	–	–	40,386	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee receivable	–	–	8,458	8,458	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee income	19,324	64,652	–	–	–	–
Escrow fund	–	–	1,062,532	841,272	Interest-bearing at prevailing rates	Unsecured; no impairment
Retail and Other Entities						
Rent receivable	–	–	352,378	370,466	Noninterest-bearing	Unsecured; no impairment
Rent income	1,262,309	1,141,992	–	–	–	–
Royalty and service fee receivable	–	–	1,920,431	2,851,529	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee income	1,334,327	1,142,608	–	–	–	–
Nontrade receivable	–	–	51,652	87,007	Noninterest-bearing	Unsecured; no impairment
Nontrade payable	–	–	187,566	1,166,297	Noninterest-bearing	Unsecured
Dividends receivable	–	–	97,267	746,019	Noninterest-bearing	Unsecured; no impairment

Terms and Conditions of Transactions with Related Parties

Outstanding balances at the end of the period are unsecured and are normally settled in cash. The Group did not make any provision for impairment loss relating to amounts owed by related parties.

21. Income Tax

Deferred tax assets of ₱6.3 billion and ₱6.5 billion as at June 30, 2024 and December 31, 2023, 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, minimum corporate income tax (MCIT), deferred rent expense and net operating loss carryover (NOLCO).

Deferred tax liabilities of ₱18.3 billion and ₱18.1 billion as at June 30, 2024 and December 31, 2023, respectively, consist of the tax effects of appraisal increment on investment property and property and equipment, trademarks and brand names, capitalized interest, unrealized gross profit on sales 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 that are exempt from tax.

22. Lease Agreements

As Lessor. The Group's lease agreements with its tenants are generally granted for a term of one to twenty-five years. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is calculated with reference to a fixed sum per square meter of area leased except for a few tenants which pay either a fixed monthly rent or a percentage of gross sales, whichever is higher.

As Lessee. The Group leases certain parcels of land where some of its malls are situated as well as retail store, office spaces, warehouses, containers, reefer vans, ISO tanks, cargo handling equipment, transportation equipment and container yards. The terms of the lease are for periods ranging from one to 65 years, renewable for the same period under the same terms and conditions. Lease payments are generally computed based on a certain percentage of gross rental income or a certain fixed amount, whichever is higher.

There are also non-cancellable operating lease commitments with lease periods ranging from two to thirty years, mostly containing renewal options and those that provide for the payment of additional rental based on a certain percentage of sales of the sub-lessees.

The rollforward analysis of ROU assets follows:

June 30, 2024 (Unaudited)			
	Retail Stores, Office Spaces, Warehouses and Others		Total
	Land Use Rights		
<i>(In Thousands)</i>			
Cost			
As at beginning of year	₱32,165,006	₱32,820,909	₱64,985,915
Additions	–	2,448,344	2,448,344
Translation adjustment	625,066	–	625,066
Reclassifications	(7,454)	(15,143)	(22,597)
Retirements	–	(727,272)	(727,272)
As at end of period	32,782,618	34,526,838	67,309,456
Accumulated Depreciation and Amortization			
As at beginning of year	3,064,465	13,381,038	16,445,503
Depreciation and amortization	398,893	1,699,960	2,098,853
Translation adjustment	28,453	–	28,453
Reclassifications	(7,454)	(160,741)	(168,195)
Retirements	–	(412,964)	(412,964)
As at end of period	3,484,357	14,507,293	17,991,650
Net Book Value	₱29,298,261	₱20,019,545	₱49,317,806
December 31, 2023 (Audited)			
	Retail Stores, Office Spaces, Warehouses and Others		Total
	Land Use Rights		
<i>(In Thousands)</i>			
Cost			
As at beginning of year	₱26,917,044	₱30,106,402	₱57,023,446
Additions	10,558	3,561,726	3,572,284
Translation adjustment	(460,661)	–	(460,661)
Reclassifications	5,708,623	(40,779)	5,667,844
Retirements	(10,558)	(806,440)	(816,998)
As at end of year	32,165,006	32,820,909	64,985,915
Accumulated Depreciation and Amortization			
As at beginning of year	2,368,428	10,516,210	12,884,638
Depreciation and amortization	718,839	3,365,765	4,084,604
Translation adjustment	(23,937)	–	(23,937)
Reclassifications	3,282	(98,804)	(95,522)
Retirements	(2,147)	(402,133)	(404,280)
As at end of year	3,064,465	13,381,038	16,445,503
Net Book Value	₱29,100,541	₱19,439,871	₱48,540,412

The rollforward analysis of lease liabilities follows:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of year	P35,319,736	P35,389,448
Additions	2,448,344	3,572,284
Interest expense	1,027,169	1,999,342
Terminations	(444,372)	(491,683)
Payments	(2,635,748)	(5,219,712)
Reclassification and others	(41,157)	70,057
Balance at end of period	35,673,972	35,319,736
Less current portion (Note 16)	2,949,288	2,977,457
Noncurrent portion	P32,724,684	P32,342,279

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased assets portfolio. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised.

Included in “Tenants’ deposits and others” in the consolidated balance sheets are Tenant’s deposits of P25.1 billion and P23.7 billion as at June 30, 2024 and December 31, 2023, respectively.

23. Financial Risk Management Objectives and Policies

The main risks arising from the Group’s financial instruments follow:

- *Interest rate risk.* Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Repricing of floating rate financial instruments is mostly done at intervals of three months or six months.
- *Foreign currency risk.* The Group’s exposure to foreign currency risk arises as the Parent Company and SM Prime have 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 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.

After taking into account the effect of the swaps, approximately 71.5% and 78.8% of the Group's borrowings, net of debt issue cost, is kept at fixed interest rates as at June 30, 2024 and December 31, 2023, respectively.

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 June 30, 2024, the Group's foreign currency-denominated assets and liabilities amounted to ₱2.0 billion (\$33.9 million) and ₱1.2 billion (\$20.0 million), respectively.

As at December 31, 2023, the Group's foreign currency-denominated assets and liabilities amounted to ₱20.8 billion (\$375.1 million) and ₱20.3 billion (\$366.5 million), respectively.

As at June 30, 2024 and December 31, 2023, approximately 21.4% and 27.6%, respectively, of the Group's borrowings, net of debt issue cost, are denominated in foreign currency.

The following exchange rates were used in translating foreign currency-denominated assets and liabilities into Pesos.

	June 30, 2024	December 31, 2023
Philippine Peso to U.S. Dollar	₱58.610	₱55.370

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 sales 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 June 30, 2024 and December 31, 2023, 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 pay off existing debts, return capital to shareholders or issue new shares.

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

The Group's gearing ratios follow:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Gross	38%	39%
Net	33%	33%

24. Financial Instruments

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

June 30, 2024 (Unaudited)					
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In Thousands)					
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	P23,276,707	P23,276,707	P23,276,707	P-	P-
Unlisted shares of stock	1,849,454	1,849,454	-	-	1,849,454
Club shares	29,150	29,150	-	29,150	-
Derivative assets	6,395,694	6,395,694	-	6,395,694	-
	31,551,005	31,551,005	23,276,707	6,424,844	1,849,454
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	3,120,752	3,187,410	-	3,187,410	-
	P34,671,757	P34,738,415	P23,276,707	P9,612,254	P1,849,454
Liabilities Measured at Fair Value					
Derivative liabilities	P31,923	P31,923	P-	P31,923	P-
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	341,286,491	329,139,079	-	-	329,139,079
Tenants' deposits and others*	39,182,543	37,261,858	-	-	37,261,858
	380,469,034	366,400,937	-	-	366,400,937
	P380,500,957	P366,432,860	P-	P31,923	P366,400,937

*Excluding nonfinancial liabilities of P21.1 billion and noncurrent derivative liabilities of P31.9 million.

December 31, 2023 (Audited)					
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In Thousands)					
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	P25,505,874	P25,505,874	P25,505,874	P-	P-
Unlisted shares of stock	1,534,894	1,534,894	-	-	1,534,894
Club shares	24,850	24,850	-	24,850	-
Derivative assets	6,779,389	6,779,389	-	6,779,389	-
	33,845,007	33,845,007	25,505,874	6,804,239	1,534,894
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	22,324,681	22,657,988	-	22,657,988	-
	P56,169,688	P56,502,995	P25,505,874	P29,462,227	P1,534,894
Liabilities Measured at Fair Value					
Derivative liabilities	P317,081	P317,081	P-	P317,081	P-
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	374,758,859	362,191,802	-	-	362,191,802
Tenants' deposits and others*	36,941,440	35,731,981	-	-	35,371,981
	411,700,299	397,923,783	-	-	397,923,783
	P412,017,380	P398,240,864	P-	P317,081	P398,240,864

*Excluding nonfinancial liabilities of P20.8 billion and noncurrent derivative liabilities of P306.6 million.

There were no transfers into and out of Levels 1, 2 and 3 fair value measurements as at June 30, 2024 and December 31, 2023.

Long-term Debt. The fair value of long-term debt is estimated based on the following assumptions:

Debt	Fair Value Assumptions
Fixed Rate	Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Future cash flows were discounted using prevailing market rates.
Variable Rate	For variable rate loans that re-price every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For variable rate loans that re-price every six months, the fair value is determined by discounting the principal amount plus the next interest payment amount using the prevailing market rate for the period up to the next repricing date. Future cash flows were discounted using prevailing market rates.

Derivative Instruments. The fair values are based on quotes obtained from counterparties. The rollforward analysis of the fair value changes of derivative instruments follows:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
	(In Thousands)	
Balance at beginning of year	P6,462,308	P9,373,106
Net changes in fair value*	3,644,855	(1,194,648)
Fair value change from settled derivatives	(3,743,392)	(1,716,150)
Balance at end of period	P6,363,771	P6,462,308

* Includes fair value changes in OCI.

25. EPS Computation

	Six-Month Periods Ended June 30	
	2024 (Unaudited)	2023 (Unaudited)
	(In Thousands Except Per Share Data)	
Net income attributable to owners of the Parent (a)	P40,201,806	P36,533,048
Weighted average number of common shares outstanding (b)	1,222,023	1,222,023
EPS (a/b)	P32.90	P29.90

26. Subsequent Event

In July 2024, SMIC, through its wholly owned subsidiary SMIC SG Holdings Pte. Ltd., issued the first tranche of US\$500 million out of its US\$3.0 billion Euro Medium Term Note (EMTN) program and listed the same in the Singapore Exchange (SGX Group). This issuance, which bears a coupon rate of 5.375% per annum on a 5-year term, is guaranteed by SMIC.

The EMTN was established in May 2024. It is a joint issue of SMIC SG Holdings Pte. Ltd. and SMPHI SG Holdings Pte. Ltd., a wholly owned subsidiary of SM Prime.

PART I FINANCIAL INFORMATION

Item 2. Aging of Accounts Receivable - Trade

As of June 30, 2024 (Unaudited)

In Thousands

Real estate buyers - net of noncurrent portion	₱	60,266,405
Third-party tenants		9,677,370
Shipping and logistics		3,066,070
Related party tenants		512,236
Others		2,786,688
Total	₱	<u><u>76,308,769</u></u>

Aging:

Neither past due nor impaired	₱	63,835,845
Less than 30 days		2,814,468
31-90 days		1,878,843
91-120 days		1,265,552
Over 120 days		3,232,610
Impaired		3,281,451
Total	₱	<u><u>76,308,769</u></u>

PART 1 FINANCIAL INFORMATION

Management's Discussion and Analysis or Plan of Operation

Results of Operation

For the Six Months Ended June 30, 2024 and 2023

(amounts in billion pesos)

YTD June			
	2024 (Unaudited)	2023 (Unaudited)	% Change
Revenues	₱301.4	₱286.7	5.1%
Cost and Expenses	231.0	220.5	4.8%
Income from Operations	70.4	66.2	6.3%
Other Charges	7.7	8.3	6.6%
Provision for Income Tax	7.6	7.9	-4.2%
Net Income After Tax	55.1	50.0	10.2%
Non-controlling Interests	14.9	13.5	10.5%
Net Income Attributable to Owners of the Parent	₱40.2	₱36.5	10.0%

SM Investments Corporation and Subsidiaries (the Group) reported ₱40.2 billion *Net Income Attributable to Owners of the Parent* on ₱301.4 billion *Revenues*.

Following is the revenue and net income contribution by business segment to YTD June (Unaudited) consolidated revenues and net income:

	Revenues		Net Income	
	2024	2023	2024	2023
Retail	65%	66%	14%	17%
Property	21%	19%	27%	26%
Banks	7%	7%	50%	47%
Portfolio	7%	8%	9%	10%

Retail

SM Retail reported Revenues of ₱196.9 billion, 4% higher than YTD June 2023, and Net income of ₱7.6 billion. These results reflect the high base effect, that is, very strong revenues due to the lifting of mobility restrictions in 2023 vs. YTD June 2022.

The Revenues of SM Stores and Specialty Stores showed marked improvement in Quarter 2 (Q2) while Food Stores sales growth remained consistent. Details follow:

	Q1	Q2	YTD Jun-24	Q2-24 vs. Q2-23	YTD Jun- 24 vs. YTD Jun-23
SM Stores	22.4	25.8	48.2	4%	0%
Food Stores	57.0	60.4	117.4	7%	7%
Specialty Stores	20.4	23.2	43.6	5%	2%
SM Retail	93.8	103.1	196.9	6%	4%

Bulk of the Food Stores YTD June 2024 revenue growth is sales of SM Markets which grew 4%, and Alfamart which grew 20%, attributable to its 243 new stores in 2024.

The strong Q2 revenues of Specialty Stores is attributable to Home which grew 5% and Fashion at 11%.

Property

SM Prime reported ₱22.1 billion *Net income* on *Revenues* of ₱64.7 billion, 13% and 8% higher than YTD June 2023, respectively.

The mall business, which accounts for 58% of consolidated *Revenues* reported an 8% growth to ₱37.5 billion in 2024. Malls rental revenues income increased by 9% to ₱32.1 billion.

The primary residential business reported an 8% growth in *Revenues* to ₱18.9 billion in 2024, with reservation sales of ₱40.2 billion.

Banking

BDO reported ₱39.4 billion *Net income*, 12% higher than YTD June 2023, on the stronger momentum from its core intermediation and fee-based service businesses.

Gross customer loans grew by 13% across all market segments, while *Total deposits* increased 3%.

Non-interest income grew by 13%, supported by healthy growth in fee income, treasury and the continued recovery in life insurance premiums.

Asset quality is stable despite elevated interest rates with non-performing loan (NPL) ratio at 2.06% and NPL coverage at 169%, better than the industry average.

China Bank reported ₱11.4 billion *Net income*, 6% higher than YTD June 2023. *Net interest income* increased 19% to ₱30.4 billion as higher interest income offset the rise in interest expense.

Gross loans increased 10% to ₱816.7 billion. *Total deposits* increased 14% to ₱1.3 trillion.

Asset quality is stable with non-performing loan (NPL) ratio at 1.9% and NPL coverage at 141%.

Portfolio Investments

The businesses with significant contribution to YTD June 2024 consolidated net income growth are Atlas Mining and NEO Group.

Atlas Mining reported a 154% increase in *Net income* to ₱2.1 billion on *Revenues* of ₱12.5 billion which grew 23%, as a result of higher copper metal prices.

The NEO Group reported an 8% increase in *Net income* to ₱1.1 billion on *Revenues* of ₱2.3 billion which grew 15%, as a result of very good occupancy rates that averaged 95%.

Profit & Loss Statement - Account Analysis

Merchandise Sales, which increased by 4.2% to ₱190.3 billion, accounted for 63% of total revenues in 2024. This is attributable mainly to Food Stores which delivered 6.7% growth.

Real Estate Sales increased to ₱19.6 billion while Reservation sales is at ₱40.2 billion in the first half of 2024.

Rent Revenues, derived mainly from the mall operations of SM Prime, increased by 11.3% to ₱32.9 billion. This is attributable to increased mall traffic and general improvement in tenant sales.

Equity in Net Earnings of Associate Companies and Joint Ventures increased by 14.1% to ₱24.6 billion, mainly from the bank associates.

Costs and Expenses, which includes the impact of additional costs from newly-opened malls and retail stores as well as real estate projects, increased by 4.8% to ₱231.0 billion. This increase is relative to the increase in revenues.

Income from Operations increased by 6.3% to ₱70.4 billion. *Operating Margin* and *Net Margin* in 2024 is at 23.4% and 18.3%, respectively.

Other Charges (net) decreased by 6.6% to ₱7.7 billion. *Interest Expense* increased by 6.4% to ₱10.9 billion while *Interest Income* increased by 28.6% to ₱2.4 billion. *Foreign Exchange Gain - Net and Others* increased to ₱881.2 million. The increase includes ₱297.7 million gain on disposal of investments and properties and ₱105.5 million investment impairment reversal.

Non-controlling Interests increased by 10.5% to ₱14.9 billion due to the improved net income of partly-owned subsidiaries.

Financial Position
(amounts in billion pesos)

	06 / 30 / 2024 (Unaudited)	12 / 31 / 2023 (Audited)	% Change
Current Assets	₱337.3	₱359.5	-6.2%
Noncurrent Assets	1,265.9	1,226.7	3.2%
Total Assets	₱1,603.2	₱1,586.2	1.1%
Current Liabilities	₱342.1	₱330.8	3.4%
Noncurrent Liabilities	452.7	483.2	-6.3%
Total Liabilities	794.8	814.0	-2.4%
Total Equity	808.4	772.2	4.7%
Total Liabilities and Equity	₱1,603.2	₱1,586.2	1.1%

Total *Assets* increased by 1.1% to ₱1,603.2 billion while Total *Liabilities* decreased by 2.4% to ₱794.8 billion.

Assets

Current Assets decreased by 6.2% to ₱337.3 billion.

Cash and Cash Equivalents decreased by 18.6% to ₱84.5 billion; ₱48.5 billion used for financing activities, ₱10.4 billion used for investments in property, plant and equipment, investment properties and others, partially offset by ₱39.6 billion cash generated from operations.

Receivables and Contract Assets decreased by 5.0% to ₱75.2 billion due mainly to collections of receivables from real estate buyers and rent receivable.

Inventories increased by 4.7% to ₱123.0 billion. SM Prime's real estate inventory increased by 2.4% to ₱79.7 billion and Retail's merchandise inventory increased by 9.6% to ₱42.6 billion.

Other Current Assets decreased by 7.0% to ₱53.6 billion due mainly to collections of receivable from banks for debit/credit card transactions in the various retail stores as well as prepaid taxes and other prepayments.

Noncurrent Assets increased by 3.2% to ₱1,265.9 billion.

Financial Assets at FVOCI (current and noncurrent) decreased by 7.1% to ₱25.2 billion due mainly to the decline in market value of certain investments in shares of stock.

Investments in Associate Companies and Joint Ventures increased by 6.2% to ₱383.9 billion. The increase mainly represents the Group's equity in net earnings of its associate companies particularly the banks, partly offset by disposals and dividends received.

Time Deposits (current and noncurrent) decreased by 85% to ₱3.3 billion. These time deposits were used to settle debt that matured during the period.

Investment Properties increased by 4.6% to ₱561.8 billion due mainly to SM Prime's land banking and coastal development, ongoing new mall and commercial projects, and redevelopment and expansion of existing malls.

Other Noncurrent Assets increased by 14.1% to ₱147.6 billion, mainly receivables from real estate sales.

Liabilities

Interest-bearing Debt decreased by 2.2% to ₱490.5 billion due mainly to net debt payments, particularly by the Parent Company and SM Prime.

Accounts Payable and Other Current Liabilities decreased by 5.0% to ₱190.2 billion due mainly to payments of obligations for trade, nontrade, and land acquisitions.

Equity

Total *Equity* increased by 4.7% to ₱808.4 billion.

Equity Attributable to Owners of the Parent increased by 5.0% to ₱584.5 billion due mainly to the ₱40.2 billion net income for the period.

Non-controlling Interests increased by 3.8% to ₱223.9 billion, mainly increases in net assets of subsidiaries that are not wholly owned.

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, and 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.

Key Performance Indicators

The key financial ratios of the Group follow:

	06 / 30 / 2024 (Unaudited)	12 / 31 / 2023 (Audited)
Current Ratio	1.0	1.1
Acid Test Ratio	0.5	0.6
Solvency Ratio	17.2%	16.1%
Asset to Equity	2.0	2.1
Debt - Equity Ratios:		
On Gross Basis	38 : 62	39 : 61
On Net Basis	33 : 67	33 : 67
Return on Equity	14.3%	14.5%
Return on Assets	7.0%	7.0%

	Unaudited YTD June	
	2024	2023
Revenue Growth	5.1%	18.0%
Net Margin	18.3%	17.4%
Net Income Growth	10.0%	32%
EBITDA (<i>In Billions of Pesos</i>)	83.3B	78.1B
Interest Cover	7.6x	7.6x

Current Ratio slightly decreased to 1.0 due to the 6.2% decrease in *Current assets* vs. 3.4% increase in *Current liabilities*.

Acid Test Ratio slightly decreased to 0.5 due to the 12.8% decrease in quick assets, mainly *Cash and Cash Equivalents* and *Receivables and Contract Assets* vs. 3.4% increase in *Current Liabilities*.

Solvency Ratio increased to 17.2% due to the 4.6% increase in *Net Income After Tax* and depreciation vs. 2.4% decrease in *Total Liabilities*.

Asset to Equity slightly decreased to 2.0 due to the 1.1% increase in *Total Assets* vs. 4.7% increase in *Total Equity*.

Gross Debt - Equity Ratio improved to 38:62 due to the 2.2% decrease in gross debt.

Return on Equity slightly decreased to 14.3% due to the 4.8% increase in net income attributable to owners of the parent vs. 6.1% increase in average equity.

Revenue Growth and *Net income Growth* for YTD June 2024 are lower than YTD June 2023 as 2023 reflects the high base effect, that is, very strong revenues due to the lifting of mobility restrictions in 2023 vs. YTD June 2022.

EBITDA increased by 6.6% due to the 6.3% increase in income from operations and 8.0% increase in depreciation.

The manner by which the Group calculates the foregoing indicators is as follows:

1. Current Ratio $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Acid Test Ratio $\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$
3. Solvency Ratio $\frac{\text{Net Income After Tax + Depreciation and Amortization}}{\text{Total Liabilities}}$
4. Asset to Equity Ratio $\frac{\text{Total Assets}}{\text{Total Equity}}$
5. Debt – Equity Ratio
 - a. Gross Basis $\frac{\text{Total Interest-Bearing Debt}}{\text{Total Equity + Total Interest-Bearing Debt}}$
 - b. Net Basis $\frac{\text{Total Interest-Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investment in Bonds}}{\text{Total Equity + Total Interest-Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investments in Bonds}}$
6. Revenue Growth $\frac{\text{Total Revenues (Current Period)} - 1}{\text{Total Revenues (Prior Period)}}$
7. Net Margin $\frac{\text{Net Income After Tax}}{\text{Total Revenues}}$
8. Net Income Growth $\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - 1}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
9. Return on Equity $\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to Owners of the Parent}}$
10. Return on Assets $\frac{\text{Net Income after Tax}}{\text{Total Assets}}$
11. EBITDA Income from Operations + Depreciation & Amortization
12. Interest Cover $\frac{\text{EBITDA}}{\text{Interest Expense}}$

Expansion Plans / Prospects in 2024

For the rest of 2024, the Group would continue with the opening of new stores, construction and/or expansion of malls and commercial properties, as well as repairs and maintenance of existing property and equipment and investment properties.

SM Prime will be opening 2 new malls in the Philippines located in Cebu and Laoag. Alfamart will have 157 additional stores bringing its total store count to 400 by yearend. There will also be new store openings for the other retail formats including SM Markets, Pet Express, Miniso, Watsons and Uniqlo.

Investments in new business ventures would be pursued as opportunities arise.

The above expenditures will be funded with cash generated from operations and other capital raising initiatives such as bond issuance and debt availments.

Results of Operation
For the Six Months Ended June 30, 2023 and 2022
(amounts in billion pesos)

	YTD June		
	2023 (Unaudited)	2022 (Restated, (Unaudited))	% Change
Revenues	₱286.7	₱ 242.9	18.0%
Cost and Expenses	220.5	192.6	14.5%
Income from Operations	66.2	50.3	32%
Other Charges	8.3	6.0	38%
Provision for Income Tax	7.9	6.7	17.9%
Net Income After Tax	50.0	37.6	33%
Non-controlling Interests	13.5	9.9	36%
Net Income Attributable to Owners of the Parent	₱ 36.5	₱ 27.7	32%

For YTD June 2023, *SM Investments Corporation and Subsidiaries (the Group)* reported ₱36.5 billion *Net Income Attributable to Owners of the Parent* on ₱286.7 billion *Revenues*.

Following is the revenue and net income contribution by business segment to YTD June (Unaudited) consolidated revenues and net income:

	Revenues		Net Income	
	2023	2022 (Restated)	2023	2022 (Restated)
Retail	66%	68%	17%	18%
Property	19%	18%	26%	24%
Banks	7%	6%	47%	44%
Portfolio	8%	8%	10%	14%

Retail

For YTD June 2023, SM Retail reported ₱8.4 billion *Net income* on *Revenues* of ₱188.9 billion, 21% and 15% higher than 2022, respectively.

- The SM Stores reported ₱45.7 billion *Sales*, 27% higher than 2022.
- The Food Stores reported ₱108.3 billion *Sales*, 10% higher than 2022. Sixty three percent of this growth was contributed by the SM Markets. Alfamart, which reported higher sales at 26%, accounted for the other twenty eight percent.
- The Specialty Stores reported ₱40.5 billion *Sales*, 16% higher than 2022. Bulk of this sales growth is attributed to Toy Kingdom/Pet Express, Kultura, Ace Hardware, Sports stores, Miniso, SM Appliances, and Crocs.

Property

For YTD June 2023, SM Prime reported ₱19.4 billion *Net income* on *Revenues* of ₱59.9 billion, 38% and 29% higher than 2022, respectively.

The Philippine malls reported *Revenues* of ₱31.5 billion, 47% higher than 2022. Local mall rental income increased by 42% to ₱26.3 billion.

SM Prime's residential business led by SMDC reported *Revenues* of ₱17.6 billion and net reservation sales of ₱68.5 billion, 5% and 15% higher than 2022, respectively.

Banking

The banks delivered robust growth across its core businesses. For YTD June 2023, BDO reported ₱35.2 billion *Net income*, 47% higher than 2022. China Bank reported ₱10.8 billion *Net income*, 7% higher than 2022.

Portfolio Investments

For YTD June 2023, the Portfolio businesses contributed ₱4.0 billion of consolidated net income on account of the steady and profitable operations of PGPC and NEO.

Profit & Loss Statement - Account Analysis

Merchandise Sales increased by 14.4% to ₱182.6 billion in 2023. All store formats delivered double digit sales growth: The SM Store with 27%, Food with 10% and Specialty stores with 16%.

Real Estate Sales increased by 4.9% to ₱18.6 billion due to higher construction accomplishments of recently launched projects including *Gold*, *Mint*, *Ice*, and *South* Residences. Net reservation sales increased by 15% to ₱68.5 billion.

Rent Revenues, derived mainly from the mall operations of SM Prime, increased by 35% to ₱29.6 billion. This is attributable to increased mall traffic, general improvements in tenant sales and the return to full rent scheme.

Equity in Net Earnings of Associate Companies and Joint Ventures increased by 36% to ₱21.6 billion. The increase is attributable mainly to BDO.

Other Revenues increased by 24% to ₱34.3 billion due mainly to the 174% increase in *Cinema Ticket Sales*, *Amusement and Others*, 26% increase in *Shipping, Logistics and Other Services* and 53% increase in *Royalty and Service Fees*.

Selling, General and Administrative Expenses increased by 19.8% to ₱64.6 billion. This increase is relative to the increase in revenue.

Income from Operations increased by 32% to ₱66.2 billion. *Operating Margin* and *Net Margin* in 2023 is at 23.1% and 17.4%, respectively.

Other Charges (net) increased by 38% to ₱8.3 billion. *Interest Expense* increased to ₱10.3 billion due mainly to new debt availments for working capital and capital expenditure requirements. *Interest Income* increased by 38% to ₱1.9 billion due mainly to the increase in average balance of cash and time deposits. *Foreign Exchange Gain - Net and Others* decreased by 96% to ₱50 million. The ₱ to US\$ foreign exchange rate amounted to ₱55.2 in 2023 and ₱55.76 in 2022.

Provision for Income Tax increased by 17.9% to ₱7.9 billion due mainly to higher taxable income in 2023.

Non-controlling Interests increased by 36% to ₱13.5 billion due mainly to the improved net income of SM Retail and SM Prime.

Financial Position

As at June 30, 2023 and December 31, 2022

(amounts in billion pesos)

	06 / 30 / 2023 (Unaudited)	12 / 31 / 2022 (Audited)	% Change
Current Assets	₱340.7	₱361.5	-5.8%
Noncurrent Assets	1,164.5	1,117.9	4.2%
Total Assets	₱1,505.2	₱1,479.4	1.7%
Current Liabilities	₱307.7	₱293.0	5.0%
Noncurrent Liabilities	478.5	494.2	-3.2%
Total Liabilities	786.2	787.2	-0.1%
Total Equity	719.0	692.2	3.9%
Total Liabilities and Equity	₱1,505.2	₱1,479.4	1.7%

Total *Assets* increased by 1.7% to ₱1.5 trillion while Total *Liabilities* decreased by 0.1% to ₱786.2 billion.

Current Assets

Current Assets decreased by 5.8% to ₱340.7 billion.

Cash and Cash Equivalents decreased by 16.2% to ₱89.3 billion: ₱31.2 billion used for investing activities, ₱20.4 billion used for financing activities, partially offset by ₱34.3 billion cash generated from operations.

Inventories increased by 5.8% to ₱112.5 billion, mainly from the merchandise inventories of the Retail Group and the real estate inventories of the Property Group.

Noncurrent Assets

Noncurrent Assets increased by 4.2% to ₱1,164.5 billion.

Financial Assets at FVOCI (current and noncurrent) decreased by 10.2% to ₱23.3 billion due mainly to the decrease in market value of certain investments in shares of stock.

Investments in Associate Companies and Joint Ventures increased by 5.0% to ₱344.8 billion. The increase mainly represents the Group's equity in net earnings of its associate companies, particularly BDO, partly offset by dividends received.

Time Deposits (current and noncurrent) decreased by 31% to ₱22.7 billion as these were used to pay maturing obligations.

Investment Properties increased by 5.6% to ₱513.4 billion due mainly to SM Prime's land banking and coastal development, ongoing new mall and commercial projects, redevelopment and expansion of existing malls, and capitalized interest.

Liabilities

Interest-bearing Debt increased by 0.8% to ₱509.9 billion due mainly to loan availments net of payments, particularly by the Parent Company and SM Prime.

Accounts Payable and Other Current Liabilities decreased by 4.8% to ₱173.2 billion due mainly to the settlement of trade and dividends payable.

Tenants' Deposits and Others increased by 8.8% to ₱51.5 billion. This account includes the deferred output VAT related to sales of residential projects, deposits from residential buyers and tenants in new malls and office buildings, and derivative liabilities.

Equity

Total *Equity* increased by 3.9% to ₱719.0 billion.

Equity Attributable to Owners of the Parent increased by 3.9% to ₱516.4 billion due mainly to the following:

- ₱27.4 billion addition in *Retained Earnings* representing the ₱36.5 billion YTD June 2023 net income offset by the ₱9.2 billion dividend declaration, and
- ₱4.6 billion reduction in *Additional paid-in capital* resulting from the equity reserve recognized from the acquisition of additional 14% equity interest in 2GO.

Non-controlling Interests increased by 3.7% to ₱202.6 billion due mainly to the increase in net assets of subsidiaries that are not wholly owned.

Key Performance Indicators

The key financial ratios of the Group follow:

	06 / 30 / 2023 (Unaudited)	12 / 31 / 2022 (Audited)
Current Ratio	1.1	1.2
Acid Test Ratio	0.6	0.7
Solvency Ratio	15.4%	13.7%
Asset to Equity Ratio	2.1	2.1
Debt - Equity Ratios:		
On Gross Basis	41 : 59	42 : 58
On Net Basis	36 : 64	35 : 65
Return on Equity	14.1%	13.1%
Return on Assets	6.6%	5.9%

	Unaudited YTD June	
	2023	2022 (Restated)
Revenue Growth	18.0%	24%
Net Margin	17.4%	15.5%
Net Income Growth	32%	32%
EBITDA (<i>In Billions of Pesos</i>)	78.1B	61.3B
Interest Cover	7.6x	7.0x

Current Ratio slightly decreased to 1.1 due to the 6% decrease in *Current assets* vs. 5% increase in *Current liabilities*.

Acid Test Ratio slightly decreased to 0.6 due to the 13% decrease in Quick assets vs. 5% increase in *Current Liabilities*.

Solvency Ratio increased to 15.4% due to the 12% increase in *Net Income After Tax* and depreciation vs. 0.1% decrease in *Total Liabilities*.

Gross Debt - Equity Ratio improved to 41:59 due to the 0.8% increase in gross debt vs. 4% increase in equity. *Net Debt - Equity Ratio* increased to 36:64 due to the 20% decrease in cash and cash equivalents.

Return on Equity improved to 14.1% due to the 14% increase in annualized net income attributable to owners of the parent vs. 6% increase in average equity.

Return on Assets improved to 6.6% due to the 15% increase in annualized *Net Income After Tax* vs. 3% increase in average assets.

EBITDA increased by 27% due to the 32% increase in income from operations and 8% increase in depreciation.

Interest Cover improved to 7.6x due to the 27% increase in EBITDA vs. 17% increase in interest expense.

The indicators were derived using the computation below:

1. Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Acid Test Ratio	$\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$
3. Solvency Ratio	$\frac{\text{Net Income After Tax + Depreciation and Amortization}}{\text{Total Liabilities}}$
4. Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$
5. Debt – Equity Ratio	
a. Gross Basis	$\frac{\text{Total Interest-Bearing Debt}}{\text{Total Equity + Total Interest-Bearing Debt}}$
b. Net Basis	$\frac{\text{Total Interest-Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investment in Bonds}}{\text{Total Equity + Total Interest-Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investments in Bonds}}$
6. Revenue Growth	$\frac{\text{Total Revenues (Current Period)} - 1}{\text{Total Revenues (Prior Period)}}$
7. Net Margin	$\frac{\text{Net Income After Tax}}{\text{Total Revenues}}$
8. Net Income Growth	$\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - 1}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
9. Return on Equity	$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to Owners of the Parent}}$
10. Return on Assets	$\frac{\text{Net Income after Tax}}{\text{Total Assets}}$
11. EBITDA	Income from Operations + Depreciation & Amortization
12. Interest Cover	$\frac{\text{EBITDA}}{\text{Interest Expense}}$

Expansion Plans / Prospects in 2023

For the rest of 2023, expansion and construction of malls, residential and commercial properties, opening of new retail stores across the various formats, mainly in the Retail Food Group, and selectively in the Retail Non-Food Group, as well as expansion of the Group's logistics capacity will continue.

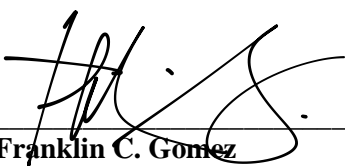
In May 2023, SM Prime opened its 83rd mall in Balanga City, Bataan. SM Prime will launch 2 more new malls in the Philippines, namely SM Center San Pedro and SM City Sto. Tomas, and one new mall in Yangzhou China in 2023.

Investments in new business ventures would be pursued as opportunities arise.

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
Executive Vice President - Finance
Corporate Information Officer

Date: 08-13-2024