

COVER SHEET

SEC Registration Number

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COMPANY NAME

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PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
-	8857-0100	-
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,246		06/30

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Franklin C. Gomez	-	8857-0100	-

CONTACT PERSON'S ADDRESS

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

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

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

SEC Number 16342
PSE Disclosure Security Code _____

SM INVESTMENTS CORPORATION

(Company's Full Name)

**10th Floor, OneE-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, 2023

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, 2023
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, OneE-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

Interim Condensed Consolidated Financial Statements

As at June 30, 2023 (Unaudited)

**and for the Six-Month Periods Ended June 30, 2023 (Unaudited) and
2022 (As Restated, Unaudited)**

**(with Comparative Audited Consolidated Balance Sheet as at
December 31, 2022)**

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

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 21 and 24)	₱89,343,941	₱106,561,072
Time deposits (Notes 7, 21 and 24)	35,869	8,788,848
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 8 and 25)	612,118	534,865
Receivables and contract assets (Notes 9 and 21)	83,786,007	84,497,395
Inventories (Note 10)	112,503,380	106,368,038
Other current assets (Notes 11 and 21)	54,419,284	54,799,192
Total Current Assets	340,700,599	361,549,410
Noncurrent Assets		
Financial assets at FVOCI - net of current portion (Notes 8 and 25)	22,652,920	25,369,850
Investments in associate companies and joint ventures (Note 12)	344,785,288	328,271,536
Time deposits - net of current portion (Notes 7, 21, 24 and 25)	22,694,062	24,130,581
Property and equipment (Note 13)	49,203,093	47,881,014
Investment properties (Note 14)	513,407,492	485,982,301
Right-of-use assets (Note 23)	42,090,023	44,138,808
Intangibles (Note 15)	40,276,701	40,277,349
Other noncurrent assets (Notes 15, 21, 22 and 25)	131,945,298	124,283,717
Total Noncurrent Assets	1,167,054,877	1,120,335,156
	₱1,507,755,476	₱1,481,884,566

LIABILITIES AND EQUITY**Current Liabilities**

Bank loans (Notes 16, 21 and 24)	₱19,670,262	₱20,811,524
Accounts payable and other current liabilities (Notes 17, 21, and 23)	173,208,674	181,961,708
Income tax payable	2,959,226	3,204,714
Current portion of long-term debt (Notes 18, 21, and 24)	111,835,813	87,047,213
Total Current Liabilities	307,673,975	293,025,159

Noncurrent Liabilities

Long-term debt - net of current portion (Notes 18, 21, 24 and 25)	378,381,357	397,849,704
Lease liabilities - net of current portion (Note 23)	31,453,531	32,236,621
Deferred tax liabilities (Note 22)	17,177,970	16,797,862
Tenants' deposits and others (Notes 23 and 25)	54,050,770	49,785,209
Total Noncurrent Liabilities	481,063,628	496,669,396
Total Liabilities	788,737,603	789,694,555

(Forward)

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Equity Attributable to Owners of the Parent		
Capital stock (Note 19)	₱12,261,146	₱12,261,146
Additional paid-in capital (Note 19)	71,219,334	75,839,217
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	1,318,901	2,102,782
Unrealized gain on financial assets at FVOCI (Note 8)	9,463,588	11,823,413
Remeasurement loss on defined benefit asset/obligation	(1,721,868)	(1,721,868)
Share in other comprehensive loss of associates – net	(10,401,919)	(10,763,209)
Fair value changes on cash flow hedges and others	1,197,145	1,610,364
Retained earnings (Note 19):		
Appropriated	37,000,000	37,000,000
Unappropriated	402,832,818	375,463,837
Total Equity Attributable to Owners of the Parent	516,442,375	496,888,912
Non-controlling Interests	202,575,498	195,301,099
Total Equity	719,017,873	692,190,011
	₱1,507,755,476	₱1,481,884,566

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Six-Month Periods Ended June 30		Three-Month Periods Ended June 30	
	2023 (Unaudited)	2022 (As Restated, Unaudited – Note 4)	2023 (Unaudited)	2022 (As Restated, Unaudited – Note 4)
REVENUES				
Sales:				
Merchandise	₱182,639,771	₱159,705,716	₱94,206,735	₱87,042,284
Real estate	18,569,688	17,708,202	10,292,941	5,959,271
Rent (Notes 14, 21 and 23)	29,575,809	21,912,106	14,844,733	12,340,299
Equity in net earnings of associate companies and joint ventures (Note 12)	21,597,949	15,847,581	11,483,905	8,166,234
Others (Note 20)	33,952,341	27,404,675	17,348,352	15,272,953
	286,335,558	242,578,280	148,176,666	128,781,041
COST AND EXPENSES				
Cost of sales and services (Note 10)	155,482,732	138,326,998	80,301,726	73,334,177
Selling, general and administrative expenses	64,628,806	53,951,438	33,450,159	29,173,755
	220,111,538	192,278,436	113,751,885	102,507,932
OTHER INCOME (CHARGES)				
Interest expense (Note 21)	(10,258,967)	(8,782,787)	(5,073,230)	(4,351,983)
Interest income (Note 21)	1,867,793	1,348,999	907,888	697,712
Gain (loss) from fair value changes on derivatives - net (Note 25)	27,426	320,691	(48,020)	132,932
Foreign exchange gain (loss) - net and others (Note 24)	77,060	1,129,137	(34,996)	952,469
	(8,286,688)	(5,983,960)	(4,248,358)	(2,568,870)
INCOME BEFORE INCOME TAX	57,937,332	44,315,884	30,176,423	23,704,239
PROVISION FOR INCOME TAX (Note 22)				
Current	8,164,986	6,992,716	4,604,400	4,771,095
Deferred	(250,241)	(278,821)	(629,446)	(898,001)
	7,914,745	6,713,895	3,974,954	3,873,094
NET INCOME	₱50,022,587	₱37,601,989	₱26,201,469	₱19,831,145
Attributable to				
Owners of the Parent	₱36,533,048	₱27,714,448	₱19,229,380	₱14,715,442
Non-controlling interests	13,489,539	9,887,541	6,972,089	5,115,703
	₱50,022,587	₱37,601,989	₱26,201,469	₱19,831,145
Basic/Diluted Earnings Per Common Share				
Attributable to Owners of the Parent (Note 26)	₱29.90	₱23.01	₱15.74	₱12.22

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Six-Month Periods Ended June 30		Three-Month Periods Ended June 30	
	2023 (Unaudited)	2022 (As Restated, Unaudited – Note 4)	2023 (Unaudited)	2022 (As Restated, Unaudited – Note 4)
NET INCOME	₱50,022,587	₱37,601,989	₱26,201,469	₱19,831,145
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified to profit or loss in subsequent periods				
Cumulative translation adjustment	(1,633,009)	(548,309)	(452,184)	186,189
Fair value changes on cash flow hedges	(930,343)	2,726,225	(339,196)	760,075
	(2,563,352)	2,177,916	(791,380)	946,264
Items not to be reclassified to profit or loss in subsequent periods				
Remeasurement gain on defined benefit obligation	–	1,444	–	–
Net unrealized loss on financial assets at FVOCI	(2,092,459)	(5,720,669)	(1,026,202)	(6,083,152)
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	(535,280)	(454,846)	(190,069)	(183,258)
	(2,627,739)	(6,174,071)	(1,216,271)	(6,266,410)
Share in other comprehensive income gain (loss) of associates – net	382,601	(6,349,622)	(808,000)	(3,146,442)
TOTAL COMPREHENSIVE INCOME	₱45,214,097	₱27,256,212	₱23,385,818	₱11,364,557
Attributable to				
Owners of the Parent	₱33,337,413	₱17,737,884	₱17,206,748	₱7,009,673
Non-controlling interests	11,876,684	9,518,328	6,179,070	4,354,884
	₱45,214,097	₱27,256,212	₱23,385,818	₱11,364,557

See accompanying Notes to Condensed Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands Except Per Share Data)

Equity Attributable to Owners of the Parent

	Capital Stock	Additional Paid-in Capital	Treasury Stock	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment	Unrealized Gain on Financial Assets at FVOCI	Remeasurement Loss on Defined Benefit Asset/Obligation	Share in Other Comprehensive Loss of Associates - Net	Fair Value Changes on Cash Flow Hedges and Others	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
As at December 31, 2022 (Audited)	₱12,261,146	₱75,839,217	(₱40,912)	(₱6,660,472)	(₱25,386)	₱2,102,782	₱11,823,413	(₱1,721,868)	(₱10,763,209)	₱1,610,364	₱37,000,000	₱375,463,837	₱496,888,912	₱195,301,099	₱692,190,011
Net income	-	-	-	-	-	-	-	-	-	-	-	36,533,048	36,533,048	13,489,539	50,022,587
Other comprehensive income	-	-	-	-	-	(783,881)	(2,359,825)	-	361,290	(413,219)	-	-	(3,195,635)	(1,612,855)	(4,808,490)
Total comprehensive income	-	-	-	-	-	(783,881)	(2,359,825)	-	361,290	(413,219)	-	36,533,048	33,337,413	11,876,684	45,214,097
Transactions with non-controlling interests (Note 19)	-	(4,619,883)	-	-	-	-	-	-	-	-	-	-	(4,619,883)	719	(4,619,164)
Cash dividends - ₱7.50 per share (Note 19)	-	-	-	-	-	-	-	-	-	-	-	(9,164,067)	(9,164,067)	-	(9,164,067)
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,869,798)	(3,869,798)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(733,206)	(733,206)
As at June 30, 2023 (Unaudited)	₱12,261,146	₱71,219,334	(₱40,912)	(₱6,660,472)	(₱25,386)	₱1,318,901	₱9,463,588	(₱1,721,868)	(₱10,401,919)	₱1,197,145	₱37,000,000	₱402,832,818	₱516,442,375	₱202,575,498	₱719,017,873
As at December 31, 2021 (As Reported)	₱12,045,829	₱75,827,181	₱-	(₱5,424,455)	(₱25,386)	₱1,512,570	₱15,129,991	(₱775,994)	(₱6,598,065)	(₱1,201,352)	₱37,000,000	₱308,946,422	₱436,436,741	₱176,003,184	₱612,439,925
Effect of merger (Note 4)	-	-	-	(874,096)	-	740,905	(840,672)	(250,656)	891	-	-	12,391,469	11,167,841	419	11,168,260
As restated	12,045,829	75,827,181	-	(6,298,551)	(25,386)	2,253,475	14,289,319	(1,026,650)	(6,597,174)	(1,201,352)	37,000,000	321,337,891	447,604,582	176,003,603	623,608,185
Net income	-	-	-	-	-	-	-	-	-	-	-	27,714,448	27,714,448	9,887,541	37,601,989
Other comprehensive income	-	-	-	-	-	(271,083)	(5,264,860)	1,083	(6,119,432)	1,677,728	-	-	(9,976,564)	(369,213)	(10,345,777)
Total comprehensive income	-	-	-	-	-	(271,083)	(5,264,860)	1,083	(6,119,432)	1,677,728	-	27,714,448	17,737,884	9,518,328	27,256,212
Effect of business combination (Note 4)	-	-	-	(247,329)	-	-	-	-	-	-	-	-	(247,329)	-	(247,329)
Transactions with non-controlling interests	-	9,775	-	-	-	-	-	-	-	-	-	-	9,775	14,715	24,490
Cash dividends - ₱6.25 per share (Note 19)	-	-	-	-	-	-	-	-	-	-	-	(7,527,719)	(7,527,719)	-	(7,527,719)
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,740,140)	(1,740,140)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(54,321)	(54,321)
As at June 30, 2022 (As Restated, Unaudited - Note 4)	₱12,045,829	₱75,836,956	₱-	(₱6,545,880)	(₱25,386)	₱1,982,392	₱9,024,459	(₱1,025,567)	(₱12,716,606)	₱476,376	₱37,000,000	₱341,524,620	₱457,577,193	₱183,742,185	₱641,319,378

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Six-Month Periods Ended	
	June 30	
	2023	2022
	(Unaudited)	(As Restated, Unaudited – Note 4)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱57,937,332	₱44,315,884
Adjustments for:		
Equity in net earnings of associate companies and joint ventures	(21,597,949)	(15,847,581)
Depreciation and amortization (Notes 13, 14, 15 and 23)	11,883,439	11,035,659
Interest expense	10,258,967	8,782,787
Interest income	(1,867,793)	(1,348,999)
Dividend income	(302,348)	(196,416)
Gain from fair value changes on derivatives - net	(27,426)	(320,691)
Unrealized foreign exchange loss (gain) and others	54,400	(378,177)
Income before working capital changes	56,338,622	46,042,466
Decrease (increase) in:		
Receivables and contract assets	171,974	(2,659,805)
Inventories	(13,768,110)	(19,342,506)
Other current assets	1,377,781	647,104
Increase (decrease) in:		
Accounts payable and other current liabilities	3,434,754	(1,904,286)
Tenants' deposits and others	4,550,004	903,586
Net cash generated from operations	52,105,025	23,686,559
Income tax paid	(8,383,366)	(6,615,239)
Net cash provided by operating activities	43,721,659	17,071,320
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Property and equipment	21,589	60,109
Investment properties	6,095	5,282
Additions to:		
Investment properties (Note 14)	(37,422,937)	(24,786,801)
Property and equipment (Note 13)	(4,767,093)	(5,029,898)
Investments in associate companies and joint ventures (Note 12)	(4,165)	–
Decrease (increase) in:		
Time deposits	9,995,248	(7,641,140)
Other noncurrent assets	(11,475,839)	5,973,015
Acquisition of non-controlling interest in a subsidiary (Note 19)	(5,169,476)	–
Dividends received	6,107,455	4,477,076
Interest received	2,083,196	1,401,098
Net cash used in investing activities	(40,625,927)	(25,541,259)

(Forward)

	Six-Month Periods Ended	
	June 30	
	2023	2022
	(Unaudited)	(As Restated, Unaudited – Note 4)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of:		
Bank loans	₱35,407,915	₱27,513,514
Long-term debt	72,200,216	80,537,686
Payments of:		
Long-term debt	(64,964,357)	(33,352,198)
Bank loans	(36,406,277)	(30,525,759)
Interest	(9,508,686)	(7,651,625)
Dividends	(14,440,389)	(10,996,360)
Lease liabilities	(2,652,202)	(2,348,907)
Net cash provided by (used in) financing activities	(20,363,780)	23,176,351
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,268,048)	14,706,412
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	50,917	824,201
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 6)	106,561,072	89,352,634
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)	₱89,343,941	₱104,883,247

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 9, 2023.

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 Peso except when otherwise indicated.

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, 2022.

Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. As at June 30, 2023, there were no significant changes in the Parent Company's ownership interest in its subsidiaries except as discussed in Note 4.

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 Significant 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 2023. 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, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the Practice Statement provide non-mandatory guidance. These amendments are effective on or after January 1, 2023, with early adoption permitted.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify that the effects on an accounting estimate of a change in an input or a change in measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

Those amendments are effective on or after January 1, 2023, with early adoption permitted.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

These amendments are effective on or after January 1, 2023.

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, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

- 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 and must be applied retrospectively, 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.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short duration contracts

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 IASB. PFRS 17 is effective on or after January 1, 2025 with comparative figures required. Early adoption is 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 associate or joint venture.

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. Business Combination

Allfirst Equity Holdings, Inc. (Allfirst). In April 2022, the BOD and stockholders of the Parent Company approved its merger with Allfirst, a related party, with the Parent Company as the surviving entity. Allfirst is the holding company for Philippine Geothermal Production Company, Inc. (PGPC).

PGPC operates the Tiwi and Mak-Ban steam fields. Tiwi is the first commercial-scale geothermal steam field development in Southeast Asia, followed by Mak-Ban, both in operation since 1979. These two steam fields generate geothermal steam sufficient to produce approximately 300 MW of electricity. In addition to its two producing steam fields, PGPC has several other greenfield concession areas for geothermal steam production which it will develop moving forward.

In August 2022, SMIC received approval from the SEC for its acquisition of 81% stake of related parties in Allfirst. This transaction brings SMIC's ownership in PGPC to 100%. The Parent Company and Allfirst are under the common control of the Sy Family before and after the merger. Thus, the merger was considered as a combination of businesses under common control for which the pooling of interests method was applied in the preparation of the financial statements.

Under the pooling of interests method:

- The assets and liabilities of the combining entities are reflected at their carrying amounts;
- No adjustments are made to reflect fair values, or recognize any new assets or liabilities at the date of the combination except those necessary to harmonize accounting policies between the combining entities;
- No 'new' goodwill is recognized as a result of the business combination;
- Any difference between the consideration transferred and the net assets acquired is reflected within equity;
- The consolidated statement of income in the year of acquisition reflects the results of the combining entities for the full year, irrespective of when the combination took place; and
- Comparatives are presented as if the entities had always been combined only for the period that the entities were under common control.

AIC Group of Companies Holding Corp. (Airspeed). In August 2022, the Parent Company acquired additional 10.0 million common shares of Airspeed increasing its equity interest in Airspeed to 51.0% from 35.0% previously. Airspeed is primarily engaged in international and domestic freight forwarding, port to port and cargo handling, packing and crafting, and warehousing services.

Beginning September 1, 2022, Airspeed became a subsidiary of SMIC in accordance with PFRS 3, *Business Combinations*. The transaction was accounted for as a step acquisition.

The fair value of the net identifiable assets acquired amounted to ₱645.1 million. The cash flows from this acquisition follow:

	Fair Value
	<i>(In Thousands)</i>
Cash acquired	₱317,280
Purchase consideration transferred	(405,888)
Net	(₱88,608)

Goodwill of ₱302.7 million was recognized for this acquisition, representing the value of synergies expected to arise from the business combination.

5. 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, PGPC, Neo subsidiaries and associates, Atlas Consolidated Mining and Development Corporation (Atlas), Belle Corporation (Belle), GBI 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, 2023 (Unaudited)							
	Property	Retail	Banking	Portfolio Investments	Others	Eliminations	Consolidated
	<i>(In Thousands)</i>						
Revenues:							
External customers	₱55,417,843	₱188,293,355	₱18,894,126	₱22,678,577	₱1,051,657	₱-	₱286,335,558
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	4,200,488	-	20,822,719	1,112,503	-	33,952,341
Inter-segment	7,372,268	280,819	-	284,801	1,994,993	(9,932,881)	-
	₱62,790,111	₱188,574,174	₱18,894,126	₱22,963,378	₱3,046,650	(₱9,932,881)	₱286,335,558
Segment results:							
Income before income tax	₱24,828,730	₱11,926,744	₱18,894,126	₱4,517,930	(₱2,230,198)	₱-	₱57,937,332
Provision for income tax	4,744,572	2,755,770	-	377,606	36,797	-	7,914,745
Net income after tax	₱20,084,158	₱9,170,974	₱18,894,126	₱4,140,324	(₱2,266,995)	₱-	₱50,022,587
Net income attributable to:							
Owners of the Parent	₱9,962,863	₱6,475,479	₱18,379,017	₱3,972,419	(₱2,256,730)	₱-	₱36,533,048
Non-controlling interests	10,121,295	2,695,495	515,109	167,905	(10,265)	-	13,489,539
Six-Month Period Ended June 30, 2022 (As Restated, Unaudited)							
	Property	Retail	Banking	Portfolio Investments	Others	Eliminations	Consolidated
	<i>(In Thousands)</i>						
Revenues:							
External customers	₱43,656,387	₱164,035,955	₱13,468,147	₱20,327,992	₱1,089,799	₱-	₱242,578,280
Revenues from contracts with customers	17,708,202	159,705,716	-	-	-	-	177,413,918
Merchandise sales	-	159,705,716	-	-	-	-	159,705,716
Real estate sales	17,708,202	-	-	-	-	-	17,708,202
Rent	20,168,489	585,725	-	1,157,892	-	-	21,912,106
Equity in net earnings of associate companies and joint ventures	803,653	472,295	13,468,147	1,068,589	34,897	-	15,847,581
Others	4,976,043	3,272,219	-	18,101,511	1,054,902	-	27,404,675
Inter-segment	5,847,785	113,951	-	-	1,496,270	(7,458,006)	-
	₱49,504,172	₱164,149,906	₱13,468,147	₱20,327,992	₱2,586,069	(₱7,458,006)	₱242,578,280
Segment results:							
Income before income tax	₱18,361,967	₱10,138,481	₱13,468,147	₱4,494,624	(₱2,147,335)	₱-	₱44,315,884
Provision for income tax	3,844,947	2,471,127	-	363,219	34,602	-	6,713,895
Net income after tax	₱14,517,020	₱7,667,354	₱13,468,147	₱4,131,405	(₱2,181,937)	₱-	₱37,601,989
Net income attributable to:							
Owners of the Parent	₱7,208,562	₱5,454,075	₱13,117,634	₱4,113,180	(₱2,179,003)	₱-	₱27,714,448
Non-controlling interests	7,308,458	2,213,279	350,513	18,225	(2,934)	-	9,887,541

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

6. Cash and Cash Equivalents

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Cash on hand and in banks (Note 21)	₱18,713,661	₱26,887,562
Temporary investments (Note 21)	70,630,280	79,673,510
	₱89,343,941	₱106,561,072

Cash in banks and investments earn interest at the prevailing rates. The tenure of temporary investments vary depending on the immediate cash requirements of the Group.

7. Time Deposits

This account consists of time deposits as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Current	₱35,869	₱8,788,848
Noncurrent	22,694,062	24,130,581
	₱22,729,931	₱32,919,429

These time deposits bear interest ranging from 1.3% to 4.8% and 0.4% to 4.5% for the six-month periods ended June 30, 2023 and 2022, respectively.

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

8. Financial Assets at FVOCI

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Shares of stock		
Listed	₱22,574,553	₱25,146,102
Unlisted	666,935	736,813
Club shares	23,550	21,800
	<u>23,265,038</u>	<u>25,904,715</u>
Less current portion	612,118	534,865
Noncurrent portion	<u>₱22,652,920</u>	<u>₱25,369,850</u>

9. Receivables and Contract Assets

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Trade:		
Real estate buyers*	₱124,733,607	₱114,017,297
Third-party tenants	9,931,336	11,254,451
Shipping and logistics**	3,986,132	4,212,664
Related party tenants (Note 21)	459,417	511,274
Others	2,972,977	3,299,623
Royalty and service fees (Note 21)	2,636,536	2,277,578
Dividends (Note 21)	290,386	708,809
Due from related parties (Note 21)	238,033	176,806
	<u>145,248,424</u>	<u>136,458,502</u>
Less allowance for expected credit loss (ECL)	3,201,652	3,031,584
	<u>142,046,772</u>	<u>133,426,918</u>
Less noncurrent portion of receivables from real estate buyers (Note 15)	<u>58,260,765</u>	<u>48,929,523</u>
Current portion	<u>₱83,786,007</u>	<u>₱84,497,395</u>

* Includes unbilled revenues from sales of real estate of ₱108.4 billion and ₱100.2 billion as at June 30, 2023 and December 31, 2022, respectively.

** Includes contract assets representing shipping and logistics services delivered but not yet invoiced of ₱609.9 million and ₱730.1 million as at June 30, 2023 and December 31, 2022, 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.

Receivable from sales of real estate pertain mostly to sale of condominium and residential units at various terms of payment that are non-interest bearing. Portions of these receivables have been assigned to local banks with recourse amounting to ₱1.1 billion and ₱1.2 billion as at June 30, 2023 and December 31, 2022, respectively. The corresponding liability from the assignment of receivables with recourse bears interest at 3.8% to 5.0% for the six-month periods ended June 30, 2023 and 2022.

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

10. Inventories

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Real estate inventories	₱71,467,355	₱70,506,503
Merchandise inventories	39,974,831	34,653,094
Processed food and others	1,061,194	1,208,441
	₱112,503,380	₱106,368,038

Inventories are stated at cost as at June 30, 2023 and December 31, 2022.

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 December 31, 2021 (As Restated)	₱37,229,527	₱19,351,999	₱56,581,526
Development cost incurred	27,956,439	-	27,956,439
Cost of real estate sold	(11,153,550)	(5,745,018)	(16,898,568)
Transfers	(12,643,521)	12,643,521	-
Reclassifications	2,204,897	-	2,204,897
Translation adjustment and others	187,069	475,140	662,209
Balance as at December 31, 2022 (Audited)	43,780,861	26,725,642	70,506,503
Development cost incurred	7,885,053	-	7,885,053
Cost of real estate sold	(6,296,453)	(1,185,570)	(7,482,023)
Transfers	(1,812,490)	1,812,490	-
Reclassifications from investment properties	469,489	-	469,489
Translation adjustment and others	15,737	72,596	88,333
Balance as at June 30, 2023 (Unaudited)	₱44,042,197	₱27,425,158	₱71,467,355

Contract fulfillment assets included in land and development represent the unamortized portion of land cost of ₱1.2 billion and ₱1.0 billion as at June 30, 2023 and December 31, 2022, respectively.

The estimated cost to complete ongoing projects amounted to ₱95.7 billion and ₱106.9 billion as at June 30, 2023 and December 31, 2022, respectively.

The details of cost of sales and services follow:

	Six-Month Periods Ended	
	June 30	
	2023	2022
	(Unaudited)	(As Restated, Unaudited)
<i>(In Thousands)</i>		
Cost of sales:		
Merchandise	₱133,640,771	₱117,734,707
Real estate	7,482,023	7,933,808
Processed food and others	7,568,536	6,807,683
<u>Cost of shipping, logistics and other services</u>	<u>6,791,402</u>	<u>5,850,800</u>
	₱155,482,732	₱138,326,998

11. Other Current Assets

This account consists of:

	June 30,	December 31,
	2023	2022
	(Unaudited)	(Audited)
<i>(In Thousands)</i>		
Prepaid taxes and other prepayments	₱20,141,742	₱19,881,090
Bonds and deposits	13,000,892	11,143,581
Input tax	7,506,740	5,846,949
Nontrade receivables	6,201,873	8,119,558
Derivative assets	2,881,899	1,617,864
Receivables from banks	2,208,872	5,732,802
Uniform and supplies inventory	1,795,526	1,573,029
Accrued interest receivable (Note 21)	351,570	566,974
Others	330,170	317,345
	₱54,419,284	₱54,799,192

12. Investments in Associate Companies and Joint Ventures

The movements in this account follow:

	June 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
	<i>(In Thousands)</i>	
Balance at beginning of year	₱328,271,536	₱305,072,026
Additions	4,165	73,500
Business combination (Note 4)	-	(535,945)
Equity in net earnings	21,597,949	35,825,734
Dividends received and others	(5,386,683)	(7,103,684)
Share in other comprehensive loss of associate companies	382,601	(4,336,268)
Allowance for impairment loss	-	(740,000)
Translation adjustment	(84,280)	16,173
Balance at end of period	₱344,785,288	₱328,271,536

* Investment in associate companies amounted to ₱334.6 billion and ₱318.5 billion as at June 30, 2023 and December 31, 2022, respectively.

13. 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, 2022 (As Restated)	P1,729,542	P19,822,198	P2,660,943	P10,030,976	P11,784,685	P17,301,482	P24,970,861	P1,196,937	P8,503,113	P371,936	P4,968,379	P103,341,052
Additions	–	677,187	266,706	933,079	717,278	860,925	1,574,090	51,805	464,728	915	4,131,290	9,678,003
Effect of business combination (Note 4)	–	21,616	–	16,984	38,000	12	140	54,148	–	–	–	130,900
Reclassifications	(9,948)	(504,734)	745,623	216,471	579,419	3,855,706	4,964,147	443,187	7,027,236	1,253,911	(4,276,055)	14,294,963
Translation adjustment	–	–	–	–	–	(160,203)	–	–	–	–	(52,448)	(212,651)
Disposals/retirements	(800)	(123,520)	(323,995)	(574,911)	(508,219)	(401,475)	(1,202,034)	(88,822)	(1,287,520)	(1,727)	–	(4,513,023)
As at December 31, 2022 (Audited)	1,718,794	19,892,747	3,349,277	10,622,599	12,611,163	21,456,447	30,307,204	1,657,255	14,707,557	1,625,035	4,771,166	122,719,244
Additions	–	211,247	95,451	667,749	447,205	522,744	913,978	35,889	335,125	34	1,537,671	4,767,093
Reclassifications	–	443,156	(133,950)	(238,751)	(426,520)	1,855,220	(91,065)	97,950	–	–	(2,556,804)	(1,050,764)
Disposals/retirements	–	(2,890)	(17,716)	(129,133)	(43,247)	(24,035)	(117,900)	(21,182)	–	(21,460)	–	(377,563)
As at June 30, 2023 (Unaudited)	P1,718,794	P20,544,260	P3,293,062	P10,922,464	P12,588,601	P23,810,376	P31,012,217	P1,769,912	P15,042,682	P1,603,609	P3,752,033	P126,058,010
Accumulated Depreciation and Amortization												
As at January 1, 2022 (As Restated)	P–	P7,790,965	P1,903,039	P8,120,807	P10,337,850	P9,896,786	P18,020,851	P737,640	P1,077,060	P44,531	P–	P57,929,529
Depreciation and amortization	–	787,373	233,359	726,437	785,672	1,374,376	1,471,704	112,868	1,010,940	59,037	–	6,561,766
Reclassifications	–	(698,684)	802,480	106,132	(642,658)	1,434,083	4,941,874	453,730	7,020,331	1,308,505	–	14,725,793
Translation adjustment	–	–	–	–	–	(54,499)	–	–	–	–	–	(54,499)
Disposals/retirements	–	(122,875)	(315,148)	(565,611)	(480,809)	(397,026)	(1,110,122)	(84,699)	(1,245,888)	(2,181)	–	(4,324,359)
As at December 31, 2022 (Audited)	–	7,756,779	2,623,730	8,387,765	10,000,055	12,253,720	23,324,307	1,219,539	7,862,443	1,409,892	–	74,838,230
Depreciation and amortization	–	443,557	119,763	377,699	370,592	739,187	728,984	42,871	513,902	24,464	–	3,361,019
Reclassifications	–	18,592	(281,618)	(89,443)	(138,895)	(181,854)	(450,371)	101,745	–	–	–	(1,021,844)
Disposals/retirements	–	(809)	(17,414)	(126,689)	(7,784)	(18,774)	(109,045)	(20,513)	–	(21,460)	–	(322,488)
As at June 30, 2023 (Unaudited)	P–	P8,218,119	P2,444,461	P8,549,332	P10,223,968	P12,792,279	P23,493,875	P1,343,642	P8,376,345	P1,412,896	P–	P76,854,917
Net Book Value												
As at June 30, 2023 (Unaudited)	P1,718,794	P12,326,141	P848,601	P2,373,132	P2,364,633	P11,018,097	P7,518,342	P426,270	P6,666,337	P190,713	P3,752,033	P49,203,093
As at December 31, 2022 (Audited)	1,718,794	12,135,968	725,547	2,234,834	2,611,108	9,202,727	6,982,897	437,716	6,845,114	215,143	4,771,166	47,881,014

As at June 30, 2023 and December 31, 2022, a passenger/cargo ship was used as collateral for a subsidiary's long-term debt (see Note 18).

14. 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, 2022 (As Restated)	₱82,118,174	₱83,225,124	₱284,850,141	₱48,301,269	₱76,809,546	₱575,304,254
Additions	3,207,518	2,382,608	2,360,096	2,389,145	23,651,068	33,990,435
Effect of business combination (Note 4)	–	168,530	15,912	639,737	528,338	1,352,517
Reclassifications	(1,461,375)	2,221,280	26,542,114	4,033,427	(32,511,422)	(1,175,976)
Translation adjustment	–	14,239	344,383	27,723	84,967	471,312
Disposals	(17,590)	(299,145)	(156,421)	(46,618)	–	(519,774)
As at December 31, 2022 (Audited)	83,846,727	87,712,636	313,956,225	55,344,683	68,562,497	609,422,768
Additions	159,977	9,545,777	2,536,173	1,194,517	23,986,493	37,422,937
Reclassifications	(452,663)	(1,686,639)	11,008,172	1,302,380	(10,589,765)	(418,515)
Translation adjustment	–	(102,976)	(2,919,289)	(282,958)	(650,286)	(3,955,509)
Disposals	–	(285,166)	(42,210)	(39,491)	–	(366,867)
As at June 30, 2023 (Unaudited)	₱83,554,041	₱95,183,632	₱324,539,071	₱57,519,131	₱81,308,939	₱642,104,814
Accumulated Depreciation, Amortization and Impairment Loss						
As at January 1, 2022 (As Restated)	₱–	₱2,916,480	₱76,571,597	₱32,050,803	₱–	₱111,538,880
Depreciation and amortization	–	364,563	8,386,686	3,386,346	–	12,137,595
Reclassifications	–	(560)	(41,940)	(26,795)	–	(69,295)
Translation adjustment	–	7,652	71,693	15,935	–	95,280
Disposals	–	(161,310)	(60,358)	(40,325)	–	(261,993)
As at December 31, 2022 (Audited)	–	3,126,825	84,927,678	35,385,964	–	123,440,467
Depreciation and amortization	–	138,401	4,501,824	1,890,095	–	6,530,320
Reclassifications	–	45	4,475	9,427	–	13,947
Translation adjustment	–	(72,924)	(732,314)	(147,033)	–	(952,271)
Disposals	–	(262,190)	(37,336)	(35,615)	–	(335,141)
As at June 30, 2023 (Unaudited)	₱–	₱2,930,157	₱88,664,327	₱37,102,838	₱–	₱128,697,322
Net Book Value						
As at June 30, 2023 (Unaudited)	₱83,554,041	₱92,253,475	₱235,874,744	₱20,416,293	₱81,308,939	₱513,407,492
As at December 31, 2022 (Audited)	83,846,727	84,585,811	229,028,547	19,958,719	68,562,497	485,982,301

Rent income from investment properties, which is primarily attributable to SM Prime, amounted to ₱28.9 billion and ₱21.3 billion for the six-month periods ended June 30, 2023 and 2022, respectively. The corresponding direct operating expenses amounted to ₱16.0 billion and ₱11.1 billion for the six-month periods ended June 30, 2023 and 2022, respectively.

Construction in progress includes construction costs incurred for new shopping malls, commercial building and redevelopment of existing malls amounting to ₱79.8 billion and ₱67.1 billion as at June 30, 2023 and December 31, 2022, respectively.

Portions of investment properties located in China with carrying value of ₱1.5 billion and ₱1.6 billion as at June 30, 2023 and December 31, 2022, respectively, are used as collateral to secure domestic borrowings (see Notes 16 and 18).

The outstanding construction contracts with various contractors amounted to ₱18.8 billion and ₱18.5 billion as at June 30, 2023 and December 31, 2022, 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 ₱3.8 billion and ₱4.8 billion as at June 30, 2023 and December 31, 2022, respectively. Capitalization rates used range from 3.1% to 4.2% and 2.4% to 5.2% as at June 30, 2023 and December 31, 2022, respectively.

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

As at December 31, 2022, the fair value of substantially all investment properties amounting to ₱2.1 trillion was determined by accredited independent appraisers with appropriate qualifications and experience in the valuation of similar properties in the relevant locations. The fair value represents the price that would be received to sell the investment properties in an orderly transaction between market participants at the measurement date.

There is no restriction on the realizability of investment properties and no obligation to purchase, construct or develop, repair, maintain and/or enhance any of these properties.

15. Intangibles and Other Noncurrent Assets

Intangible Assets

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Goodwill	₱34,320,712	₱34,320,712
Less accumulated impairment loss	172,213	172,213
Net book value	34,148,499	34,148,499
Trademarks, brand names and copyright	6,128,202	6,128,850
	₱40,276,701	₱40,277,349

Other Noncurrent Assets

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Receivables from sales of real estate (Note 9)*	₱58,260,765	₱48,929,523
Bonds and deposits	57,079,773	56,129,963
Deferred tax assets (Note 22)	5,304,814	5,209,746
Derivative assets (Note 25)	5,086,489	8,508,965
Deferred input VAT	1,633,774	1,941,985
Escrow fund (Note 21)	599,552	621,490
Land use rights	275,959	324,770
Defined benefit asset	161,836	129,034
Others	3,542,336	2,488,241
	₱131,945,298	₱124,283,717

* Pertains to the noncurrent portion of unbilled revenues from sales of real estate (see Note 9).

16. Bank Loans

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Parent Company:		
Peso-denominated loans	₱9,200,000	₱9,995,000
Subsidiaries:		
Peso-denominated loans	8,017,000	8,394,000
China Yuan renminbi-denominated loans	2,453,262	2,422,524
	₱19,670,262	₱20,811,524

The interest rates of peso-denominated loans for the six-month periods ended June 30, 2023 and 2022 ranged from 4.0% to 6.8% and 2.0% to 6.5%, respectively. 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.

17. Accounts Payable and Other Current Liabilities

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Trade	₱88,342,482	₱100,815,157
Accrued expenses	25,922,072	22,405,137
Nontrade	14,684,147	13,825,974
Tenants and customers' deposits*	14,608,224	13,703,779
Payables to government agencies	7,945,124	7,437,350
Payable arising from acquisition of land	4,981,082	4,548,755
Accrued interest (Note 21)	3,788,334	3,614,442
Lease liabilities (Note 23)	2,951,169	3,152,827
Subscriptions payable	1,966,477	1,966,477
Dividends payable	1,791,000	3,197,523
Due to related parties (Note 21)	175,395	941,000
Gift checks redeemable and others	6,053,168	6,353,287
	₱173,208,674	₱181,961,708

* Includes unearned revenues from shipping and logistics of ₱99.3 million and ₱48.9 million as at June 30, 2023 and December 31, 2022, respectively, and unearned revenues from sale of real estate of ₱6.2 billion and ₱5.5 billion as at June 30, 2023 and December 31, 2022, respectively.

18. Long-term Debt

This account consists of:

	June 30, 2023 (Unaudited)					December 31, 2022 (Audited)
	Availment	Maturity	Interest Rate/Term	Security	Amount	Amount
<i>(in Thousands)</i>						
Parent Company						
U.S. dollar-denominated*	June 2014 - June 2023	July 2023 - June 2027	Fixed 4.9%-5.0%; Three-Month LIBOR + margin; semi-annual and quarterly	Unsecured	₱37,875,963	₱42,326,896
GBP-denominated*	April 2023	April 2025	Fixed 4.2%; quarterly	Unsecured	3,363,661	–
Peso-denominated	September 2017 - March 2023	April 2024 - May 2031	Fixed 3.4%-5.2%; Three-Month and Two-year PHP BVAL + margin; semi-annual and quarterly	Unsecured	65,190,250	76,124,350
Subsidiaries						
U.S. dollar-denominated*	April 2019 - June 2022	February 2024 - June 2027	LIBOR + spread; semi-annual and quarterly; SOFR + spread; quarterly	Unsecured	84,094,053	91,062,847
China Yuan Renminbi-denominated**	May 2021 - June 2023	April 2026 - June 2037	Fixed 3.7%; LPR; annually	Secured	9,892,380	9,665,493
Peso-denominated***	September 2014 - June 2023	July 2023 - April 2032	Fixed 2.5%-7.0%; BVAL + margin	Unsecured /Secured	292,591,402	268,425,993
					493,007,709	487,605,579
Less debt issue cost					2,790,539	2,708,662
					490,217,170	484,896,917
Less current portion					111,835,813	87,047,213
					₱378,381,357	₱397,849,704

BVAL – Bloomberg Valuation

LIBOR – London Interbank Offered Rate

SOFR – Secured Overnight Financing Rate

*Hedged against foreign exchange and interest rate risks using derivative instruments (see Notes 24 and 25)

**Secured by portions of investment properties located in China (see Note 14)

***Secured by portions of property and equipment (see Note 13)

Repayment Schedule

The repayment schedule of long-term debt as at June 30, 2023 follows:

	Gross Debt	Debt Issue Cost	Net
	<i>(In Thousands)</i>		
Within 1 year	₱112,667,032	₱831,219	₱111,835,813
Over 1 year to 5 years	329,957,054	1,819,592	328,137,462
Over 5 years	50,383,623	139,728	50,243,895
	₱493,007,709	₱2,790,539	₱490,217,170

Covenants

The long-term debt of the Group is covered with certain covenants including adherence to financial ratios. As at June 30, 2023 and December 31, 2022, 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.

19. Equity

Capital Stock

a. Common stock

	Number of Shares	
	June 30, 2023 (Unaudited)	December 31, 2022 (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, 2023 and December 31, 2022, 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 1,246 and 1,251 as at June 30, 2023 and December 31, 2022, respectively.

b. Redeemable preferred shares

	Number of Shares	
	June 30, 2023 (Unaudited)	December 31, 2022 (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, 2023 and December 31, 2022.

Additional Paid-in Capital

In May 2023, the Parent Company acquired additional 352.7 million shares in 2GO, increasing its equity interest to 67.2%. The difference between the consideration paid and the carrying amount of the non-controlling interest acquired amounted to ₱4.6 billion.

Retained Earnings

▪ Appropriated

Retained earnings appropriated as at June 30, 2023 is intended for the payment of certain long-term debts and new investments as follows:

	Timeline	Amount <i>(In Thousands)</i>
Debt service	2023 - 2024	₱27,000,000
Investments	2023 - 2024	10,000,000
		₱37,000,000

- Unappropriated

The Parent Company's cash dividend declarations in 2023 and 2022 follow:

Declaration Date	Record Date	Payment Date	Per Share	Total
<i>(In Thousands)</i>				
April 26, 2023	May 11, 2023	May 25, 2023	₱7.50	₱9,165,175
April 27, 2022	May 13, 2022	May 26, 2022	6.25	7,528,643

Unappropriated retained earnings include the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱364.7 billion and ₱335.3 billion as at June 30, 2023 and December 31, 2022, respectively, that is not available for distribution until such time that the Parent Company receives the dividends from its subsidiaries, associates and joint ventures.

20. Other Revenues

This account consists of:

	Six-Month Periods Ended	
	2023	June 30
	(Unaudited)	2022
		(As Restated,
		Unaudited)
	<i>(In Thousands)</i>	
Sales - processed food and others	₱12,398,382	₱11,429,411
Shipping, logistics and other services	8,014,828	6,357,325
Cinema, ticket sales, amusement and others	4,405,195	1,610,585
Royalty and service fees	3,681,210	2,412,987
Food and beverage	1,128,846	715,895
Dividends	302,348	196,416
Others	4,021,532	4,682,056
	₱33,952,341	₱27,404,675

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

21. 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 related parties under common stockholders.

- Cash Placements and Loans

The Group maintains bank accounts and cash placements as well as bank loans and debts with BDO and China Bank, subject to prevailing interest 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,	December 31,		
	2023	2022				
	(Unaudited)	(As Restated, Unaudited)	(Unaudited)	(Audited)		
			<i>(In Thousands)</i>			
Banking Group						
Cash placement and investment in marketable securities			₱97,016,290	₱121,312,088	Interest-bearing at prevailing rates	Unsecured; no impairment
Interest receivable			112,788	242,663	–	–
Interest income	₱1,517,747	₱782,318			–	–
Interest-bearing debt			68,699,900	67,368,704	Interest-bearing	Unsecured
Interest payable			397,606	352,951	–	–
Interest expense	1,647,685	1,310,668			–	–
Rent receivable			158,680	148,221	Noninterest-bearing	Unsecured; no impairment
Rent income	661,550	538,634			–	–
Dividends receivable			40,386	150,403	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee receivable			8,441	8,441	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee income	64,652	59,454			–	–
Escrow fund			599,552	621,490	Interest-bearing at prevailing rates	Unsecured; no impairment
Retail and Other Entities						
Rent receivable			300,737	363,053	Noninterest-bearing	Unsecured; no impairment
Rent income	1,141,992	838,355			–	–
Royalty and service fee receivable			2,544,222	2,234,281	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee income	1,142,608	954,867			–	–
Due from related parties			238,033	176,806	Noninterest-bearing	Unsecured; no impairment
Due to related parties			175,395	941,000	Noninterest-bearing	Unsecured
Interest income	–	237,830			–	–
Dividends receivable			250,000	357,400	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.

22. Income Tax

Deferred tax assets of ₱5.3 billion and ₱5.2 billion as at June 30, 2023 and December 31, 2022, 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 ₱17.2 billion and ₱16.8 billion as at June 30, 2023 and December 31, 2022, 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 sale of real estate, accrued/deferred rent income and unamortized past service cost and defined benefit asset. The disproportionate relationship between income before income tax and the provision for income tax is due to various factors such as interest income already subjected to final tax, non-deductible interest expense, equity in net earnings of associates, and dividend income that are exempt from tax.

23. 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, 2023 (Unaudited)			
	Land Use Rights	Retail Stores, Office Spaces, Warehouses and Others	Total
<i>(In Thousands)</i>			
Cost			
As at beginning of year	₱26,917,044	₱30,106,402	₱57,023,446
Additions	–	930,147	930,147
Translation adjustment	(765,453)	–	(765,453)
Reclassifications	–	66,534	66,534
Retirements	–	(694,510)	(694,510)
As at end of period	26,151,591	30,408,573	56,560,164
Accumulated Depreciation and Amortization			
As at beginning of year	2,368,428	10,516,210	12,884,638
Depreciation and amortization	346,854	1,643,967	1,990,821
Translation adjustment	(41,289)	–	(41,289)
Retirements	–	(364,029)	(364,029)
As at end of period	2,673,993	11,796,148	14,470,141
Net Book Value	₱23,477,598	₱18,612,425	₱42,090,023
December 31, 2022 (Audited)			
	Land Use Rights	Retail Stores, Office Spaces, Warehouses and Others	Total
<i>(In Thousands)</i>			
Cost			
As at beginning of year	₱26,952,441	₱27,339,351	₱54,291,792
Additions	1,138,124	3,710,101	4,848,225
Translation adjustment	106,771	6,249	113,020
Reclassifications	(1,280,292)	30,309	(1,249,983)
Retirements	–	(979,608)	(979,608)
As at end of year	26,917,044	30,106,402	57,023,446
Accumulated Depreciation and Amortization			
As at beginning of year	1,589,882	7,862,232	9,452,114
Depreciation and amortization	775,944	3,306,691	4,082,635
Translation adjustment	2,602	4,273	6,875
Reclassifications	–	76,558	76,558
Retirements	–	(733,544)	(733,544)
As at end of year	2,368,428	10,516,210	12,884,638
Net Book Value	₱24,548,616	₱19,590,192	₱44,138,808

The rollforward analysis of lease liabilities follows:

	June 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
	<i>(In Thousands)</i>	
Balance at beginning of year	₱35,389,448	₱33,691,435
Additions	930,147	4,848,225
Interest expense	971,943	2,029,583
Concessions	-	(6,098)
Terminations	(348,443)	(319,772)
Payments	(2,652,202)	(4,853,925)
Reclassification and others	113,807	-
Balance at end of period	34,404,700	35,389,448
Less current portion (Note 17)	2,951,169	3,152,827
Noncurrent portion	₱31,453,531	₱32,236,621

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.

Tenants' deposits amounted to ₱25.5 billion and ₱24.8 billion as at June 30, 2023 and December 31, 2022, respectively.

24. 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 Holdings, Inc. (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 18).

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

After taking into account the effect of the swaps, approximately 78.4% and 79.1% of the Group's borrowings, net of debt issue cost, is kept at fixed interest rates as at June 30, 2023 and December 31, 2022, 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, 2023, the Group's foreign currency-denominated assets and liabilities amounted to ₱22.5 billion (\$407.3 million) and ₱21.1 billion (\$382.5 million), respectively.

As at December 31, 2022, the Group's foreign currency-denominated assets and liabilities amounted to ₱26.5 billion (\$475.0 million) and ₱24.5 billion (\$439.1 million), respectively.

As at June 30, 2023 and December 31, 2022, approximately 26.8% and 28.6%, 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, 2023	December 31, 2022
Philippine Peso to U.S. Dollar	₱55.2	₱55.755

Liquidity Risk

The Group manages its liquidity to ensure adequate financing of capital expenditures and debt service. Financing consists of internally generated funds, proceeds from debt and equity issues, and/or sales of assets.

The Group regularly evaluates its projected and actual cash flow information and assesses conditions in the financial markets for opportunities to pursue fundraising initiatives including bank loans, export credit agency-guaranteed facilities, bonds and equity market issues.

Credit Risk

The Group trades only with recognized and creditworthy related and third parties. The Group policy requires customers who wish to trade on credit terms to undergo credit verification. In addition, receivable balances are monitored on a regular basis to keep exposure to bad debts at the minimum. Given the Group's diverse customer base, it is not exposed to large concentrations of credit risk.

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

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

As at June 30, 2023 and December 31, 2022, the financial assets, except for some receivables, are generally viewed by the management as good and collectible considering the credit history of the counterparties. Past due or impaired financial assets are very minimal in relation to the Group's total financial assets.

Equity Price Risk

Management closely monitors the equity securities in its investment portfolio. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

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

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

The Group's gearing ratios follow:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Gross	41%	42%
Net	36%	35%

25. 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, 2023 (Unaudited)					
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	P22,574,553	P22,574,553	P22,574,553	P-	P-
Unlisted shares of stock	666,935	666,935	-	-	666,935
Club shares	23,550	23,550	-	23,550	-
Derivative assets	7,968,388	7,968,388	-	7,968,388	-
	31,233,426	31,233,426	22,574,553	7,991,938	666,935
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	22,694,062	22,811,402	-	22,811,402	-
	P53,927,488	P54,044,828	P22,574,553	P30,803,340	P666,935
Liabilities Measured at Fair Value					
Derivative liabilities	P216,116	P216,116	P-	P216,116	P-
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	378,381,357	360,918,363	-	-	360,918,363
Tenants' deposits and others*	36,847,089	35,926,989	-	-	35,926,989
	415,228,446	396,845,352	-	-	396,845,352
	P415,444,562	P397,061,468	P-	P216,116	P396,845,352

*Excluding nonfinancial liabilities of P17.0 billion and noncurrent derivative liabilities of P171.7 million.

December 31, 2022 (Audited)					
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	P25,146,102	P25,146,102	P25,146,102	P-	P-
Unlisted shares of stock	736,813	736,813	-	-	736,813
Club shares	21,800	21,800	-	21,800	-
Derivative assets	10,126,829	10,126,829	-	10,126,829	-
	36,031,544	36,031,544	25,146,102	10,148,629	736,813
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	24,130,581	24,472,808	-	24,472,808	-
	P60,162,125	P60,504,352	P25,146,102	P34,621,437	P736,813
Liabilities Measured at Fair Value					
Derivative liabilities	P753,723	P753,723	P-	P753,723	P-
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	397,849,704	397,980,746	-	-	397,980,746
Tenants' deposits and others*	34,051,278	32,172,765	-	-	32,172,765
	431,900,982	430,153,511	-	-	430,153,511
	P432,654,705	P430,907,234	P-	P753,723	P430,153,511

*Excluding nonfinancial liabilities of P15.4 billion and noncurrent derivative liabilities of P294.4 million.

There were no transfers into and out of Levels 1, 2 and 3 fair value measurements as at June 30, 2023 and December 31, 2022.

The estimated fair value of the following financial instruments is based on the discounted value of future cash flows using the prevailing discount rates as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Time deposits (noncurrent portion)	2.7% - 4.0%	3.1% - 3.8%
Tenants' deposits	2.9% - 7.3%	2.7% - 6.9%

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

<u>Debt</u>	<u>Fair Value Assumptions</u>
Fixed Rate	Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 3.1% to 8.3% and 3.1% to 8.4% as at June 30, 2023 and December 31, 2022, respectively.
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. Discount rates used were 8.2% to 8.3% and 7.4% to 8.5% as at June 30, 2023 and December 31, 2022, respectively.

Derivative Instruments Accounted for as Cash Flow Hedges

As at June 30, 2023, the Parent Company and SM Prime have outstanding arrangements to hedge both foreign currency and interest rate exposure on foreign currency-denominated debt. Details follow:

	Notional Amount	Agreed Equivalent	Fair Value	Interest Rate	Foreign Exchange Rate	Maturity
	<i>(In Thousands)</i>					
Parent						
Cross Currency Swaps	\$336,159	₱17,751,000	₱1,113,431	5.8% - 6.1%	₱51.15 - ₱56.20	2023 - 2025
Cross Currency Swaps	£48,200	3,302,664	20,609	5.7%	₱68.52	2025
SM Prime						
Cross Currency Swaps	\$150,000	₱7,276,000	₱1,222,899	3.6% - 3.7%	₱48.50 - ₱48.52	2024
Cross Currency Swaps	\$286,000	¥1,919,208	1,218,284	3.9% - 4.0%	¥6.69 - ¥6.72	2024
Principal Only Swaps	\$270,000	¥1,753,285	172,962	-	¥6.38 - ¥6.68	2026 - 2027
Foreign Exchange Forward Swaps	\$772,000	₱43,072,845	329,735	-	₱53.94 - ₱60.39	2023 - 2026
Interest Rate Swaps	\$670,000	-	3,674,352	2.3% - 2.6%	-	2025 - 2026

26. EPS Computation

	Six-Month Periods Ended	
	2023	2022
	(Unaudited)	(As Restated, Unaudited)
	<i>(In Thousands Except Per Share Data)</i>	
Net income attributable to owners of the Parent (a)	₱36,533,048	₱27,714,448
Weighted average number of common shares outstanding (b)	1,222,023	1,204,583
EPS (a/b)	₱29.90	₱23.01

27. Reclassification

The Group reclassified certain income and expense accounts in 2022 to conform to the 2023 presentation and classification. The reclassification has no impact on the 2023 and 2022 consolidated profit or loss and equity.

PART 1 FINANCIAL INFORMATION

Management's Discussion and Analysis or Plan of Operation

Results of Operation

For the Six Months Ended June 30, 2023 and 2022

(amounts in billion pesos)

	YTD June		% Change
	2023 (Unaudited)	2022 (Restated, Unaudited)	
Revenues	₱ 286.3	₱ 242.6	18.0%
Cost and Expenses	220.1	192.3	14.5%
Income from Operations	66.2	50.3	32%
Other Charges	8.3	6.0	39%
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 ₱286.3 billion *Revenues*.

Following is the contribution of each of the major business segments to the consolidated revenues and net income:

	YTD June			
	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 ₱34.0 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 17.5%, respectively.

Other Charges (net) increased by 39% 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 39% 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	1,167.1	1,120.4	4.2%
Total Assets	₱ 1,507.8	₱ 1,481.9	1.7%
Current Liabilities	₱ 307.7	₱ 293.0	5.0%
Noncurrent Liabilities	481.1	496.7	-3.1%
Total Liabilities	788.8	789.7	-0.1%
Total Equity	719.0	692.2	3.9%
Total Liabilities and Equity	₱ 1,507.8	₱ 1,481.9	1.7%

Total *Assets* increased by 1.7% to ₱1.5 trillion while Total *Liabilities* decreased by 0.1% to ₱788.8 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: ₱40.6 billion used for investing activities, ₱20.4 billion used for financing activities, partially offset by ₱43.7 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 ₱1,167.1 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 landbanking and land reclamation project, 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 8.6% to ₱54.1 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	17.5%	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 with 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 $\frac{\text{Total Interest-Bearing Debt}}{\text{Total Equity} + \text{Total Interest-Bearing Debt}}$
 - b. Net Basis $\frac{\text{Total Interest-Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investment in Bonds}}{\text{Total Equity} + \text{Total Interest-Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investments in Bonds}}$
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 $\text{Income from Operations} + \text{Depreciation \& Amortization}$
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 I FINANCIAL INFORMATION

Item 3. Aging of Accounts Receivable - Trade

As of June 30, 2023 (Unaudited)

In Thousands

Real estate buyers - net of noncurrent portion	₱	66,472,842
Third-party tenants		9,931,336
Shipping and logistics		3,986,132
Related party tenants		459,417
Others		<u>2,972,977</u>
Total	₱	<u><u>83,822,704</u></u>

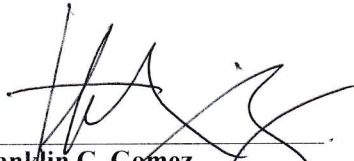
Aging:

Neither past due nor impaired	₱	68,393,034
Less than 30 days		4,271,183
31-90 days		3,347,874
91-120 days		1,549,036
Over 120 days		3,059,925
Impaired		<u>3,201,652</u>
Total	₱	<u><u>83,822,704</u></u>

PART II - SIGNATURE

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

Registrant: **SM INVESTMENTS CORPORATION**



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

Date: 08-10-2023