

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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COMPANY INFORMATION

<p style="font-size: small;">Company's Email Address</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <td style="width: 20px; height: 20px;">-</td> </tr> </table>	-	<p style="font-size: small;">Company's Telephone Number</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <td style="width: 20px; height: 20px;">8</td><td style="width: 20px; height: 20px;">8</td><td style="width: 20px; height: 20px;">5</td><td style="width: 20px; height: 20px;">7</td><td style="width: 20px; height: 20px;">-</td><td style="width: 20px; height: 20px;">0</td><td style="width: 20px; height: 20px;">1</td><td style="width: 20px; height: 20px;">0</td> </tr> </table>	8	8	5	7	-	0	1	0	<p style="font-size: small;">Mobile Number</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <td style="width: 20px; height: 20px;">-</td> </tr> </table>	-					
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<p style="font-size: small;">No. of Stockholders</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <td style="width: 20px; height: 20px;">1</td><td style="width: 20px; height: 20px;">,2</td><td style="width: 20px; height: 20px;">4</td><td style="width: 20px; height: 20px;">4</td> </tr> </table>	1	,2	4	4	<p style="font-size: small;">Annual Meeting (Month / Day)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"> </td><td style="width: 20px; height: 20px;"> </td><td style="width: 20px; height: 20px;"> </td><td style="width: 20px; height: 20px;"> </td><td style="width: 20px; height: 20px;"> </td><td style="width: 20px; height: 20px;"> </td> </tr> </table>							<p style="font-size: small;">Fiscal Year (Month / Day)</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <td style="width: 20px; height: 20px;">0</td><td style="width: 20px; height: 20px;">9</td><td style="width: 20px; height: 20px;">/</td><td style="width: 20px; height: 20px;">3</td><td style="width: 20px; height: 20px;">0</td> </tr> </table>	0	9	/	3	0
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CONTACT PERSON INFORMATION

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

<p style="font-size: small;">Name of Contact Person</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <td style="width: 20px; height: 20px;">M</td><td style="width: 20px; height: 20px;">r</td><td style="width: 20px; height: 20px;">.</td><td style="width: 20px; height: 20px;">F</td><td style="width: 20px; height: 20px;">r</td><td style="width: 20px; height: 20px;">a</td><td style="width: 20px; height: 20px;">n</td><td style="width: 20px; height: 20px;">k</td><td style="width: 20px; height: 20px;">l</td><td style="width: 20px; height: 20px;">i</td><td style="width: 20px; height: 20px;">n</td><td style="width: 20px; height: 20px;">.</td><td style="width: 20px; height: 20px;">C</td><td style="width: 20px; height: 20px;">.</td><td style="width: 20px; height: 20px;">G</td><td style="width: 20px; height: 20px;">o</td><td style="width: 20px; height: 20px;">m</td><td style="width: 20px; height: 20px;">e</td><td style="width: 20px; height: 20px;">z</td> </tr> </table>	M	r	.	F	r	a	n	k	l	i	n	.	C	.	G	o	m	e	z	<p style="font-size: small;">Email Address</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <td style="width: 20px; height: 20px;">-</td> </tr> </table>	-	<p style="font-size: small;">Telephone Number/s</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <td style="width: 20px; height: 20px;">8</td><td style="width: 20px; height: 20px;">8</td><td style="width: 20px; height: 20px;">5</td><td style="width: 20px; height: 20px;">7</td><td style="width: 20px; height: 20px;">-</td><td style="width: 20px; height: 20px;">0</td><td style="width: 20px; height: 20px;">1</td><td style="width: 20px; height: 20px;">0</td> </tr> </table>	8	8	5	7	-	0	1	0	<p style="font-size: small;">Mobile Number</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <td style="width: 20px; height: 20px;">-</td> </tr> </table>	-
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CONTACT PERSON'S ADDRESS

<p style="font-size: small; margin: 0;">10th Floor, OneE-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300</p>
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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
3rd Quarter Report**

Form Type

Amendment Designation (If applicable)

September 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 **September 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

Unaudited Interim Condensed Consolidated Financial Statements
Balance Sheets as at September 30, 2023 (Unaudited) and
December 31, 2022 (Audited)
Statements of Income for the Nine-Month Periods Ended
September 30, 2023 and 2022 (Unaudited)

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 21 and 24)	P85,123,489	P106,561,072
Time deposits (Notes 7, 21 and 24)	507,854	8,788,848
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 8 and 25)	724,163	534,865
Receivables and contract assets (Notes 9 and 21)	80,546,086	84,320,589
Inventories (Note 10)	119,963,867	106,368,038
Other current assets (Notes 11 and 21)	53,961,319	54,975,998
Total Current Assets	340,826,778	361,549,410
Noncurrent Assets		
Financial assets at FVOCI - net of current portion (Notes 8 and 25)	23,120,292	25,369,850
Investments in associate companies and joint ventures (Note 12)	353,641,244	328,271,536
Time deposits - net of current portion (Notes 7, 21, 24 and 25)	22,344,252	24,130,581
Property and equipment (Note 13)	49,838,301	47,881,014
Investment properties (Note 14)	528,210,741	485,982,301
Right-of-use assets (Note 23)	42,239,551	44,138,808
Intangibles (Note 15)	40,276,419	40,277,349
Other noncurrent assets (Notes 15, 21, 22 and 25)	137,441,637	122,637,167
Total Noncurrent Assets	1,197,112,437	1,118,688,606
	P1,537,939,215	P1,480,238,016
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 16, 21 and 24)	P14,914,079	P20,811,524
Accounts payable and other current liabilities (Notes 17, 21, and 23)	180,781,834	181,961,708
Income tax payable	3,127,527	3,204,714
Current portion of long-term debt (Notes 18, 21, and 24)	104,751,858	87,047,213
Total Current Liabilities	303,575,298	293,025,159
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 18, 21, 24 and 25)	385,074,175	397,849,704
Lease liabilities - net of current portion (Note 23)	31,688,402	32,236,621
Deferred tax liabilities (Note 22)	17,991,687	16,797,862
Tenants' deposits and others (Notes 23 and 25)	53,431,926	48,138,659
Total Noncurrent Liabilities	488,186,190	495,022,846
Total Liabilities	791,761,488	788,048,005

(Forward)

	September 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)	71,224,373	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	1,526,364	2,102,782
Unrealized gain on financial assets at FVOCI (Note 8)	9,702,705	11,823,413
Remeasurement loss on defined benefit asset/obligation	(1,721,868)	(1,721,868)
Share in other comprehensive loss of associates – net	(10,818,728)	(10,763,209)
Fair value changes on cash flow hedges and others	1,145,064	1,610,364
Retained earnings (Note 19):		
Appropriated	37,000,000	37,000,000
Unappropriated	422,182,857	375,463,837
Total Equity Attributable to Owners of the Parent	535,775,143	496,888,912
Non-controlling Interests	210,402,584	195,301,099
Total Equity	746,177,727	692,190,011
	₱1,537,939,215	₱1,480,238,016

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine-Month Periods Ended September 30		Three-Month Periods Ended September 30	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
REVENUES				
Sales:				
Merchandise	₱281,261,751	₱250,580,866	₱98,621,980	₱90,875,150
Real estate	29,879,518	27,518,237	11,309,830	9,810,035
Rent (Notes 14, 21 and 23)	45,199,667	34,869,558	15,623,858	12,957,452
Equity in net earnings of associate companies and joint ventures (Note 12)	32,816,893	25,734,079	11,218,944	9,886,498
Others (Note 20)	51,219,586	43,286,397	17,267,245	15,881,722
	440,377,415	381,989,137	154,041,857	139,410,857
COST AND EXPENSES				
Cost of sales and services (Note 10)	239,021,917	216,800,739	83,539,185	78,473,741
Selling, general and administrative expenses	98,826,030	83,540,143	34,197,224	29,588,705
	337,847,947	300,340,882	117,736,409	108,062,446
OTHER INCOME (CHARGES)				
Interest expense (Note 21)	(16,431,967)	(14,473,381)	(6,173,000)	(5,690,594)
Interest income (Note 21)	2,960,936	2,062,982	1,093,143	713,983
Impairment loss on investment (Note 12)	–	(740,000)	–	(740,000)
Loss from fair value changes on derivatives - net (Note 25)	(34,512)	(293,128)	(61,938)	(613,819)
Foreign exchange gain - net and others (Note 24)	335,978	1,294,218	258,918	165,081
	(13,169,565)	(12,149,309)	(4,882,877)	(6,165,349)
INCOME BEFORE INCOME TAX	89,359,903	69,498,946	31,422,571	25,183,062
PROVISION FOR INCOME TAX (Note 22)				
Current	11,765,296	10,487,962	3,600,310	3,495,246
Deferred	561,422	182,764	811,663	461,585
	12,326,718	10,670,726	4,411,973	3,956,831
NET INCOME	₱77,033,185	₱58,828,220	₱27,010,598	₱21,226,231
Attributable to				
Owners of the Parent	₱55,883,087	₱42,870,183	₱19,350,039	₱15,155,735
Non-controlling interests	21,150,098	15,958,037	7,660,559	6,070,496
	₱77,033,185	₱58,828,220	₱27,010,598	₱21,226,231
Basic/Diluted Earnings Per Common Share				
Attributable to Owners of the Parent (Note 26)	₱45.73	₱35.48	₱15.83	₱12.47

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine-Month Periods Ended September 30		Three-Month Periods Ended September 30	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
NET INCOME	₱77,033,185	₱58,828,220	₱27,010,598	₱21,226,231
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified to profit or loss in subsequent periods				
Cumulative translation adjustment	(1,167,398)	(408,561)	465,611	139,748
Fair value changes on cash flow hedges	(1,139,320)	3,940,044	(208,977)	1,213,819
	(2,306,718)	3,531,483	256,634	1,353,567
Items not to be reclassified to profit or loss in subsequent periods				
Remeasurement loss on defined benefit obligation	–	(5,514)	–	(6,958)
Net unrealized gain (loss) on financial assets at FVOCI	(1,791,573)	(5,096,895)	300,886	623,774
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	(539,625)	(450,705)	(4,345)	4,141
	(2,331,198)	(5,553,114)	296,541	620,957
Share in other comprehensive loss of associates – net	(56,091)	(7,256,347)	(438,692)	(906,725)
TOTAL COMPREHENSIVE INCOME	₱72,339,178	₱49,550,242	₱27,125,081	₱22,294,030
Attributable to				
Owners of the Parent	₱52,665,142	₱33,356,302	₱19,327,729	₱15,618,418
Non-controlling interests	19,674,036	16,193,940	7,797,352	6,675,612
	₱72,339,178	₱49,550,242	₱27,125,081	₱22,294,030

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	-	-	-	-	-	-	-	-	-	-	-	55,883,087	55,883,087	21,150,098	77,033,185
Other comprehensive loss	-	-	-	-	-	(576,418)	(2,120,708)	-	(55,519)	(465,300)	-	-	(3,217,945)	(1,476,062)	(4,694,007)
Total comprehensive income (loss)	-	-	-	-	-	(576,418)	(2,120,708)	-	(55,519)	(465,300)	-	55,883,087	52,665,142	19,674,036	72,339,178
Transactions with non-controlling interests (Note 19)	-	(4,614,844)	-	-	-	-	-	-	-	-	-	-	(4,614,844)	8,782	(4,606,062)
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	-	-	-	-	-	-	-	-	-	-	-	-	-	(711,535)	(711,535)
As at September 30, 2023 (Unaudited)	₱12,261,146	₱71,224,373	(₱40,912)	(₱6,660,472)	(₱25,386)	₱1,526,364	₱9,702,705	(₱1,721,868)	(₱10,818,728)	₱1,145,064	₱37,000,000	₱422,182,857	₱535,775,143	₱210,402,584	₱746,177,727
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	-	-	-	-	-	-	-	-	-	-	-	42,870,183	42,870,183	15,958,037	58,828,220
Other comprehensive income (loss)	-	-	-	-	-	(214,753)	(4,704,685)	(4,135)	(6,965,679)	2,375,371	-	-	(9,513,881)	235,903	(9,277,978)
Total comprehensive income (loss)	-	-	-	-	-	(214,753)	(4,704,685)	(4,135)	(6,965,679)	2,375,371	-	42,870,183	33,356,302	16,193,940	49,550,242
Effect of business combination (Note 4)	215,317	-	(40,912)	(383,964)	-	-	-	-	-	-	-	-	(209,559)	239,695	30,136
Transactions with non-controlling interests	-	12,036	-	-	-	-	-	-	-	-	-	-	12,036	12,046	24,082
Cash dividends - ₱6.25 per share (Note 19)	-	-	-	-	-	-	-	-	-	-	-	(7,527,719)	(7,527,719)	-	(7,527,719)
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,797,682)	(1,797,682)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	111,007	111,007
As at September 30, 2022 (Unaudited)	₱12,261,146	₱75,839,217	(₱40,912)	(₱6,682,515)	(₱25,386)	₱2,038,722	₱9,584,634	(₱1,030,785)	(₱13,562,853)	₱1,174,019	₱37,000,000	₱356,680,355	₱473,235,642	₱190,762,609	₱663,998,251

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine-Month Periods Ended	
	September 30	
	2023	2022
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱89,359,903	₱69,498,946
Adjustments for:		
Equity in net earnings of associate companies and joint ventures	(32,816,893)	(25,734,079)
Depreciation and amortization (Notes 13, 14, 15 and 23)	17,896,991	16,594,319
Interest expense	16,431,967	14,473,381
Interest income	(2,960,936)	(2,062,982)
Impairment loss on investment (Note 12)	–	740,000
Dividend income	(574,352)	(413,615)
Loss from fair value changes on derivatives - net	34,512	293,128
Unrealized foreign exchange gain and others	(27,539)	(74,843)
Income before working capital changes	87,343,653	73,314,255
Decrease (increase) in:		
Receivables and contract assets	3,025,574	(9,289,072)
Inventories	(24,821,596)	(29,837,418)
Other current assets	3,675,452	1,660,255
Increase in:		
Accounts payable and other current liabilities	14,769,949	10,775,900
Tenants' deposits and others	5,627,572	1,613,067
Net cash generated from operations	89,620,604	48,236,987
Income tax paid	(11,823,509)	(10,097,655)
Net cash provided by operating activities	77,797,095	38,139,332
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Property and equipment	42,696	162,832
Investment in associate companies and joint ventures	–	50,000
Investment properties	8,138	33,853
Additions to:		
Investment properties (Note 14)	(54,728,824)	(24,398,301)
Property and equipment (Note 13)	(7,154,682)	(6,661,385)
Financial assets at FVOCI (Note 8)	(282,875)	–
Investments in associate companies and joint ventures (Note 12)	(4,127)	–
Decrease (increase) in:		
Time deposits	10,355,579	(2,175,595)
Other noncurrent assets	(18,669,605)	(2,067,709)
Acquisition of non-controlling interest in a subsidiary (Note 19)	(5,169,476)	–
Purchase consideration, net of cash from acquisition of subsidiaries (Note 4)	–	(85,097)
Dividends received	8,578,787	5,493,412
Interest received	3,076,590	1,799,411
Net cash used in investing activities	(63,947,799)	(27,848,579)

(Forward)

	Nine-Month Periods Ended	
	September 30	
	2023	2022
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of:		
Long-term debt	₱91,444,296	₱94,515,328
Bank loans	40,658,480	54,700,629
Payments of:		
Long-term debt	(87,729,642)	(57,378,648)
Bank loans	(46,455,984)	(53,167,899)
Dividends	(15,399,512)	(11,491,255)
Interest	(14,165,916)	(12,735,526)
Lease liabilities (Note 23)	(3,701,068)	(3,382,494)
Net cash provided by (used in) financing activities	(35,349,346)	11,060,135
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,500,050)	21,350,888
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	62,467	1,116,675
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)	₱85,123,489	₱111,820,197

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 November 8, 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 September 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 a change in input or in a measurement technique is considered a change in accounting estimate if it does not result from the correction of prior period errors.

These 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.

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 to be applied retrospectively. 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 to 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.

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, with comparative periods required and with early adoption permitted. 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.

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

Nine-Month Period Ended September 30, 2023 (Unaudited)							
	Property	Retail	Banking	Portfolio Investments	Others	Eliminations	Consolidated
	<i>(In Thousands)</i>						
Revenues:							
External customers	₱86,676,969	₱289,737,275	₱28,840,776	₱33,563,323	₱1,559,072	₱-	₱440,377,415
Revenues from contracts with customers	29,879,518	281,261,751	-	-	-	-	311,141,269
Merchandise sales	-	281,261,751	-	-	-	-	281,261,751
Real estate sales	29,879,518	-	-	-	-	-	29,879,518
Rent	42,593,496	938,682	-	1,667,489	-	-	45,199,667
Equity in net earnings of associate companies and joint ventures	1,675,601	1,265,722	28,840,776	1,095,641	(60,847)	-	32,816,893
Others	12,528,354	6,271,120	-	30,800,193	1,619,919	-	51,219,586
Inter-segment	11,215,598	453,162	-	507,434	3,045,805	(15,221,999)	-
	₱97,892,567	₱290,190,437	₱28,840,776	₱34,070,757	₱4,604,877	(₱15,221,999)	₱440,377,415
Segment results:							
Income before income tax	₱38,229,256	₱19,579,949	₱28,840,776	₱6,493,732	(₱3,783,810)	₱-	₱89,359,903
Provision for income tax	7,160,081	4,542,616	-	550,979	73,042	-	12,326,718
Net income after tax	₱31,069,175	₱15,037,333	₱28,840,776	₱5,942,753	(₱3,856,852)	₱-	₱77,033,185
Net income attributable to:							
Owners of the Parent	₱15,395,260	₱10,570,545	₱28,052,055	₱5,706,255	(₱3,841,028)	₱-	₱55,883,087
Non-controlling interests	15,673,915	4,466,788	788,721	236,498	(15,824)	-	21,150,098

Nine-Month Period Ended September 30, 2022 (Unaudited)							
	Property	Retail	Banking	Portfolio Investments	Others	Eliminations	Consolidated
	<i>(In Thousands)</i>						
Revenues:							
External customers	₱68,852,210	₱257,770,487	₱21,998,770	₱31,614,757	₱1,752,913	₱-	₱381,989,137
Revenues from contracts with customers	27,518,237	250,580,866	-	-	-	-	278,099,103
Merchandise sales	-	250,580,866	-	-	-	-	250,580,866
Real estate sales	27,518,237	-	-	-	-	-	27,518,237
Rent	32,360,915	896,468	-	1,612,175	-	-	34,869,558
Equity in net earnings of associate companies and joint ventures	1,325,457	775,213	21,998,770	1,603,650	30,989	-	25,734,079
Others	7,647,601	5,517,940	-	28,398,932	1,721,924	-	43,286,397
Inter-segment	9,319,252	317,645	-	253,466	2,450,896	(12,341,259)	-
	₱78,171,462	₱258,088,132	₱21,998,770	₱31,868,223	₱4,203,809	(₱12,341,259)	₱381,989,137
Segment results:							
Income before income tax	₱28,043,498	₱17,078,942	₱21,998,770	₱6,667,010	(₱4,289,274)	₱-	₱69,498,946
Provision for income tax	5,886,978	4,233,897	-	494,209	55,642	-	10,670,726
Net income after tax	₱22,156,520	₱12,845,045	₱21,998,770	₱6,172,801	(₱4,344,916)	₱-	₱58,828,220
Net income attributable to:							
Owners of the Parent	₱10,743,723	₱9,002,517	₱21,413,257	₱6,050,178	(₱4,339,492)	₱-	₱42,870,183
Non-controlling interests	11,412,797	3,842,528	585,513	122,623	(5,424)	-	15,958,037

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

6. Cash and Cash Equivalents

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Cash on hand and in banks (Note 21)	₱20,015,262	₱26,887,562
Temporary investments (Note 21)	65,108,227	79,673,510
	₱85,123,489	₱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:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Current	₱507,854	₱8,788,848
Noncurrent	22,344,252	24,130,581
	₱22,852,106	₱32,919,429

These time deposits bear interest ranging from 1.3% to 5.5% and 1.1% to 4.5% for the nine-month periods ended September 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:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Shares of stock		
Listed	P22,869,995	P25,146,102
Unlisted	949,810	736,813
Club shares	24,650	21,800
	23,844,455	25,904,715
Less current portion	724,163	534,865
Noncurrent portion	P23,120,292	P25,369,850

9. Receivables and Contract Assets

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Trade:		
Real estate buyers*	P132,220,763	P114,017,297
Third-party tenants	9,482,006	11,254,451
Shipping and logistics**	3,624,605	4,212,664
Related party tenants (Note 21)	442,378	511,274
Others	2,727,025	3,299,623
Royalty and service fees (Note 21)	2,716,677	2,277,578
Dividends (Note 21)	42,904	708,809
	151,256,358	136,281,696
Less allowance for expected credit loss (ECL)	3,253,730	3,031,584
	148,002,628	133,250,112
Less noncurrent portion of receivables from real estate buyers (Note 15)	67,456,542	48,929,523
Current portion	P80,546,086	P84,320,589

* Includes unbilled revenues from sales of real estate of P119.2 billion and P100.2 billion as at September 30, 2023 and December 31, 2022, respectively.

** Includes contract assets representing shipping and logistics services delivered but not yet invoiced of P544.2 million and P730.1 million as at September 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 ₱1.0 billion and ₱1.2 billion as at September 30, 2023 and December 31, 2022, respectively. The corresponding liability from the assignment of receivables with recourse bears interest at 5.0% to 6.5% and 3.8% to 5.0% as at September 30, 2023 and December 31, 2022, respectively.

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

10. Inventories

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Real estate inventories	₱77,238,881	₱70,506,503
Merchandise inventories	41,966,615	34,653,094
Processed food and others	758,371	1,208,441
	₱119,963,867	₱106,368,038

Inventories are stated at cost as at September 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	17,996,005	–	17,996,005
Cost of real estate sold	(9,474,367)	(2,509,150)	(11,983,517)
Transfers	(2,314,881)	2,314,881	–
Reclassifications from investment properties	582,827	–	582,827
Translation adjustment and others	79,429	57,634	137,063
Balance as at September 30, 2023 (Unaudited)	₱50,649,874	₱26,589,007	₱77,238,881

Contract fulfillment assets included in land and development represent the unamortized portion of land cost of ₱1.4 billion and ₱1.0 billion as at September 30, 2023 and December 31, 2022, respectively.

The estimated cost to complete ongoing projects amounted to ₱102.0 billion and ₱106.9 billion as at September 30, 2023 and December 31, 2022, respectively.

The details of cost of sales and services follow:

	Nine-Month Periods Ended	
	September 30	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>(In Thousands)</i>	
Cost of sales:		
Merchandise	₱205,667,158	₱184,678,703
Real estate	11,983,517	12,048,239
Processed food and others	10,968,085	10,769,968
Cost of shipping, logistics and other services	10,403,157	9,303,829
	₱239,021,917	₱216,800,739

11. Other Current Assets

This account consists of:

	September 30,	December 31,
	2023	2022
	(Unaudited)	(Audited)
	<i>(In Thousands)</i>	
Prepaid taxes and other prepayments	₱20,079,365	₱19,881,090
Bonds and deposits	12,166,866	11,143,581
Input tax	5,249,572	5,846,949
Nontrade receivables (Note 21)	5,528,323	8,296,364
Derivative assets	4,429,819	1,617,864
Receivables from banks	3,456,004	5,732,802
Uniform and supplies inventory	1,716,905	1,573,029
Accrued interest receivable (Note 21)	451,320	566,974
Others	883,145	317,345
	₱53,961,319	₱54,975,998

12. Investments in Associate Companies and Joint Ventures

The movements in this account follow:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of year	₱328,271,536	₱305,072,026
Additions	4,127	73,500
Business combination (Note 4)	–	(535,945)
Equity in net earnings	32,816,893	35,825,734
Dividends received and others	(7,338,530)	(7,103,684)
Share in other comprehensive loss of associate companies	(56,091)	(4,336,268)
Allowance for impairment loss	–	(740,000)
Translation adjustment	(56,691)	16,173
Balance at end of period	₱353,641,244	₱328,271,536

* Investment in associate companies amounted to ₱343.2 billion and ₱318.5 billion as at September 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)	₱1,729,542	₱19,822,198	₱2,660,943	₱10,030,976	₱11,784,685	₱17,301,482	₱24,970,861	₱1,196,937	₱8,503,113	₱371,936	₱4,968,379	₱103,341,052
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	–	364,598	126,210	968,713	769,686	568,869	1,302,579	47,361	575,996	34	2,430,636	7,154,682
Reclassifications	–	733,771	(122,732)	(258,917)	(427,826)	2,183,208	(163,768)	97,950	–	–	(3,096,674)	(1,054,988)
Disposals/retirements	–	(346,789)	(38,430)	(155,794)	(80,849)	(157,450)	(173,369)	(26,166)	(3,737)	(21,660)	–	(1,004,244)
As at September 30, 2023 (Unaudited)	₱1,718,794	₱20,644,327	₱3,314,325	₱11,175,355	₱12,872,174	₱24,051,074	₱31,272,646	₱1,776,400	₱15,279,816	₱1,603,409	₱4,105,128	₱127,814,694
Accumulated Depreciation and Amortization												
As at January 1, 2022 (As Restated)	₱–	₱7,790,965	₱1,903,039	₱8,120,807	₱10,337,850	₱9,896,786	₱18,020,851	₱737,640	₱1,077,060	₱44,531	₱–	₱57,929,529
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	–	677,370	181,815	585,490	540,378	1,114,115	1,098,762	67,676	793,307	36,610	–	5,095,523
Reclassifications	–	19,968	(284,103)	(91,193)	(123,315)	(181,088)	(450,635)	101,024	–	–	–	(1,009,342)
Disposals/retirements	–	(342,636)	(36,777)	(151,863)	(39,946)	(147,471)	(178,494)	(25,434)	(3,737)	(21,660)	–	(948,018)
As at September 30, 2023 (Unaudited)	₱–	₱8,111,481	₱2,484,665	₱8,728,953	₱10,377,172	₱13,039,276	₱23,793,940	₱1,362,805	₱8,652,013	₱1,424,842	₱–	₱77,976,393
Net Book Value												
As at September 30, 2023 (Unaudited)	₱1,718,794	₱12,532,846	₱829,660	₱2,446,402	₱2,495,002	₱11,011,798	₱7,478,706	₱413,595	₱6,627,803	₱178,567	₱4,105,128	₱49,838,301
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 September 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	3,371,988	10,283,659	2,847,148	1,921,466	36,304,563	54,728,824
Reclassifications	(557,200)	(1,561,780)	18,903,456	1,367,968	(18,675,496)	(523,052)
Translation adjustment	–	(72,077)	(2,043,318)	(198,053)	(455,158)	(2,768,606)
Disposals	–	(295,004)	(43,315)	(53,178)	–	(391,497)
As at September 30, 2023 (Unaudited)	₱86,661,515	₱96,067,434	₱333,620,196	₱58,382,886	₱85,736,406	₱660,468,437
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	–	203,065	6,775,103	2,838,098	–	9,816,266
Reclassifications	–	45	4,475	9,426	–	13,946
Translation adjustment	–	(50,378)	(507,695)	(102,069)	–	(660,142)
Disposals	–	(267,089)	(37,469)	(48,283)	–	(352,841)
As at September 30, 2023 (Unaudited)	₱–	₱3,012,468	₱91,162,092	₱38,083,136	₱–	₱132,257,696
Net Book Value						
As at September 30, 2023 (Unaudited)	₱86,661,515	₱93,054,966	₱242,458,104	₱20,299,750	₱85,736,406	₱528,210,741
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 ₱44.2 billion and ₱33.9 billion for the nine-month periods ended September 30, 2023 and 2022, respectively. The corresponding direct operating expenses amounted to ₱23.9 billion and ₱17.5 billion for the nine-month periods ended September 30, 2023 and 2022, respectively.

Construction in progress includes construction costs incurred for new shopping malls, commercial building and landbanking amounting to ₱84.2 billion and ₱67.1 billion as at September 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 September 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 ₱20.4 billion and ₱18.5 billion as at September 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 ₱5.2 billion and ₱4.8 billion as at September 30, 2023 and December 31, 2022, respectively. Capitalization rates used range from 2.4% to 5.3% and 2.4% to 5.2% as at September 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:

	September 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	6,127,920	6,128,850
	₱40,276,419	₱40,277,349

Other Noncurrent Assets

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Receivables from sales of real estate (Note 9)*	₱67,456,542	₱48,929,523
Bonds and deposits	53,014,384	54,483,413
Deferred tax assets (Note 22)	5,302,524	5,209,746
Derivative assets (Note 25)	4,891,818	8,508,965
Deferred input VAT	1,561,038	1,941,985
Escrow fund (Note 21)	663,893	621,490
Land use rights	273,761	324,770
Defined benefit asset	231,357	129,034
Others	4,046,320	2,488,241
	₱137,441,637	₱122,637,167

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

16. Bank Loans

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<i>(In Thousands)</i>		
Parent Company:		
Peso-denominated loans	₱6,400,000	₱9,995,000
Subsidiaries:		
Peso-denominated loans	6,510,000	8,394,000
China Yuan renminbi-denominated loans	2,004,079	2,422,524
	₱14,914,079	₱20,811,524

The interest rates of peso-denominated loans for the nine-month periods ended September 30, 2023 and 2022 ranged from 6.0% to 6.6% and 2.6% to 6.6%, respectively. The China Yuan renminbi-denominated loans bear the China Loan Prime Rate (LPR) in 2023 and 2022.

These loans have maturities of less than one year.

17. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<i>(In Thousands)</i>		
Trade	₱ 100,759,766	₱100,815,157
Accrued expenses	27,563,989	22,405,137
Nontrade (Note 21)	13,834,083	14,766,974
Tenants and customers' deposits*	13,824,705	13,703,779
Payables to government agencies	4,896,106	7,437,350
Payable arising from acquisition of land	3,300,188	4,548,755
Accrued interest (Note 21)	5,045,383	3,614,442
Lease liabilities (Note 23)	2,867,933	3,152,827
Subscriptions payable	1,966,477	1,966,477
Dividends payable	831,878	3,197,523
Gift checks redeemable and others	5,891,326	6,353,287
	₱180,781,834	₱181,961,708

* Includes unearned revenues from shipping and logistics of ₱89.1 million and ₱48.9 million as at September 30, 2023 and December 31, 2022, respectively, and unearned revenues from sale of real estate of ₱6.9 billion and ₱5.5 billion as at September 30, 2023 and December 31, 2022, respectively.

18. Long-term Debt

This account consists of:

	September 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 - August 2023	June 2024 - August 2028	Fixed 4.9%; Three-Month LIBOR + margin; ROP reference rate + margin; Three-Month SOFR + margin; semi-annual and quarterly	Unsecured	₱35,925,125	₱42,326,896	
GBP-denominated*	April 2023 - July 2023	April 2025 - July 2028	Fixed 4.2%-5.3%; quarterly	Unsecured	6,281,646	–	
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	65,160,900	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	86,164,744	91,062,847	
China Yuan Renminbi-denominated**	May 2021 - June 2023	April 2026 - June 2037	Fixed 3.7%; LPR; annually	Secured	10,111,820	9,665,493	
Peso-denominated***	September 2014 - June 2023	October 2023 - April 2032	Fixed 3.9%-7.0%; BVAL + margin	Unsecured /Secured	288,862,234	268,425,993	
					492,506,469	487,605,579	
Less debt issue cost					2,680,436	2,708,662	
					489,826,033	484,896,917	
Less current portion					104,751,858	87,047,213	
					₱385,074,175	₱397,849,704	

LIBOR – London Interbank Offered Rate

ROP – Republic of the Philippines

BVAL – Bloomberg Valuation

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 September 30, 2023 follows:

	Gross Debt	Debt Issue Cost	Net
	<i>(In Thousands)</i>		
Within 1 year	₱105,617,712	₱865,854	₱104,751,858
Over 1 year to 5 years	332,993,691	1,669,963	331,323,728
Over 5 years	53,895,066	144,619	53,750,447
	₱492,506,469	₱2,680,436	₱489,826,033

Covenants

The long-term debt of the Group is covered with certain covenants including adherence to financial ratios. As at September 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	
	September 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 September 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 1,244 and 1,251 as at September 30, 2023 and December 31, 2022, respectively.

b. Redeemable preferred shares

	Number of Shares	
	September 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 September 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 September 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 ₱383.6 billion and ₱335.3 billion as at September 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:

	Nine-Month Periods Ended	
	September 30	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>(In Thousands)</i>	
Sales - processed food and others	₱17,874,579	₱17,522,302
Shipping, logistics and other services	12,186,235	10,148,811
Cinema, ticket sales, amusement and others	6,579,670	3,015,790
Royalty and service fees	5,281,157	4,121,585
Food and beverage	1,708,977	1,165,179
Dividends	574,352	413,615
Others	7,014,616	6,899,115
	₱51,219,586	₱43,286,397

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
	Nine-Month Periods Ended		September 30, 2023 (Unaudited)	December 31, 2022 (Audited)		
	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)				
<i>(In Thousands)</i>						
Banking Group						
Cash placement and investment in marketable securities			₱94,315,101	₱121,312,088	Interest-bearing at prevailing rates	Unsecured; no impairment
Interest receivable			314,327	242,663	–	–
Interest income	₱2,420,383	₱1,331,092			–	–
Interest-bearing debt			64,078,218	67,368,704	Interest-bearing	Unsecured
Interest payable			390,667	352,951	–	–
Interest expense	2,498,845	1,835,141			–	–
Rent receivable			158,904	148,221	Noninterest-bearing	Unsecured; no impairment
Rent income	990,085	834,756			–	–
Dividends receivable			40,386	150,403	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee receivable			15,554	8,441	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee income	96,681	91,196			–	–
Escrow fund			663,893	621,490	Interest-bearing at prevailing rates	Unsecured; no impairment
Retail and Other Entities						
Rent receivable			283,474	363,053	Noninterest-bearing	Unsecured; no impairment
Rent income	1,743,290	1,253,307			–	–
Royalty and service fee receivable			2,628,877	2,234,281	Noninterest-bearing	Unsecured; no impairment
Royalty and service fee income	1,719,444	1,468,427			–	–
Nontrade receivable			87,751	176,806	Noninterest-bearing	Unsecured; no impairment
Nontrade payable			196,154	941,000	Noninterest-bearing	Unsecured
Interest income	–	237,830			–	–
Dividends receivable			–	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 September 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 ₱18.0 billion and ₱16.8 billion as at September 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:

September 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	–	1,835,709	1,835,709
Translation adjustment	(535,769)	–	(535,769)
Reclassifications	–	66,534	66,534
Retirements	–	(784,139)	(784,139)
As at end of period	26,381,275	31,224,506	57,605,781
Accumulated Depreciation and Amortization			
As at beginning of year	2,368,428	10,516,210	12,884,638
Depreciation and amortization	522,110	2,462,354	2,984,464
Translation adjustment	(28,336)	–	(28,336)
Retirements	–	(474,536)	(474,536)
As at end of period	2,862,202	12,504,028	15,366,230
Net Book Value	₱23,519,073	₱18,720,478	₱42,239,551
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:

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
	<i>(In Thousands)</i>	
Balance at beginning of year	₱35,389,448	₱33,691,435
Additions	1,835,709	4,848,225
Interest expense	1,462,515	2,029,583
Concessions	518	(6,098)
Terminations	(495,844)	(319,772)
Payments	(3,701,068)	(4,853,925)
Reclassification and others	65,057	—
Balance at end of period	34,556,335	35,389,448
Less current portion (Note 17)	2,867,933	3,152,827
Noncurrent portion	₱31,688,402	₱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 ₱23.5 billion and ₱23.2 billion as at September 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 77.9% and 79.1% of the Group's borrowings, net of debt issue cost, is kept at fixed interest rates as at September 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 September 30, 2023, the Group's foreign currency-denominated assets and liabilities amounted to ₱23.2 billion (\$410.4 million) and ₱20.6 billion (\$363.9 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 September 30, 2023 and December 31, 2022, approximately 27.7% 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.

	September 30, 2023	December 31, 2022
Philippine Peso to U.S. Dollar	₱56.575	₱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 September 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:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Gross	40%	42%
Net	35%	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:

September 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	P22,869,995	P22,869,995	P22,869,995	P-	P-
Unlisted shares of stock	949,810	949,810	-	-	949,810
Club shares	24,650	24,650	-	24,650	-
Derivative assets	9,321,637	9,321,637	-	9,321,637	-
	33,166,092	33,166,092	22,869,995	9,346,287	949,810
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	22,344,252	21,917,628	-	21,917,628	-
	P55,510,344	P55,083,720	P22,869,995	P31,263,915	P949,810
Liabilities Measured at Fair Value					
Derivative liabilities	P 80,226	P80,226	P-	P80,226	P-
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	385,074,175	371,678,668	-	-	371,678,668
Tenants' deposits and others*	35,057,708	34,984,372	-	-	34,984,372
	420,131,883	406,663,040	-	-	406,663,040
	P420,212,109	P406,743,266	P-	P80,226	P406,663,040

*Excluding nonfinancial liabilities of P18.3 billion and noncurrent derivative liabilities of P80.2 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*	32,404,728	29,546,653	-	-	29,546,653
	430,254,432	427,527,399	-	-	427,527,399
	P431,008,155	P428,281,122	P-	P753,723	P427,527,399

*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 September 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:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Time deposits (noncurrent portion)	2.2% - 4.7%	3.1% - 3.8%
Tenants' deposits	2.2% - 7.3%	2.7% - 6.9%

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. Discount rates used range from 0.02% to 8.3% and 3.1% to 8.4% as at September 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 September 30, 2023 and December 31, 2022, respectively.

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of year	₱9,373,106	(₱1,709,480)
Net changes in fair value during the year	1,580,674	11,819,742
Fair value on settled derivatives	(1,712,369)	(737,156)
	₱9,241,411	₱9,373,106

26. EPS Computation

	Nine-Month Periods Ended	
	September 30	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>(In Thousands Except Per Share Data)</i>	
Net income attributable to owners of the Parent (a)	₱55,883,087	₱42,870,183
Weighted average number of common shares outstanding (b)	1,222,023	1,208,416
EPS (a/b)	₱45.73	₱35.48

27. Reclassification

The Group reclassified certain asset, liability, 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 Nine Months Ended September 30, 2023 and 2022

(amounts in billion pesos)

	YTD September		% Change
	2023 (Unaudited)	2022 (Unaudited)	
Revenues	₱ 440.4	₱ 382.0	15.3%
Cost and Expenses	337.8	300.3	12.5%
Income from Operations	102.6	81.7	25.6%
Other Charges	13.2	12.1	8.4%
Provision for Income Tax	12.3	10.7	15.5%
Net Income After Tax	77.1	58.9	31%
Non-controlling Interests	21.2	16.0	33%
Net Income Attributable to Owners of the Parent	₱ 55.9	₱ 42.9	30%

For YTD September 2023, *SM Investments Corporation and Subsidiaries (the Group)* reported ₱55.9 billion *Net Income Attributable to Owners of the Parent* on ₱440.4 billion *Revenues*.

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

	YTD September			
	Revenues		Net Income	
	2023	2022	2023	2022
Retail	66%	68%	18%	19%
Property	20%	18%	26%	23%
Banks	6%	6%	47%	45%
Portfolio	8%	8%	9%	13%

Retail

For YTD September 2023, SM Retail reported ₱13.7 billion *Net income* on *Revenues* of ₱290.6 billion, 19% and 12% higher than 2022, respectively.

- The SM Stores reported ₱72.7 billion *Sales*, 21% higher than 2022.
- The Food Stores reported ₱164.9 billion *Sales*, 9% higher than 2022. Sixty two percent of this growth was contributed by the SM Markets. Alfamart, which reported higher sales at 24%, accounted for the other thirty percent.
- The Specialty Stores reported ₱62.4 billion *Sales*, 14% higher than 2022. Bulk of this sales growth is attributed to Toy Kingdom/Pet Express, Kultura, Sports stores, Miniso and Crocs.

Property

For YTD September 2023, SM Prime reported ₱30.1 billion *Net income* on *Revenues* of ₱92.6 billion, 37% and 26% higher than 2022, respectively.

The Malls reported *Revenues* of ₱52.6 billion, 37% higher than 2022. Rental income increased by 29% to ₱44.8 billion.

SM Prime's residential business led by SMDC reported *Revenues* of ₱28.7 billion and net reservation sales of ₱89.3 billion, 10% and 6% higher than 2022, respectively.

Banking

For YTD September 2023, BDO reported ₱53.9 billion *Net income* at 35% growth and China Bank ₱16.2 billion, at 10% growth.

Portfolio Investments

For YTD September 2023, the Portfolio businesses contributed ₱5.7 billion of consolidated *Net income*, with the bulk contributed by PGPC and Neo.

Profit & Loss Statement - Account Analysis

Merchandise Sales increased by 12.2% to ₱281.3 billion in 2023 attributable to The SM Store with 21% growth, Food with 9% and Specialty stores with 14%.

Real Estate Sales increased by 8.6% to ₱29.9 billion attributable to *Gold, Mint, Sands, Shore, Cheerful* and *South Residences*. Reservation sales increased by 6% to ₱89.3 billion.

Rent Revenues, derived mainly from the mall operations of SM Prime, increased by 30% to ₱45.2 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 28% to ₱32.8 billion. The increase is attributable mainly to BDO.

Other Revenues increased by 18.3% to ₱51.2 billion due mainly to the 118% increase in *Cinema Ticket Sales, Amusement and Others*, 20% increase in *Shipping, Logistics and Other Services* and 28% increase in *Royalty and Service Fees*.

Selling, General and Administrative Expenses increased by 18.3% to ₱98.8 billion. This increase is relative to the increase in revenue and the opening of new malls and retail stores.

Income from Operations increased by 26% to ₱102.6 billion. *Operating Margin* and *Net Margin* in 2023 is at 23.3% and 17.5%, respectively.

Other Charges (net) increased by 8.4% to ₱13.2 billion. *Interest Expense* increased to ₱16.4 billion due mainly to new debt availments for working capital and capital expenditure requirements. *Interest Income* increased to ₱3.0 billion due mainly to the increase in average balance of cash and time deposits. *Foreign Exchange Gain - Net and Others* decreased by 74% to ₱336 million. The ₱ to US\$ foreign exchange rate amounted to ₱56.58 in 2023 and ₱55.76 in 2022.

Provision for Income Tax increased by 15.5% to ₱12.3 billion due mainly to higher taxable income in 2023.

Non-controlling Interests increased by 33% to ₱21.2 billion due mainly to the improved net income of SM Retail and SM Prime.

Financial Position

As at September 30, 2023 and December 31, 2022

(amounts in billion pesos)

	09 / 30 / 2023 (Unaudited)	12 / 31 / 2022 (Audited)	% Change
Current Assets	₱ 340.8	₱ 361.5	-5.7%
Noncurrent Assets	1,197.1	1,118.7	7.0%
Total Assets	₱ 1,537.9	₱ 1,480.2	3.9%
Current Liabilities	₱ 303.5	₱ 293.0	3.6%
Noncurrent Liabilities	488.2	495.0	-1.4%
Total Liabilities	791.7	788.0	0.5%
Total Equity	746.2	692.2	7.8%
Total Liabilities and Equity	₱ 1,537.9	₱ 1,480.2	3.9%

Total *Assets* increased by 3.9% to ₱1.5 trillion while Total *Liabilities* increased by 0.5% to ₱791.7 billion.

Current Assets

Current Assets decreased by 5.7% to ₱340.8 billion.

Cash and Cash Equivalents decreased by 20% to ₱85.1 billion: ₱63.9 billion used for investing activities, ₱35.3 billion used for financing activities, partially offset by ₱77.8 billion cash generated from operations.

Inventories increased by 12.8% to ₱120.0 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 7.0% to ₱1,197.1 billion.

Financial Assets at FVOCI (current and noncurrent) decreased by 8.0% to ₱23.8 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 7.7% to ₱353.6 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 ₱22.9 billion as these were used to pay maturing obligations.

Investment Properties increased by 8.7% to ₱528.2 billion due mainly to SM Prime's landbanking and land reclamation project, ongoing new mall and commercial projects, and redevelopment and expansion of existing malls.

Other Noncurrent Assets increased by 12.1% to P137.4 billion attributable mainly to receivable from real estate buyers.

Liabilities

Interest-bearing Debt decreased by 0.2% to P504.7 billion due mainly net payments, particularly by the Parent Company and SM Prime.

Accounts Payable and Other Current Liabilities decreased by 0.6% to P180.8 billion due mainly to the settlement of payable to government agencies and liability for purchased land, partially offset by increase in accruals during the period.

Tenants' Deposits and Others increased by 11.0% to P53.4 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 7.8% to P746.2 billion.

Equity Attributable to Owners of the Parent increased by 7.8% to P535.8 billion due mainly to the following:

- P46.7 billion addition in *Retained Earnings* representing the P55.9 billion YTD September 2023 net income offset by the P9.2 billion dividend declaration, and
- P4.6 billion reduction in *Additional paid-in capital* representing the equity reserve recognized from the acquisition of additional 14% equity interest in 2GO.

Non-controlling Interests increased by 7.7% to P210.4 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:

	09 / 30 / 2023 (Unaudited)	12 / 31 / 2022 (Audited)
Current Ratio	1.1	1.2
Acid Test Ratio	0.5	0.7
Solvency Ratio	16.1%	13.7%
Asset to Equity Ratio	2.1	2.1
Debt - Equity Ratios:		
On Gross Basis	40 : 60	42 : 58
On Net Basis	35 : 65	35 : 65
Return on Equity	14.5%	13.1%
Return on Assets	6.9%	5.9%
	Unaudited YTD September	
	2023	2022
Revenue Growth	15.3%	31%
Net Margin	17.5%	15.4%
Net Income Growth	30%	50%
EBITDA (<i>In Billions of Pesos</i>)	120.4B	98.2B
Interest Cover	7.3x	6.8x

Current ratio slightly decreased to 1.1 due to the 6% decrease in *Current assets* vs 4% increase in *Current liabilities*.

Acid Test Ratio decreased to 0.5 due to the 17% decrease in *Quick assets* vs. 4% increase in *Current Liabilities*.

Solvency Ratio increased to 16.1% due to the 18% increase in *Net Income After Tax* and depreciation vs. 0.5% increase in *Total Liabilities*.

Gross Debt - Equity Ratio improved to 40:60 due to the 0.2% decrease in gross debt with 8% increase in equity. *Net Debt - Equity Ratio* remained at 35:65 due to the 23% decrease in cash and cash equivalents.

Return on Equity improved to 14.5% due to the 21% increase in annualized net income attributable to owners of the parent vs. 9% increase in average equity.

Return on Assets improved to 6.9% due to the 22% increase in annualized *Net Income After Tax* vs 4% increase in average assets.

EBITDA increased by 23% due to the 26% increase in income from operations and 8% increase in depreciation.

Interest Cover improved to 7.3x due to the 23% increase in EBITDA vs. 14% 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.

SM Prime opened its 83rd mall in Balanga City, Bataan in May 2023 and its 8th mall in China in September 2023. In October 2023, it also opened 2 additional malls in the Philippines, namely SM Center San Pedro and SM City Sto. Tomas.

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

Results of Operation
For the Nine Months Ended September 30, 2022 and 2021
(amounts in billion pesos)

	YTD September		% Change
	2022 (Unaudited)	2021 (Restated, Unaudited)	
Revenues	P 382.0	P 292.6	31%
Cost and Expenses	300.3	238.7	26%
Income from Operations	81.7	53.9	52%
Other Charges	12.1	10.3	18.2%
Provision for Income Tax	10.7	5.2	107%
Net Income After Tax	58.9	38.4	53%
Non-controlling Interests	16.0	9.8	63%
Net Income Attributable to Owners of the Parent	P 42.9	P 28.6	50%

For YTD September 2022, *SM Investments Corporation and Subsidiaries (the Group)* reported higher *Net Income Attributable to Owners of the Parent* at P42.9 billion and *Revenues* at P382.0 billion compared to the same period in 2021.

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

	YTD September (Unaudited)			
	Revenues		Net Income	
	2022	2021 (Restated)	2022	2021 (Restated)
Retail	68%	70%	19%	12%
Property	18%	19%	23%	23%
Banks	6%	6%	45%	52%
Portfolio	8%	5%	13%	13%

Retail

For YTD September 2022, SM Retail reported *Revenues* of P258.4 billion, 26% higher compared to the same period in 2021. The Non-Food stores reported a 57% growth in *Sales* driven by the SM Stores, SM Appliances, Our Home, Ace Hardware, Sports Central, International Toyworld/Pet Express. The Food Stores reported a 10.6% growth in *Sales* at P151.5 billion.

With the resumption of in-person schooling, there was an increase in the demand for school essentials – shoes, bags and other supplies, as well as fashion items.

SM Retail generated P11.5 billion of *Net Income*, 138% higher compared to the same period in 2021: Food Stores with a 32% growth, Specialty Stores with 139% growth and the SM Stores with 265% growth.

Property

For YTD September 2022, SM Prime reported *Revenues* of P73.7 billion and *Net Income* of P22.0 billion, 41% higher compared to the same period in 2021.

The Philippine malls reported *Revenues* of P33.9 billion. This is attributable to the increased foot traffic in the malls and resulting increase in sales of its tenants, as well as charging of full rental with the withdrawal of rent concessions starting July 2022. Mall rental income doubled to P30.4 billion in 2022.

SM Prime's residential business, led by SM Development Corporation (SMDC), reported *Revenues* of P28.3 billion, 12% lower than in the same period in 2021 due partly to sales cancellations. SMDC's reservation sales grew 10% to P83.9 billion.

SM Prime's other key businesses which include offices, hotels and convention centers reported a 56% growth in *Revenues* to P7.2 billion.

Banks

For YTD September 2022, BDO reported a *Net Income* of P40.0 billion at 23% growth on solid results across its core businesses. BDO maintained its conservative provisioning policy with provisions at P12.2 billion. Its non-performing loans (NPL) coverage is at 152%, above industry average.

China Bank, on the other hand, reported a *Net Income* of P14.6 billion for YTD September 2022 at 31% growth driven by higher net interest income and core fee income. Its NPL coverage is at 161%, above industry average.

Portfolio Investments

The contribution of Portfolio Investments to the Group *Revenues* and *Net income* is attributable to the addition of Philippine Geothermal Production Company, Inc. as well as the turnaround of 2GO and continuing profitable operations of Belle and Atlas.

Profit & Loss Statement - Account Analysis

Merchandise Sales, which increased by 25% to P250.6 billion accounted for 66% of total revenues in 2022. With the resumption of in-person schooling, there was an increase in the demand for school essentials – shoes, bags and other supplies, as well as fashion items.

In the nine months ended September 30, 2022, SM Retail and its affiliates added 214 stores. This brought total stores to 3,379 which include 69 *SM Stores*, 1,536 Specialty Retail, 62 *SM Supermarket*, 52 *SM Hypermarket*, 215 *Savemore*, 1,366 *Alfamart* and 78 *WalterMart* stores.

Real Estate Sales decreased by 12.6% to P27.5 billion due mainly to sales cancellations.

Rent Revenues, derived mainly from the mall operations of SM Prime, increased by 73% to P34.9 billion. This is attributable to the increased foot traffic in the malls and resulting increase in sales of its tenants, as well as charging of full rental with the withdrawal of rent concessions starting July 2022.

As of September 30, 2022, there were 86 malls in operation, 79 in the Philippines with total GFA of 8.9 million square meters and 7 in China with total GFA of 1.3 million square meters.

Equity in Net Earnings of Associate Companies and Joint Ventures increased by 27% to P25.7 billion, mainly coming from BDO and China Bank.

Other Revenues increased by 108% to P43.3 billion. Bulk of the increase is attributable to 2GO's shipping, logistics and other service revenues and Goldilocks's sale of food items. Only 4 months of 2GO's and 2 months of Goldilocks' operations were included in the statement of consolidated income in 2021 (see Note 4 of unaudited interim consolidated financial statements).

Selling, General and Administrative Expenses increased by 24% to P83.5 billion. The increase is relative to the increase in revenue.

Income from Operations increased by 52% to P81.6 billion. *Operating Margin* and *Net Margin* in 2022 is at 21% and 15%, respectively.

Other Charges (net) increased by 18.2% to P12.1 billion. *Interest Expense* increased to P14.5 billion due mainly to new debt availments for working capital and capital expenditure requirements. *Interest Income* increased by 34% to P2.1 billion due mainly to higher average balance of cash and time deposits.

Provision for Income Tax increased by 107% to P10.7 billion due mainly to higher taxable income in 2022 and the initial adoption of Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) in 2021 which included favorable adjustments of deferred tax liabilities.

Non-controlling interests increased by 63% to P16.0 billion due mainly to the improved net income of partly-owned subsidiaries.

Financial Position

As at September 30, 2022 and December 31, 2021
(amounts in billion pesos)

	09 / 30 / 2022 (Unaudited)	12 / 31 / 2021 (Restated, Unaudited)	% Change
Current Assets	P 361.4	P 306.4	17.9%
Noncurrent Assets	1,091.0	1,056.4	3.3%
Total Assets	P 1,452.4	P 1,362.8	6.6%
Current Liabilities	P 288.2	P 261.6	10.2%
Noncurrent Liabilities	500.2	477.6	4.7%
Total Liabilities	788.4	739.2	6.7%
Total Equity	664.0	623.6	6.5%
Total Liabilities and Equity	P 1,452.4	P 1,362.8	6.6%

Total *Assets* increased by 6.6% to P1,452.4 billion while Total *Liabilities* increased by 6.7% to P788.4 billion.

Current Assets

Current Assets increased by 17.9% to P361.4 billion.

Cash and Cash Equivalents increased by 25% to P111.8 billion due mainly to improved operating results and loan availments partly offset by payments for trade and debt servicing.

Receivables and Contract Assets increased by 12.0% to P85.7 billion due mainly to the increase in receivable from real estate buyers and rent receivables.

Inventories increased by 21% to P105.0 billion. Bulk of the increase came from the Property Group's real estate inventories as a result of construction accomplishments during the period.

Noncurrent Assets

Noncurrent Assets increased by 3.3% to P1,091.0 billion.

Financial Assets at Fair Value through Other Comprehensive Income decreased by 20% to P21.6 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 3.8% to P316.7 billion. The increase mainly represents the Group's equity in net earnings of its associate companies particularly the banks, partly offset by dividends received and share in comprehensive loss of its associate companies.

Time Deposits (current and noncurrent) increased by 115% to P9.1 billion. Portions of loan proceeds were invested temporarily in time deposits.

Investment Properties increased by 3.5% to P479.8 billion due mainly to land banking and ongoing new mall projects in Sorsogon and Tanza, redevelopment of existing malls, and commercial building construction, net of depreciation expense.

Other Noncurrent Assets increased by 10.0% to P138.1 billion due mainly to the increase in bonds and deposits and derivative assets, partly offset by the reclassification to current of receivable from real estate buyers representing projects that are nearing completion or turnover and the collection of long-term notes receivables.

Liabilities

Interest-bearing debt increased by 12.1% to P529.9 billion due to net debt availments in 2022, bulk with SM Prime.

Accounts Payable and Other Current Liabilities decreased by 5.3% to P159.5 billion due mainly to payments of SM Prime's liability for purchased land and due to contractors and suppliers for its ongoing construction projects, as well as Retail's trade payables.

Equity

Total *Equity* increased by 6.5% to P664.0 billion.

Equity Attributable to Owners of the Parent increased by 5.7% to P473.2 billion. This increase resulted mainly from the P42.9 billion net income partly offset by the P7.5 billion dividend declaration that is reflected in *Retained earnings*, P2.2 billion increase in *Cumulative Translation Adjustment* and P3.7 billion increase in *Fair Value Changes on Cash Flow Hedges* resulting from swap transactions, partly offset by the net *Unrealized Loss on Financial Assets at FVOCI* to P1.0 billion loss due to lower market valuation of certain investments.

Non-controlling Interests increased by 8.4% to P190.8 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:

	Unaudited 09 / 30 / 2022	Restated, Unaudited 12 / 31 / 2021
Current Ratio	1.3	1.2
Acid Test Ratio	0.7	0.6
Solvency Ratio	12.4%	10.2%
Asset to Equity	2.2	2.2
Debt - Equity Ratios:		
On Gross Basis	44 : 56	43 : 57
On Net Basis	38 : 62	38 : 62
Return on Equity	12.0%	9.4%
Return on Assets	5.4%	4.2%
	Unaudited YTD September	
	2022	Restated 2021
Revenue Growth	31%	4.7%*
Net Margin	15%	13%
Net Income Growth	50%	79%*
EBITDA (<i>In Billions of Pesos</i>)	98.2B	68.8B
Interest Cover	6.8x	5.2x

*as reported

Current Ratio slightly increased to 1.3 due to the 17.9% increase in *Current Assets* vs. 10.2% increase in *Current Liabilities*.

Acid Test Ratio slightly increased to 0.7 due to the 22% increase in Quick Assets with only 10.2% increase in *Current Liabilities*.

Solvency Ratio increased to 12.4% due to the 29% increase in *Net income after tax* and depreciation vs. 6.7% increase in *Total Liabilities*.

Net Debt - Equity Ratio was maintained at 38:62. This is attributable to the 12.1% increase in Gross debt, 30% increase in cash and cash equivalents vs 6.5% increase in *Equity*.

Return on Equity increased to 12.0% due to the 35% increase in net income attributable to owners of the parent vs. 5.9% increase in average equity.

Return on Assets increased to 5.4% due to the 37% increase in net income after tax vs 8.2% increase in average assets.

The *Revenue Growth* of 31% in 2022 is attributable to higher *Merchandise Sales* of the Retail group, full 9 months revenues of 2GO and GBI vs. only 4 and 2 months, respectively, in 2021, and higher equity in net earnings from the banks.

The *Net Income Growth* of 50% in 2022 is attributable to the 43% growth in net income of the core businesses.

EBITDA increased by 43% due to the P27.8 billion increase in income from operations.

Interest Cover increased to 6.8x due to the 43% increase in *EBITDA* vs. 10.3% increase in interest expense.

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

1. Current Ratio $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. 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 2022

In 2022, 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 October 2022, SM Prime opened its 80th mall in Tanza, Cavite and its 81st mall in Sorsogon City, Sorsogon. The 82nd mall is expected to be opened before the end of the year.

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

PART I FINANCIAL INFORMATION

Item 3. Aging of Accounts Receivable - Trade

As of September 30, 2023 (Unaudited)

In Thousands

Real estate buyers - net of noncurrent portion	₱	64,764,221
Third-party tenants		9,482,006
Shipping and logistics		3,624,605
Related party tenants		442,378
Others		<u>2,727,025</u>
Total	₱	<u><u>81,040,235</u></u>


Aging:

Neither past due nor impaired	₱	68,065,632
Less than 30 days		2,920,228
31-90 days		2,282,743
91-120 days		1,055,101
Over 120 days		3,462,801
Impaired		<u>3,253,730</u>
Total	₱	<u><u>81,040,235</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: 11-14-2023