

# COVER SHEET

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**COMPANY NAME**

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B	S	I	D	I	A	R	I	E	S															

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

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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**COMPANY INFORMATION**

Company's Email Address

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Company's Telephone Number

**8831-1000**

Mobile Number

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No. of Stockholders

**2,399**

Annual Meeting  
Month/Day

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Fiscal Year  
Month/Day

**June 30**

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

**Mr. John Nai Peng C. Ong**

Email Address

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Telephone Number/s

**8831-1000**

Mobile Number

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**CONTACT PERSON'S ADDRESS**

<p><b>10th Floor Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City, Philippines</b></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.



SM Prime Holdings, Inc.  
and Subsidiaries

Unaudited Interim Condensed Consolidated  
Financial Statements  
As at June 30, 2020  
and for the Three-Month and Six-Month  
Periods Ended June 30, 2020 and 2019  
(with Comparative Audited Consolidated  
Balance Sheet as at December 31, 2019)

**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES****INTERIM CONSOLIDATED BALANCE SHEET****JUNE 30, 2020****(With Comparative Audited Figures as at December 31, 2019)***(Amounts in Thousands)*

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 5, 17, 21 and 22)	<b>₱19,984,216</b>	₱34,599,959
Receivables and contract assets (Notes 6, 17, 21 and 22)	<b>65,747,532</b>	53,636,921
Real estate inventories (Note 7)	<b>40,988,601</b>	43,946,109
Equity instruments at fair value through other comprehensive income (Notes 8, 17, 21 and 22)	<b>558,532</b>	659,077
Derivative assets (Notes 21 and 22)	<b>744,359</b>	-
Prepaid expenses and other current assets (Notes 9 and 17)	<b>20,941,455</b>	19,485,542
<b>Total Current Assets</b>	<b>148,964,695</b>	152,327,608
<b>Noncurrent Assets</b>		
Equity instruments at fair value through other comprehensive income - net of current portion (Notes 8, 17, 21 and 22)	<b>14,938,735</b>	20,420,959
Investment properties - net (Note 10)	<b>421,467,935</b>	410,639,578
Investments in associates and joint ventures (Note 11)	<b>27,599,470</b>	27,214,398
Deferred tax assets - net	<b>866,192</b>	903,845
Derivative assets - net of current portion (Notes 21 and 22)	<b>258,226</b>	826,315
Other noncurrent assets - net (Notes 12, 17, 21 and 22)	<b>63,860,454</b>	54,946,971
<b>Total Noncurrent Assets</b>	<b>528,991,012</b>	514,952,066
	<b>₱677,955,707</b>	₱667,279,674
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable (Notes 13, 17, 21 and 22)	<b>₱3,000,000</b>	₱100,000
Accounts payable and other current liabilities (Notes 14, 17, 21 and 22)	<b>76,224,499</b>	70,125,750
Current portion of long-term debt (Notes 15, 17, 21 and 22)	<b>40,818,091</b>	23,521,373
Derivative liabilities (Notes 21 and 22)	<b>89,984</b>	-
Income tax payable	<b>202,412</b>	1,509,657
<b>Total Current Liabilities</b>	<b>120,334,986</b>	95,256,780
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Notes 15, 17, 21 and 22)	<b>197,133,371</b>	214,333,050
Tenants' and customers' deposits - net of current portion (Notes 14, 21 and 22)	<b>22,241,465</b>	21,646,217
Liability for purchased land - net of current portion (Notes 14, 21 and 22)	<b>3,823,839</b>	4,214,234
Deferred tax liabilities - net	<b>6,196,007</b>	4,179,154
Derivative liabilities - net of current portion (Notes 21 and 22)	<b>975,650</b>	711,617
Other noncurrent liabilities (Notes 14, 21 and 22)	<b>26,077,380</b>	24,422,348
<b>Total Noncurrent Liabilities</b>	<b>256,447,712</b>	269,506,620
<b>Total Liabilities (Carried Forward)</b>	<b>376,782,698</b>	364,763,400

*(Forward)*

	<b>June 30, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
<b>Total Liabilities (<i>Brought Forward</i>)</b>	<b>₱376,782,698</b>	<b>₱364,763,400</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		
Capital stock (Notes 16 and 23)	<b>33,166,300</b>	33,166,300
Additional paid-in capital - net	<b>38,007,668</b>	38,007,668
Cumulative translation adjustment	<b>941,616</b>	1,344,274
Net fair value changes of equity instruments at fair value through other comprehensive income (Note 8)	<b>12,258,221</b>	17,840,990
Net fair value changes on cash flow hedges	<b>(1,876,140)</b>	(1,328,167)
Remeasurement loss on defined benefit obligation	<b>(913,390)</b>	(913,390)
Retained earnings (Note 16):		
Appropriated	<b>42,200,000</b>	42,200,000
Unappropriated	<b>178,677,642</b>	173,583,191
Treasury stock (Notes 16 and 23)	<b>(2,984,695)</b>	(2,984,695)
<b>Total Equity Attributable to Equity Holders of the Parent</b>	<b>299,477,222</b>	300,916,171
<b>Non-controlling Interests</b>	<b>1,695,787</b>	1,600,103
<b>Total Equity</b>	<b>301,173,009</b>	302,516,274
	<b>₱677,955,707</b>	<b>₱667,279,674</b>

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF INCOME**  
*(Amounts in Thousands, Except Per Share Data)*

	<b>Six-Month Periods Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
	(Unaudited)	
<b>REVENUE</b>		
Rent (Note 17)	<b>₱18,304,517</b>	₱29,939,888
Sales:		
Real estate	<b>23,460,594</b>	21,002,057
Cinema and event ticket	<b>607,652</b>	2,813,192
Others (Notes 17 and 18)	<b>1,304,186</b>	3,293,491
	<b>43,676,949</b>	57,048,628
<b>COSTS AND EXPENSES</b> (Note 19)	<b>27,328,209</b>	29,615,615
<b>INCOME FROM OPERATIONS</b>	<b>16,348,740</b>	27,433,013
<b>OTHER INCOME (CHARGES)</b>		
Interest expense (Notes 13, 15, 17 and 20)	<b>(3,712,067)</b>	(3,810,518)
Interest and dividend income (Notes 5, 6, 8, 9, 12, 17 and 20)	<b>732,438</b>	991,093
Others - net (Notes 11, 14 and 15)	<b>380,172</b>	264,911
	<b>(2,599,457)</b>	(2,554,514)
<b>INCOME BEFORE INCOME TAX</b>	<b>13,749,283</b>	24,878,499
<b>PROVISION FOR INCOME TAX</b>		
Current	<b>1,194,387</b>	4,453,017
Deferred	<b>2,026,325</b>	720,349
	<b>3,220,712</b>	5,173,366
<b>NET INCOME</b>	<b>₱10,528,571</b>	₱19,705,133
<b>Attributable to</b>		
Equity holders of the Parent (Notes 16 and 23)	<b>₱10,432,887</b>	₱19,299,286
Non-controlling interests (Note 16)	<b>95,684</b>	405,847
	<b>₱10,528,571</b>	₱19,705,133
Basic/Diluted earnings per share (Note 23)	<b>₱0.362</b>	₱0.669

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
*(Amounts in Thousands)*

	<b>Six-Month Periods Ended June 30</b>	
	<b>2020</b>	2019
	(Unaudited)	
<b>NET INCOME</b>	<b>₱10,528,571</b>	₱19,705,133
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Items that will not be reclassified to profit or loss in subsequent periods:		
Unrealized gain (loss) due to changes in fair value of financial assets at fair value through other comprehensive income (Note 8)	(5,582,769)	796,518
Items that may be reclassified to profit or loss in subsequent periods:		
Net fair value changes on cash flow hedges	(547,973)	(560,177)
Cumulative translation adjustment	(402,658)	(313,216)
	<b>(6,533,400)</b>	<b>(76,875)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱3,995,171</b>	₱19,628,258
<b>Attributable to</b>		
Equity holders of the Parent (Note 16)	₱3,899,487	₱19,222,411
Non-controlling interests (Note 16)	95,684	405,847
	<b>₱3,995,171</b>	<b>₱19,628,258</b>

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF INCOME**  
*(Amounts in Thousands, Except Per Share Data)*

	<b>Three-Month Periods Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
	(Unaudited)	
<b>REVENUE</b>		
Rent (Note 17)	<b>₱5,526,785</b>	₱15,157,803
Sales:		
Real estate	<b>12,166,629</b>	11,906,260
Cinema and event ticket	–	1,639,697
Others (Notes 17 and 18)	<b>196,066</b>	1,806,554
	<b>17,889,480</b>	30,510,314
<b>COSTS AND EXPENSES</b> (Note 19)	<b>13,420,272</b>	16,062,125
<b>INCOME FROM OPERATIONS</b>	<b>4,469,208</b>	14,448,189
<b>OTHER INCOME (CHARGES)</b>		
Interest expense (Notes 13, 15, 17 and 20)	<b>(1,734,958)</b>	(1,801,530)
Interest and dividend income (Notes 5, 6, 8, 9, 12, 17 and 20)	<b>324,255</b>	540,495
Others - net (Notes 11, 14 and 15)	<b>131,161</b>	158,466
	<b>(1,279,542)</b>	(1,102,569)
<b>INCOME BEFORE INCOME TAX</b>	<b>3,189,666</b>	13,345,620
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>		
Current	<b>(680,349)</b>	2,157,326
Deferred	<b>1,738,307</b>	478,483
	<b>1,057,958</b>	2,635,809
<b>NET INCOME</b>	<b>₱2,131,708</b>	₱10,709,811
<b>Attributable to</b>		
Equity holders of the Parent (Notes 16 and 23)	<b>₱2,112,721</b>	₱10,503,190
Non-controlling interests (Note 16)	<b>18,987</b>	206,621
	<b>₱2,131,708</b>	₱10,709,811
<b>Basic/Diluted earnings per share</b> (Note 23)	<b>₱0.073</b>	₱0.364

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*



**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
*(Amounts in Thousands)*

	<b>Three-Month Periods Ended June 30</b>	
	<b>2020</b>	2019
	(Unaudited)	
<b>NET INCOME</b>	<b>₱2,131,708</b>	₱10,709,811
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Items that will not be reclassified to profit or loss in subsequent periods:		
Unrealized gain due to changes in fair value of financial assets at fair value through other comprehensive income (Note 8)	<b>1,894,926</b>	234,486
Items that may be reclassified to profit or loss in subsequent periods:		
Net fair value changes on cash flow hedges	<b>46,876</b>	(474,381)
Cumulative translation adjustment	<b>(176,619)</b>	(623,426)
	<b>1,765,183</b>	(863,321)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱3,896,891</b>	₱9,846,490
<b>Attributable to</b>		
Equity holders of the Parent (Note 16)	<b>₱3,877,904</b>	₱9,639,869
Non-controlling interests (Note 16)	<b>18,987</b>	206,621
	<b>₱3,896,891</b>	₱9,846,490

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

## SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

### INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent (Notes 16, 21 and 23)											
	Capital Stock (Notes 16 and 23)	Additional Paid-in Capital - Net	Cumulative Translation Adjustment	Net fair value changes of equity instruments at FVOCI (Note 8)	Net Fair Value Changes on Cash Flow Hedges	Remeasurement Loss on Defined Benefit Obligation	Retained Earnings (Note 16)		Treasury Stock (Notes 16 and 23)	Non-controlling Interests	Total Equity	
						Appropriated	Unappropriated		Total			
At December 31, 2019 (Audited)	₱33,166,300	₱38,007,668	₱1,344,274	₱17,840,990	(₱1,328,167)	(₱913,390)	₱42,200,000	₱173,583,191	(₱2,984,695)	₱300,916,171	₱1,600,103	₱302,516,274
Net income for the period	-	-	-	-	-	-	-	10,432,887	-	10,432,887	95,684	10,528,571
Other comprehensive loss	-	-	(402,658)	(5,582,769)	(547,973)	-	-	-	-	(6,533,400)	-	(6,533,400)
Total comprehensive income (loss) for the period	-	-	(402,658)	(5,582,769)	(547,973)	-	-	10,432,887	-	3,899,487	95,684	3,995,171
Cash dividends	-	-	-	-	-	-	-	(5,342,658)	-	(5,342,658)	-	(5,342,658)
Cash dividends received by a subsidiary	-	-	-	-	-	-	-	4,222	-	4,222	-	4,222
At June 30, 2020 (Unaudited)	₱33,166,300	₱38,007,668	₱941,616	₱12,258,221	(₱1,876,140)	(₱913,390)	₱42,200,000	₱178,677,642	(₱2,984,695)	₱299,477,222	₱1,695,787	₱301,173,009
At December 31, 2018 (Audited)	₱33,166,300	₱39,953,218	₱1,955,999	₱19,084,597	(₱842,098)	(₱348,480)	₱42,200,000	₱143,118,153	(₱2,984,695)	₱275,302,994	₱3,774,968	₱279,077,962
Net income for the period	-	-	-	-	-	-	-	19,299,286	-	19,299,286	405,847	19,705,133
Other comprehensive income (loss)	-	-	(313,216)	796,518	(560,177)	-	-	-	-	(76,875)	-	(76,875)
Total comprehensive income (loss) for the period	-	-	(313,216)	796,518	(560,177)	-	-	19,299,286	-	19,222,411	405,847	19,628,258
Cash dividends	-	-	-	-	-	-	-	(10,507,731)	-	(10,507,731)	-	(10,507,731)
Cash dividends received by a subsidiary	-	-	-	-	-	-	-	7,987	-	7,987	-	7,987
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(516,200)	(516,200)
Sale (acquisition) of non-controlling interest	-	811	-	-	-	-	-	-	-	811	(81,516)	(80,705)
At June 30, 2019 (Unaudited)	₱33,166,300	₱39,954,029	₱1,642,783	₱19,881,115	(₱1,402,275)	(₱348,480)	₱42,200,000	₱151,917,695	(₱2,984,695)	₱284,026,472	₱3,583,099	₱287,609,571

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Amounts in Thousands)*

	<b>Six-Month Periods Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
	(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱13,749,283</b>	₱24,878,499
Adjustments for:		
Depreciation and amortization (Notes 10, 12 and 19)	<b>5,485,671</b>	5,315,179
Interest expense (Notes 13, 15, 17 and 20)	<b>3,712,067</b>	3,810,518
Interest and dividend income (Notes 5, 6, 8, 9, 12, 17 and 20)	<b>(732,438)</b>	(991,093)
Equity in net earnings of associates and joint ventures (Note 11)	<b>(425,036)</b>	(567,874)
Loss (gain) on unrealized foreign exchange and fair value changes on derivatives - net	<b>225,023</b>	(264,594)
Operating income before working capital changes	<b>22,014,570</b>	32,180,635
Decrease (increase) in:		
Receivables and contract assets	<b>(14,114,147)</b>	(14,979,893)
Real estate inventories	<b>2,890,220</b>	678,818
Prepaid expenses and other current assets	<b>(1,503,894)</b>	(220,481)
Increase in:		
Accounts payable and other current liabilities	<b>1,996,159</b>	14,150,440
Tenants' and customers' deposits	<b>649,310</b>	1,146,616
Cash generated from operations	<b>11,932,218</b>	32,956,135
Income tax paid	<b>(2,492,738)</b>	(4,107,068)
Cash provided by operating activities	<b>9,439,480</b>	28,849,067
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>639,352</b>	768,379
Dividends received	<b>106,585</b>	210,114
Additions to investment properties - net (Note 10)	<b>(17,669,755)</b>	(21,672,377)
Increase in investments in associates and joint ventures	-	(26,418)
Increase in other noncurrent assets	<b>(7,406,923)</b>	(2,355,698)
Net cash used in investing activities	<b>(24,330,741)</b>	(23,076,000)

*(Forward)*

	<b>Six-Month Periods Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
	(Unaudited)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Availments of bank loans and long-term debt (Notes 13 and 15)	<b>₱40,050,412</b>	₱12,800,330
Payments of:		
Long-term debt (Note 15)	<b>(21,216,068)</b>	(2,078,497)
Bank loans	<b>(15,100,000)</b>	–
Dividends (Note 16)	–	(11,015,944)
Interest (Notes 13, 15, 17 and 20)	<b>(3,414,527)</b>	(3,538,104)
Lease liabilities (Note 14)	<b>(39,252)</b>	(29,320)
Net cash provided by (used in) financing activities	<b>280,565</b>	(3,861,535)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(5,047)</b>	(119,701)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(14,615,743)</b>	1,791,831
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>34,599,959</b>	38,766,467
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>₱19,984,216</b>	₱40,558,298

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

# **SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**

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## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Corporate Information**

SM Prime Holdings, Inc. (SMPH or the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on January 6, 1994. SMPH and its subsidiaries (collectively known as “the Company”) are incorporated to acquire by purchase, exchange, assignment, gift or otherwise, and to own, use, improve, subdivide, operate, enjoy, sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, traffic, deal in and hold for investment or otherwise, including but not limited to real estate and the right to receive, collect and dispose of, any and all rentals, dividends, interest and income derived therefrom; the right to vote on any proprietary or other interest on any shares of stock, and upon any bonds, debentures, or other securities; and the right to develop, conduct, operate and maintain modernized commercial shopping centers and all the businesses appurtenant thereto, such as but not limited to the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, movie or cinema theatres within the compound or premises of the shopping centers, to construct, erect, manage and administer buildings such as condominium, apartments, hotels, restaurants, stores or other structures for mixed use purposes.

SMPH’s shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

As at June 30, 2020, SMPH is 49.70% and 25.85% directly-owned by SM Investments Corporation (SMIC) and the Sy Family, respectively. SMIC, the ultimate parent company, is a Philippine corporation which listed its common shares with the PSE in 2005. SMIC and all its subsidiaries are herein referred to as the “SM Group”.

The registered office and principal place of business of the Parent Company is at 10<sup>th</sup> Floor Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City, Philippines.

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### **2. Basis of Preparation**

#### Basis of Preparation

The accompanying interim condensed consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and equity instruments at fair value through other comprehensive income (FVOCI) which have been measured at fair value.

The interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. The interim condensed consolidated financial statements are presented in Philippine peso, which is the Parent Company’s functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest thousand peso, except when otherwise indicated.

The interim condensed consolidated financial statements have been prepared under the going concern assumption. The Company believes that its business would remain relevant despite the challenges posed by the COVID-19 pandemic. Whilst the pandemic may adversely impact the short-term business results, long-term prospects remain attractive. The Company maintains a conservative balance sheet and is confident it would be able to navigate through these challenges and take opportunities as they arise.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual audited consolidated financial statements as at December 31, 2019.

#### Basis of Consolidation

The interim condensed consolidated financial statements include the accounts of the Parent Company and all of its subsidiaries. As at June 30, 2020, there were no significant changes in the composition of the Company and in the Parent Company's ownership interests in its subsidiaries.

#### Significant Accounting Judgments, Estimates and Assumptions

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Except as otherwise stated, there were no significant changes in the significant accounting judgments, estimates and assumptions used by the Company for the six-month period ended June 30, 2020.

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### 3. **Summary of Significant Accounting and Financial Reporting Policies**

#### Changes in Accounting Policies and Disclosures

The accounting policies and method of computation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2019, except for the following amendments which the Company has adopted starting January 1, 2020. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 3, *Definition of a Business*, clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments will apply on future business combinations of the Company.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*, provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*, provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. The Company is currently assessing the impact of adopting this standard.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*, provide relief to the lessees for applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally on or before June 30, 2020; and
  - There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concessions in the same way it would account for a change that is not a lease modification, i. e., as a variable lease payment.

The amendments are effective for annual reporting periods on or after June 1, 2020. Early adoption is permitted.

The Company adopted the amendments beginning January 1, 2020. These amendments have no significant impact on the interim condensed consolidated financial statements.

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#### 4. Segment Information

For management purposes, the Company is organized into business units based on their products and services, and has four reportable operating segments as follows: mall, residential, commercial and hotels and convention centers.

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, or cinema theaters within the compound of the shopping centers.

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.

Hotels and convention centers segment engages in and carry on the business of hotel and convention centers and operates and maintains any and all services and facilities incident thereto.

Management, through the Executive Committee, monitors the operating results of its business units separately 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 interim condensed consolidated financial statements.

The amount of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in the interim condensed consolidated financial statements, which is in accordance with PFRS.

#### Inter-segment Transactions

Inter-segment transactions are eliminated in the interim condensed consolidated financial statements.

#### Business Segment Data

	Six-month period ended June 30, 2020 (Unaudited)					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations/ Adjustments	Consolidated Balances
	<i>(In Thousands)</i>					
Revenue:						
External customers	P16,386,214	P23,701,857	P2,501,145	P1,087,733	P-	P43,676,949
Inter-segment	30,668	6,111	37,227	1,253	(75,259)	-
	<b>P16,416,882</b>	<b>P23,707,968</b>	<b>P2,538,372</b>	<b>P1,088,986</b>	<b>(P75,259)</b>	<b>P43,676,949</b>
Segment results:						
Income (loss) before income tax	P4,052,016	P8,080,771	P2,164,016	(P384,711)	(P162,809)	P13,749,283
Provision for income tax	(974,849)	(1,826,071)	(419,792)	-	-	(3,220,712)
Net income (loss)	<b>P3,077,167</b>	<b>P6,254,700</b>	<b>P1,744,224</b>	<b>(P384,711)</b>	<b>(P162,809)</b>	<b>P10,528,571</b>
Net income (loss) attributable to:						
Equity holders of the Parent	P2,974,846	P6,261,337	P1,744,224	(P384,711)	(P162,809)	P10,432,887
Non-controlling interests	102,321	(6,637)	-	-	-	95,684
Other information:						
Capital expenditures	P12,823,016	P13,209,860	P3,598,157	P414,794	P-	P30,045,827
Depreciation and amortization	4,758,968	78,329	325,519	322,855	-	5,485,671



Six-month period ended June 30, 2019 (Unaudited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations/ Adjustments	Consolidated Balances
<i>(In Thousands)</i>						
Revenue:						
External customers	₱31,030,801	₱21,430,885	₱2,145,620	₱2,441,322	₱-	₱57,048,628
Inter-segment	37,370	-	35,502	5,272	(78,144)	-
	<b>₱31,068,171</b>	<b>₱21,430,885</b>	<b>₱2,181,122</b>	<b>₱2,446,594</b>	<b>(₱78,144)</b>	<b>₱57,048,628</b>
Segment results:						
Income before income tax	₱16,200,147	₱7,089,254	₱1,732,289	₱509,717	(₱652,908)	₱24,878,499
Provision for income tax	(3,640,561)	(1,078,542)	(326,911)	(127,352)	-	(5,173,366)
Net income	<b>₱12,559,586</b>	<b>₱6,010,712</b>	<b>₱1,405,378</b>	<b>₱382,365</b>	<b>(₱652,908)</b>	<b>₱19,705,133</b>
Net income attributable to:						
Equity holders of the Parent	₱12,158,490	₱6,005,961	₱1,405,378	₱382,365	(₱652,908)	₱19,299,286
Non-controlling interests	401,096	4,751	-	-	-	405,847
Other information:						
Capital expenditures	₱12,717,799	₱12,294,430	₱1,837,758	₱896,862	₱-	₱27,746,849
Depreciation and amortization	4,665,024	72,571	284,683	292,901	-	5,315,179

June 30, 2020 (Unaudited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
Segment assets	<b>₱377,982,665</b>	<b>₱233,603,741</b>	<b>₱55,470,585</b>	<b>₱13,521,611</b>	<b>(₱2,622,895)</b>	<b>₱677,955,707</b>
Segment liabilities	<b>₱237,916,272</b>	<b>₱133,998,266</b>	<b>₱6,532,913</b>	<b>₱958,142</b>	<b>(₱2,622,895)</b>	<b>₱376,782,698</b>

December 31, 2019 (Audited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
Segment assets	₱388,653,151	₱217,788,016	₱51,340,770	₱13,573,854	(₱4,076,117)	₱667,279,674
Segment liabilities	₱237,486,362	₱124,277,871	₱5,982,687	₱1,092,597	(₱4,076,117)	₱364,763,400

For the six-month periods ended June 30, 2020 and 2019, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers. The Company disaggregates its revenue information the same manner as it reports its segment information.

#### Seasonality

Except for the impact of COVID-19 pandemic to the Company's operations starting March 2020, there were no trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations.

## 5. Cash and Cash Equivalents

Cash and cash equivalents comprised the following:

	<b>June 30, 2020</b>	December 31, 2019
	<b>(Unaudited)</b>	(Audited)
	<i>(In Thousands)</i>	
Cash on hand and in banks (see Note 17)	<b>₱3,475,803</b>	₱4,564,399
Temporary investments (see Note 17)	<b>16,508,413</b>	30,035,560
	<b>₱19,984,216</b>	₱34,599,959

Interest income earned from cash in banks and temporary investments amounted to ₱568 million and ₱696 million for the six-month periods ended June 30, 2020 and 2019, respectively (see Note 20).

## 6. Receivables and Contract Assets

This account consists of:

	<b>June 30, 2020</b>	December 31, 2019
	<b>(Unaudited)</b>	(Audited)
	<i>(In Thousands)</i>	
Trade (billed and unbilled):		
Sale of real estate*	<b>₱82,142,927</b>	₱66,604,837
Rent:		
Third parties	<b>5,560,458</b>	6,347,182
Related parties (see Note 17)	<b>3,207,939</b>	3,733,761
Others	<b>7,805</b>	40,754
Nontrade	<b>200,701</b>	241,413
Accrued interest (see Note 17)	<b>115,243</b>	128,743
Others (see Note 17)	<b>2,166,375</b>	2,474,556
	<b>93,401,448</b>	79,571,246
Less allowance for ECLs	<b>1,152,847</b>	1,053,549
	<b>92,248,601</b>	78,517,697
Less noncurrent portion of receivables from sale of real estate (see Note 12)	<b>26,501,069</b>	24,880,776
	<b>₱65,747,532</b>	₱53,636,921

\*Includes unbilled revenue from sale of real estate amounting to ₱61,850 million and ₱59,903 million as at June 30, 2020 and December 31, 2019, respectively.

Interest income earned from receivables amounted to ₱28 million and ₱46 million for the six-month periods ended June 30, 2020 and 2019, respectively (see Note 20).

The movements in the allowance for ECLs related to receivables are as follows:

	<b>June 30, 2020</b>	December 31, 2019
	<b>(Six Months)</b>	(One Year)
	<b>(Unaudited)</b>	(Audited)
	<i>(In Thousands)</i>	
At beginning of the period	<b>₱1,053,549</b>	₱1,034,040
Provision (write-off) - net	<b>99,298</b>	19,509
At end of the period	<b>₱1,152,847</b>	₱1,053,549

The aging analysis of receivables and unbilled revenue from sale of real estate are as follows:

	<b>June 30, 2020</b>	December 31, 2019
	<b>(Unaudited)</b>	(Audited)
	<i>(In Thousands)</i>	
Neither past due nor impaired	<b>₱82,912,183</b>	₱70,428,499
Past due but not impaired:		
Less than 30 days	<b>2,683,613</b>	3,000,288
31–90 days	<b>563,727</b>	2,890,044
91–120 days	<b>1,285,238</b>	650,958
Over 120 days	<b>4,803,840</b>	1,547,908
Impaired	<b>1,152,847</b>	1,053,549
	<b>₱93,401,448</b>	₱79,571,246

Receivables, except for those that are impaired, are assessed by the Company's management as not impaired, good and collectible.

## 7. Real Estate Inventories

The movements in this account are as follows:

	Land and Development	Condominium Units for Sale	Residential Units and Subdivision Lots	Total
	<i>(In Thousands)</i>			
Balance as at December 31, 2018	₱29,486,964	₱7,939,941	₱148,198	₱37,575,103
Development cost incurred	22,263,906	–	–	22,263,906
Cost of real estate sold	(14,632,001)	(6,006,765)	(155,594)	(20,794,360)
Reclassifications and transfers (see Note 10)	913,053	3,947,179	142,218	5,002,450
Translation adjustment and others	(100,990)	–	–	(100,990)
Balance as at December 31, 2019	37,930,932	5,880,355	134,822	43,946,109
Development cost incurred	7,787,409	–	–	7,787,409
Cost of real estate sold (see Note 19)	(9,592,293)	(1,070,527)	(22,949)	(10,685,769)
Reclassifications and transfers	(298,107)	296,873	1,234	–
Translation adjustment and others	(67,288)	8,140	–	(59,148)
<b>Balance as at June 30, 2020</b>	<b>₱35,760,653</b>	<b>₱5,114,841</b>	<b>₱113,107</b>	<b>₱40,988,601</b>

Land and development pertains to the Company's on-going residential units and condominium projects. Estimated cost to complete the projects amounted to ₱88,548 million and ₱74,238 million as at June 30, 2020 and December 31, 2019, respectively.

Condominium and residential units for sale pertain to the completed projects and are stated at cost as at June 30, 2020 and December 31, 2019.

Contract fulfillment assets, included under land and development, mainly pertain to unamortized portion of land cost totaling ₱907 million and ₱720 million as at June 30, 2020 and December 31, 2019, respectively.

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## 8. Equity Instruments at FVOCI

This account consists of investments in:

	<b>June 30, 2020</b>	December 31, 2019
	<b>(Unaudited)</b>	(Audited)
	<i>(In Thousands)</i>	
Shares of stock:		
Listed (see Note 17)	<b>₱15,493,886</b>	₱21,076,655
Unlisted	<b>3,381</b>	3,381
	<b>15,497,267</b>	21,080,036
Less noncurrent portion	<b>14,938,735</b>	20,420,959
	<b>₱558,532</b>	₱659,077

Dividend income from investments at FVOCI amounted to ₱107 million and ₱210 million for the six-month periods ended June 30, 2020 and 2019, respectively.

Unrealized loss on changes in fair value amounting to ₱5,583 million for the six-month period ended June 30, 2020 and unrealized gain amounting to ₱797 million for the six-month period ended June 30, 2019 were included under other comprehensive income.

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## 9. Prepaid Expenses and Other Current Assets

This account consists of:

	<b>June 30, 2020</b>	December 31, 2019
	<b>(Unaudited)</b>	(Audited)
	<i>(In Thousands)</i>	
Advances and deposits	<b>₱9,267,444</b>	₱8,261,828
Input and creditable withholding taxes	<b>7,672,833</b>	6,781,180
Prepaid taxes and other prepayments	<b>3,445,955</b>	3,905,472
Supplies and inventories	<b>354,997</b>	370,330
Cash in escrow and others (see Note 17)	<b>200,226</b>	166,732
	<b>₱20,941,455</b>	₱19,485,542

Interest income earned from the cash in escrow amounted to ₱1 million and ₱3 million for the six-month periods ended June 30, 2020 and 2019, respectively (see Note 20).

## 10. Investment Properties

The movements in this account are as follows:

	Land Held for Future Development	Land and Improvements	Buildings and Improvements	Building Equipment, Furniture and Others	ROUA - Land	Construction in Progress	Total
<i>(In Thousands)</i>							
<b>Cost</b>							
Balance as at December 31, 2018	₱49,844,246	₱66,877,711	₱224,775,902	₱39,780,170	₱-	₱38,740,171	₱420,018,200
Effect of PFRS 16 adoption	-	(145,995)	-	-	19,761,645	-	19,615,650
Additions	22,801,889	6,760,551	2,156,348	1,863,980	3,000,000	29,076,123	65,658,891
Reclassifications (see Note 7)	(1,803,370)	(3,173,524)	12,679,149	1,261,397	-	(13,966,102)	(5,002,450)
Translation adjustment	-	(67,417)	(1,976,026)	(157,843)	(556,102)	(69,322)	(2,826,710)
Disposals	-	(4,012)	(18,639)	(159,680)	(2,073)	(1,153)	(185,557)
Balance as at December 31, 2019	70,842,765	70,247,314	237,616,734	42,588,024	22,203,470	53,779,717	497,278,024
Additions	1,093,970	445,351	711,450	563,442	3,214,107	11,661,265	17,689,585
Reclassifications	-	505,460	4,336,101	245,743	-	(5,087,304)	-
Translation adjustment	-	(41,661)	(1,250,037)	(99,577)	(297,368)	(113,521)	(1,802,164)
Disposals	-	(81)	-	(27,715)	-	-	(27,796)
Balance as at June 30, 2020	₱71,936,735	₱71,156,383	₱241,414,248	₱43,269,917	₱25,120,209	₱60,240,157	₱513,137,649
<b>Accumulated Depreciation and Amortization</b>							
Balance as at December 31, 2018	₱-	₱2,070,849	₱50,214,470	₱24,314,019	₱-	₱-	₱76,599,338
Depreciation and amortization	-	229,686	6,807,228	3,055,683	549,840	-	10,642,437
Reclassifications	-	7,563	(7,563)	-	-	-	-
Translation adjustment	-	(35,053)	(355,546)	(88,474)	(4,416)	-	(483,489)
Disposals	-	(2,883)	(10,454)	(105,893)	(610)	-	(119,840)
Balance as at December 31, 2019	-	2,270,162	56,648,135	27,175,335	544,814	-	86,638,446
Depreciation and amortization (see Note 19)	-	107,879	3,465,028	1,544,494	270,382	-	5,387,783
Translation adjustment	-	(25,529)	(243,446)	(58,396)	(6,019)	-	(333,390)
Disposals	-	(18)	-	(23,107)	-	-	(23,125)
Balance as at June 30, 2020	₱-	₱2,352,494	₱59,869,717	₱28,638,326	₱809,177	₱-	₱91,669,714
<b>Net Book Value</b>							
As at December 31, 2019	₱70,842,765	₱67,977,152	₱180,968,599	₱15,412,689	₱21,658,656	₱53,779,717	₱410,639,578
<b>As at June 30, 2020</b>	<b>71,936,735</b>	<b>68,803,889</b>	<b>181,544,531</b>	<b>14,631,591</b>	<b>24,311,032</b>	<b>60,240,157</b>	<b>421,467,935</b>

Portions of investment properties located in China with total carrying value of ₱1,639 million and ₱1,738 million as at June 30, 2020 and December 31, 2019, respectively, are mortgaged as collaterals to secure domestic borrowings (see Note 15).

Consolidated rent income from investment properties amounted to ₱18,305 million and ₱29,940 million for the six-month periods ended June 30, 2020 and 2019, respectively. Consolidated costs and expenses from investment properties amounted to ₱13,361 million and ₱16,535 million for the six-month periods ended June 30, 2020 and 2019, respectively.

Construction in progress includes shopping mall complex under construction and landbanking and commercial building constructions amounting to ₱60,240 million and ₱53,780 million as at June 30, 2020 and December 31, 2019, respectively.

Interest capitalized to the construction of investment properties amounted to ₱2,735 million and ₱3,143 million and capitalization rates used range from 2.35% to 4.68% and from 2.35% to 5.13%, for the periods ended June 30, 2020 and December 31, 2019, respectively.

The most recent fair value of investment properties amounted to ₱1,305,810 million as determined by an independent appraiser who holds a recognized and relevant professional qualification. The valuation of investment properties was based on market values mainly using income approach. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards as set out by the International Valuation Standards Committee. The significant assumptions used in the valuation are discount rates and capitalization rates of 4.00% to 6.00% with an average growth rate of 1.00% to 5.00%.

Investment properties are categorized under Level 3 fair value measurement.

The emergence of COVID-19 pandemic poses a potential impact in the fair value measurement of investment properties in 2020 from that determined on September 30, 2018. The Company's management is continuously assessing the situation for possible estimation uncertainties given the pandemic's fluid and evolving nature.

The Company has no restriction on the realizability of its investment properties and no obligation to either purchase, construct or develop or for repairs, maintenance and enhancements.

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## 11. Investments in Associates and Joint Ventures

### Investments in Associates

This pertains mainly to investments in the following companies:

- OCLP Holdings, Inc. (OHI)
- Feihua Real Estate (Chongqing) Company Ltd. (FHREC)

On May 7, 2015, SMPH acquired 39.96% collective ownership interest in OHI, through acquisition of 100% interest in six (6) holding entities, for a total consideration of ₱15,433 million, which approximates the proportionate share of SMPH in the fair values of the identifiable net assets of OHI based on the provisional amounts. OHI owns strategic residential, commercial and landbank areas in key cities in Metro Manila.

As at June 30, 2020, OHI's total assets, total liabilities and total equity amounted to ₱40,240 million, ₱30,397 million and ₱9,843 million, respectively, and the carrying value of

investment in OHI amounted to ₱17,862 million, which consists of its proportionate share in the net assets of OHI amounting to ₱4,090 million and fair value adjustments and others totaling ₱13,772 million. The share in profit and total comprehensive income amounted to ₱223 million and ₱298 million for the six-month periods ended June 30, 2020 and 2019, respectively.

The carrying value of investment in FHREC amounted to ₱1,236 million and ₱1,276 million as at June 30, 2020 and December 31, 2019, respectively, with cumulative equity in net earnings amounting to ₱967 million and ₱984 million as at June 30, 2020 and December 31, 2019, respectively.

#### Investment in Joint Ventures

This significantly pertains to the 51% ownership interest of the Company in Waltermart. Waltermart is involved in shopping mall operations and currently owns 31 malls across Metro Manila and Luzon.

The aggregate carrying values of investments in Waltermart amounted to ₱6,811 million and ₱6,675 million as at June 30, 2020 and December 31, 2019, respectively. These consist of the acquisition costs totaling ₱5,145 million and cumulative equity in net earnings and dividend totaling ₱1,666 million and ₱1,530 million as at June 30, 2020 and December 31, 2019, respectively. The aggregate share in profit and total comprehensive income, net of dividend received, amounted to ₱136 million and ₱246 million for the six-month periods ended June 30, 2020 and 2019, respectively.

In June 2016, SMDC entered into a shareholder's agreement through ST 6747 Resources Corporation (STRC) for the development of "The Estate", a high-end luxury residential project along Ayala Avenue, Makati City. Under the provisions of the agreement, each party shall have 50% ownership interest and is required to maintain each party's equal equity interest in STRC. The carrying value of investment in STRC amounted to ₱1,571 million and ₱1,500 million as at June 30, 2020 and December 31, 2019, respectively. The aggregate share in profit and total comprehensive income, net of dividend received amounted to ₱71 million for the six-month period ended June 30, 2020. The investment in STRC is accounted as joint venture using equity method of accounting because the contractual arrangement between the parties establishes joint control. The project was launched in 2019.

Investments in associates and joint ventures are accounted for using the equity method.

The Company has no outstanding contingent liabilities or capital commitments related to its investments in associates and joint ventures as at June 30, 2020 and December 31, 2019.

## 12. Other Noncurrent Assets

This account consists of:

	<b>June 30, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Bonds and deposits	<b>₱31,172,376</b>	₱23,659,284
Receivables from sale of real estate - net of current portion (see Note 6)*	<b>26,501,069</b>	24,880,776
Time deposits (see Notes 17 and 22)	<b>2,126,205</b>	2,412,972
Property and equipment - net of accumulated depreciation of ₱2,016 million and ₱1,921 million, respectively (see Note 19)	<b>1,325,018</b>	1,383,320
Deferred input tax	<b>1,278,628</b>	1,144,582
Others	<b>1,457,158</b>	1,466,037
	<b>₱63,860,454</b>	₱54,946,971

\*Pertains to noncurrent portion of unbilled revenue from sale of real estate (see Note 6).

Interest income earned from time deposits amounted to ₱29 million and ₱36 million for the six-month periods ended June 30, 2020 and 2019, respectively (see Note 20).

## 13. Loans Payable

This account consists of unsecured Philippine peso-denominated loans obtained from local banks amounting to ₱3,000 million and ₱100 million as at June 30, 2020 and December 31, 2019, with due dates of less than one year. These loans bear interest rates of 4.10% to 4.60% in 2020 and 4.30% in 2019.

Interest expense incurred from loans payable amounted to ₱101 million and ₱9 million for the six-month periods ended June 30, 2020 and 2019, respectively (see Note 20).

## 14. Accounts Payable and Other Current Liabilities

This account consists of:

	<b>June 30, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Trade:		
Third parties	<b>₱29,165,190</b>	₱33,593,152
Related parties (see Note 17)	<b>160,942</b>	98,765
Tenants' and customers' deposits*	<b>36,436,790</b>	34,514,623
Accrued operating expenses:		
Third parties	<b>12,262,552</b>	9,270,065
Related parties (see Note 17)	<b>407,450</b>	455,154
Lease liabilities	<b>11,189,208</b>	11,213,547
Liability for purchased land	<b>8,998,741</b>	8,983,584



	<b>June 30, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
Deferred output VAT	<b>₱6,917,837</b>	₱4,797,328
Dividends payable (see Note 16)	<b>5,518,437</b>	–
Accrued interest (see Note 17)	<b>2,330,977</b>	1,991,323
Payable to government agencies	<b>1,024,145</b>	1,216,212
Nontrade	<b>401,574</b>	360,582
Liability from assigned receivables and others	<b>4,652,447</b>	4,634,033
	<b>119,466,290</b>	111,128,368
Less noncurrent portion	<b>43,241,791</b>	41,002,618
	<b>₱76,224,499</b>	<b>₱70,125,750</b>

*\*Includes unearned revenue from sale of real estate amounting to ₱7,567 million and ₱6,023 million as at June 30, 2020 and December 31, 2019, respectively.*

Lease liabilities included in “Other noncurrent liabilities” amounted to ₱11,119 million and ₱11,151 million as at June 30, 2020 and December 31, 2019, respectively.

The undiscounted payments of lease liabilities are scheduled as follows:

	<b>June 30, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Within 1 year	<b>₱664,929</b>	₱662,887
More than 1 year to 5 years	<b>2,641,032</b>	2,625,786
More than 5 years	<b>22,602,069</b>	22,943,876
	<b>₱25,908,030</b>	<b>₱26,232,549</b>

Accrued operating expenses - third parties consist of:

	<b>June 30, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Utilities	<b>₱5,122,261</b>	₱2,888,920
Payable to contractors	<b>3,570,179</b>	3,381,980
Marketing and advertising and others	<b>3,570,112</b>	2,999,165
	<b>₱12,262,552</b>	<b>₱9,270,065</b>

## 15. Long-term Debt

This account consists of:

	Availment Date	Maturity Date	Interest Rate	Condition	Outstanding Balance	
					June 30, 2020 (Unaudited) <i>(In Thousands)</i>	December 31, 2019 (Audited)
<b>Parent Company</b>						
Philippine peso-denominated loans						
Retail bonds	September 1, 2014 – March 25, 2020	March 1, 2020 - July 26, 2026	4.20% - 6.22%	Unsecured	<b>₱99,964,260</b>	₱100,000,000
Other bank loans	January 12, 2012 - June 20, 2016	January 12, 2022 - June 20, 2023	Floating BVAL + margin; Fixed 6.10% - 6.74%	Unsecured	<b>21,873,600</b>	22,048,400
U.S. dollar-denominated loans*	July 30, 2018	June 14, 2023	LIBOR + spread; quarterly	Unsecured	<b>5,481,300</b>	5,569,850
<b>Subsidiaries</b>						
Philippine peso-denominated loans	June 3, 2013 – June 4, 2020	June 3, 2020 - August 7, 2029	Floating BVAL + margin; Fixed - 3.84% - 7.55%	Unsecured	<b>75,693,760</b>	74,511,969
U.S. dollar-denominated loans**	March 21, 2016 - April 15, 2019	January 29, 2021 - February 28, 2024	LIBOR + spread; semi-annual	Unsecured	<b>33,651,345</b>	34,179,449
China yuan renminbi-denominated loans	October 16, 2017	October 16, 2022	CBC rate less 10%; quarterly; Fixed - 5.85%	Secured***	<b>2,450,608</b>	2,670,803
					<b>239,114,873</b>	238,980,471
Less debt issue cost					<b>1,163,411</b>	1,126,048
					<b>237,951,462</b>	237,854,423
Less current portion					<b>40,818,091</b>	23,521,373
					<b>₱197,133,371</b>	₱214,333,050

*LIBOR – London Interbank Offered Rate*

*BVAL – Bloomberg Valuation Service*

*CBC – Central Bank of China*

*\*Hedged against foreign exchange risks using cross-currency swaps*

*\*\*Hedged against foreign exchange and interest rate risks using cross-currency swaps, principal-only swaps and interest rate swaps*

*\*\*\*Secured by portions of investment properties located in China*

Debt issue cost pertaining to the loan availments amounted to ₱240 million. Amortization of debt issue cost (included under “Others - net” in the interim consolidated statements of income) for the six-month periods ended June 30, 2020 and 2019 amounted to ₱198 million and ₱188 million, respectively.

The loan agreements of the Company provide certain restrictions and requirements principally with respect to maintenance of required financial ratios (i.e., current ratio of not less than 1.00:1.00, debt to equity ratio of not more than 0.70:0.30 to 0.75:0.25 and interest coverage ratio of not less than 2.50:1.00) and material change in ownership or control. As at June 30, 2020 and December 31, 2019, the Company is in compliance with the terms of its loan covenants.

#### Repayment Schedule

The repayments of long-term debt are scheduled as follows:

	Gross Loan	Debt Issue Cost	Net
	<i>(In Thousands)</i>		
Within 1 year	₱40,818,590	(₱193,321)	₱40,625,269
More than 1 year to 5 years	183,355,243	(912,838)	182,442,405
More than 5 years	14,941,040	(57,252)	14,883,788
	<b>₱239,114,873</b>	<b>(₱1,163,411)</b>	<b>₱237,951,462</b>

Interest expense incurred from long-term debt amounted to ₱3,469 million and ₱3,631 million for the six-month periods ended June 30, 2020 and 2019, respectively (see Note 20).

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## 16. Equity

### Capital Stock

As at June 30, 2020 and December 31, 2019, the Company has an authorized capital stock of 40,000 million with a par value of ₱1 a share, of which 33,166 million shares were issued.

As at June 30, 2020 and December 31, 2019, the Parent Company has 28,879 million outstanding shares including 23 million shares held by SMDC.

### Retained Earnings

In 2020, the Board of Directors (BOD) approved the declaration of cash dividend of ₱0.185 per share or ₱5,343 million to stockholders of record as of June 30, 2020, ₱4 million of which was received by SMDC. This will be paid on July 14, 2020.

In 2019, the BOD approved the declaration of cash dividend of ₱0.35 per share or ₱10,108 million to stockholders of record as of May 8, 2019, ₱8 million of which was received by SMDC. This was paid on May 22, 2019.

As at June 30, 2020 and December 31, 2019, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42,200 million. This represents a continuing appropriation for land banking activities and planned construction projects. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company.

The retained earnings account is restricted for the payment of dividends to the extent of ₱98,175 million and ₱91,773 million as at June 30, 2020 and December 31, 2019, respectively, representing the cost of shares held in treasury amounting to ₱2,985 million as at June 30, 2020 and December 31, 2019 and accumulated equity in net earnings of SMPH subsidiaries, associates and joint ventures totaling ₱95,190 million and ₱88,788 million as at June 30, 2020 and December 31, 2019, respectively. The accumulated equity in net earnings of subsidiaries, associates and joint ventures is not available for dividend distribution until such time that the Parent Company receives the dividends from its subsidiaries, associates and joint ventures.

### Treasury Stock

As at June 30, 2020 and December 31, 2019, the Company has 4,310 million shares of treasury stock. This includes reacquired capital stock and shares held by a subsidiary, stated at acquisition cost of ₱2,985 million as at June 30, 2020 and December 31, 2019.

## 17. Related Party Transactions

The significant related party transactions entered into by the Company with SMIC, banking and retail group and other related parties and the amounts included in the accompanying interim condensed consolidated financial statements with respect to these transactions follow:

	Amount of Transactions		Outstanding Amount [Asset (Liability)]		Terms	Conditions
	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)		
<i>(In Thousands)</i>						
<b>Ultimate Parent</b>						
Rent income	₱22,414	₱25,471	₱–	₱–		
Rent receivable	–	–	4,103	4,846	Noninterest-bearing	Unsecured; not impaired
Management fee income	783	1,516	–	–		
Service income	24,000	24,000	–	–		
Service fee receivable	–	–	29,583	14,080	Noninterest-bearing	Unsecured; not impaired
Rent expense	49,622	54,683	–	–		
Accrued rent payable	–	–	(7)	(8)	Noninterest-bearing	Unsecured
Trade payable	–	10,196	(11,269)	(24,759)	Noninterest-bearing	Unsecured
Equity instruments at FVOCI	–	–	137,192	152,386	Noninterest-bearing	Unsecured; not impaired
Dividend income	–	1,332	–	–		
Dividend payable	–	–	2,655,391	–	Noninterest-bearing	Unsecured
<b>Bank and Retail Group</b>						
Cash and cash equivalents	50,324,130	82,135,183	19,984,216	21,375,689	Interest bearing based on prevailing rates	Unsecured; not impaired
Rent income	5,693,681	8,137,310	–	–		
Rent receivable	–	–	3,175,215	3,712,435	Noninterest-bearing	Unsecured; not impaired
Service income	14,091	13,973	–	–		
Management fee receivable	–	–	8,441	16,882	Noninterest-bearing	Unsecured; not impaired
Interest income	268,903	299,518	–	–		
Accrued interest receivable	–	–	54,174	51,668	Noninterest-bearing	Unsecured; not impaired
Receivable financed	5,910,578	–	–	–	Without recourse	Unsecured
Time deposits	–	10,899	2,126,205	2,412,972	Interest-bearing	Unsecured
Loans payable and long-term debt	1,500,412	1,200,330	(13,770,878)	(12,277,815)	Interest-bearing	Unsecured
Interest expense	397,057	247,097	–	–		
Accrued interest payable	–	–	(71,875)	(57,229)	Noninterest-bearing	Unsecured
Rent expense	38	230	–	–		
Trade payable	–	–	(101,265)	(63,136)	Noninterest-bearing	Unsecured
Management fee expense	314	1,906	–	–		
Equity instruments at FVOCI	–	–	8,822,391	14,223,854	Noninterest-bearing	Unsecured; not impaired
Cash in escrow	25,004	37,073	143,040	117,985	Interest bearing based on prevailing rates	Unsecured; not impaired
Dividend income	54,015	159,091	–	–		

	Amount of Transactions		Outstanding Amount [Asset (Liability)]		Terms	Conditions
	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)		
<i>(In Thousands)</i>						
<b>Other Related Parties</b>						
Rent income	<b>₱72,076</b>	₱96,943	<b>₱-</b>	<b>₱-</b>		
Rent receivable	-	-	<b>28,621</b>	16,480	Noninterest-bearing	Unsecured; not impaired
Service income	<b>29,568</b>	28,140	-	-		
Service fee receivable	-	-	<b>7,554</b>	1,963	Noninterest-bearing	Unsecured; not impaired
Management fee income	<b>3,388</b>	5,253	-	-		
Management fee receivable	-	-	<b>6,862</b>	6,862	Noninterest-bearing	Unsecured; not impaired
Rent expense	<b>2,718</b>	4,069	-	-		
Accrued expenses	-	11	<b>(407,443)</b>	(455,146)	Noninterest-bearing	Unsecured
Trade payable	-	-	<b>(48,408)</b>	(10,870)	Noninterest-bearing	Unsecured
Dividend payable	-	-	<b>145,993</b>	-	Noninterest-bearing	Unsecured

Due from and due to related parties amounted to nil as at June 30, 2020 and December 31, 2019. The amount of due from and due to related party transactions amounted to nil for the six-month periods ended June 30, 2020 and 2019, respectively.

#### Compensation of Key Management Personnel

The aggregate compensation and benefits related to key management personnel for the six-month periods ended June 30, 2020 and 2019 consist of short-term employee benefits amounting to ₱546 million and ₱531 million, respectively, and post-employment benefits (pension benefits) amounting to ₱95 million and ₱85 million, respectively.

## 18. Other Revenue

This account consists of:

	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
<i>(In Thousands)</i>		
Food and beverages	<b>₱301,777</b>	<b>₱853,046</b>
Amusement income	<b>152,674</b>	474,336
Net merchandise sales	<b>150,190</b>	492,200
Bowling and ice skating fees	<b>54,188</b>	143,998
Advertising and others (see Note 17)	<b>645,357</b>	1,329,911
	<b>₱1,304,186</b>	<b>₱3,293,491</b>

Others include service fees, parking terminal, sponsorships, commissions and membership revenue.

## 19. Costs and Expenses

This account consists of:

	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
	<i>(In Thousands)</i>	
Cost of real estate sold (see Note 7)	<b>₱10,685,769</b>	₱9,975,922
Depreciation and amortization (see Notes 10 and 12)	<b>5,485,671</b>	5,315,179
Administrative	<b>4,528,675</b>	5,658,145
Business taxes and licenses	<b>2,597,371</b>	2,548,626
Marketing and selling expenses	<b>2,312,250</b>	2,635,573
Rent (see Note 17)	<b>399,679</b>	697,460
Film rentals	<b>324,924</b>	1,540,685
Insurance	<b>299,738</b>	263,752
Others	<b>694,132</b>	980,273
	<b>₱27,328,209</b>	₱29,615,615

Others include bank charges, donations, dues and subscriptions, service fees and transportation and travel.

## 20. Interest Income and Interest Expense

The details of the sources of interest income and interest expense follow:

	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
	<i>(In Thousands)</i>	
Interest income on:		
Cash and cash equivalents (see Note 5)	<b>₱567,911</b>	₱695,627
Time deposits (see Note 12)	<b>28,565</b>	35,995
Others (see Notes 6 and 9)	<b>29,376</b>	49,359
	<b>₱625,852</b>	₱780,981
Interest expense on:		
Long-term debt (see Note 15)	<b>₱3,468,566</b>	₱3,630,772
Loans payable (see Note 13)	<b>100,966</b>	9,368
Receivable financing and others	<b>142,535</b>	170,378
	<b>₱3,712,067</b>	₱3,810,518

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## 21. Financial Risk Management Objectives and Policies

The Company's principal financial instruments, other than derivatives, comprise of cash and cash equivalents, accrued interest and other receivables, equity instruments at FVOCI and bank loans. The main purpose of these financial instruments is to finance the Company's operations. The Company has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Company also enters into derivative transactions, principally, cross currency swaps, principal only swaps, interest rate swaps and forward swaps. The purpose is to manage the interest rate and foreign currency risks arising from the Company's operations and its sources of finance (see Note 22).

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and equity price risk. The Company's BOD and management review and agree on the policies for managing each of these risks.

### Interest Rate Risk

The Company's policy is to manage its interest rate risk related to its financial instruments with floating interest and/or fixed interest rates by using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, it enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to economically hedge underlying debt obligations. As at June 30, 2020 and December 31, 2019, after taking into account the effect of interest rate swaps, approximately 81% of its long-term borrowings are at a fixed rate of interest.

### Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's policy is to manage its foreign currency risk mainly from U.S. dollar-denominated debt issuances by entering into foreign currency swap contracts, cross-currency swaps, foreign currency call options, non-deliverable forwards and foreign currency range options aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flow.

The Company's foreign currency-denominated monetary assets amounted to US\$24 million (₱1,178 million) as at June 30, 2020 and US\$33 million (₱1,655 million) as at December 31, 2019.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rates used were ₱49.83 to US\$1.00 and ₱50.64 to US\$1.00, the Philippine peso to U.S. dollar exchange rate as at June 30, 2020 and December 31, 2019, respectively.

### Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstance.

The Company seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Company intends to use internally generated funds and proceeds from debt and equity issues.

As part of its liquidity risk management program, the Company regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans, debt capital and equity market issues.

### Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instruments or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The changes in the gross carrying amount of receivables and unbilled revenue from sale of real estate during the periods did not materially affect the allowance for ECLs.

### Equity Price Risk

Equity price risk arises from the changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

As a policy, management monitors its equity price risk pertaining to its investments in quoted equity securities which are classified as equity instruments at FVOCI in the interim consolidated balance sheets based on market expectations. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.

### Capital Management

Capital includes equity attributable to the owners of the Parent.

The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.



## 22. Financial Instruments

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities, by category and by class, other than those whose carrying values are reasonable approximations of fair values:

	June 30, 2020				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
<i>(In Thousands)</i>					
<b>Financial Assets</b>					
Financial assets at FVTPL:					
Derivative assets	₱1,002,585	₱1,002,585	₱-	₱1,002,585	₱-
Financial assets at amortized cost:					
Time deposits (included under "Other noncurrent assets")	2,126,205	2,126,205	-	2,126,205	-
Financial assets at FVOCI:					
Equity instruments	15,497,267	15,497,267	15,493,886	-	3,381
	<b>₱18,626,057</b>	<b>₱18,626,057</b>	<b>₱15,493,886</b>	<b>₱3,128,790</b>	<b>₱3,381</b>
<b>Financial Liabilities</b>					
Financial liabilities at FVTPL:					
Derivative liabilities	₱1,065,634	₱1,065,634	₱-	₱1,065,634	₱-
Loans and borrowings:					
Liability for purchased land - net of current portion	3,823,839	3,822,017	-	-	3,822,017
Long-term debt - net of current portion	197,133,371	186,784,300	-	-	186,784,300
Tenants' deposits - net of current portion	21,055,561	20,969,705	-	-	20,969,705
Other noncurrent liabilities*	18,923,328	18,899,799	-	-	18,899,799
	<b>₱242,001,733</b>	<b>₱231,541,455</b>	<b>₱-</b>	<b>₱1,065,634</b>	<b>₱230,475,821</b>

\*Excluding nonfinancial liabilities amounting to ₱7,154 million as at June 30, 2020.

	December 31, 2019				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
<i>(In Thousands)</i>					
<b>Financial Assets</b>					
Financial assets at FVTPL:					
Derivative assets	₱826,315	₱826,315	₱-	₱826,315	₱-
Financial assets at amortized cost:					
Time deposits (included under "Other noncurrent assets")	2,412,972	2,412,972	-	2,412,972	-
Financial assets at FVOCI:					
Equity instruments	21,080,036	21,080,036	21,076,655	-	3,381
	<b>₱24,319,323</b>	<b>₱24,319,323</b>	<b>₱21,076,655</b>	<b>₱3,239,287</b>	<b>₱3,381</b>
<b>Financial Liabilities</b>					
Financial liabilities at FVTPL:					
Derivative liabilities	₱711,617	₱711,617	₱-	₱711,617	₱-
Loans and borrowings:					
Liability for purchased land - net of current portion	4,214,234	3,895,885	-	-	3,895,885
Long-term debt - net of current portion	214,333,050	210,364,038	-	-	210,364,038
Tenants' deposits - net of current portion	20,797,637	20,598,862	-	-	20,598,862
Other noncurrent liabilities*	19,335,954	19,124,918	-	-	19,124,918
	<b>₱259,392,492</b>	<b>₱254,695,320</b>	<b>₱-</b>	<b>₱711,617</b>	<b>₱253,983,703</b>

\*Excluding nonfinancial liabilities amounting to ₱5,086 million as at December 31, 2019.

### Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted prices in active markets for identical assets or liabilities, except for related embedded derivatives which are either classified as Level 2 or 3;
- Level 2: Those measured using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and,
- Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the periods ended June 30, 2020 and December 31, 2019, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

*Derivative Instruments.* The fair values are based on quotes obtained from counterparties.

*Financial assets at FVOCI.* The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business.

*Long-term Debt.* Fair value is based on the following:

<u>Debt Type</u>	<u>Fair Value Assumptions</u>
Fixed Rate Loans	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 2.97% to 4.60% and 2.96% to 6.48% as at June 30, 2020 and December 31, 2019, respectively.
Variable Rate Loans	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 4.16% to 4.59% and 6.95% to 6.99% as at June 30, 2020 and December 31, 2019, respectively.

*Tenants' Deposits, Liability for Purchased Land and Other Noncurrent Liabilities.* The estimated fair value is based on the discounted value of future cash flows using the applicable rates. The discount rates used range from 3.19% to 5.47% and 4.41% to 7.86% as at June 30, 2020 and December 31, 2019, respectively.

The Company assessed that the carrying values of cash and cash equivalents, receivables, cash in escrow, bank loans and accounts payable and other current liabilities approximate their fair values due to the short-term nature and maturities of these financial instruments.

There were no financial instruments subject to an enforceable master netting arrangement that were not offset in the interim consolidated balance sheets.

### Derivative Financial Instruments Accounted for as Cash Flow Hedges

*Cross Currency Swaps.* In 2019, SM Land (China) Limited entered into cross-currency swap transactions to hedge both the foreign currency and interest rate exposures on its U.S. dollar-denominated five-year term loans (the hedged loans) obtained on April 15, 2019 (see Note 15).

Under the floating-to-fixed cross-currency swaps, it effectively converted the hedged US dollar-denominated loans into China renminbi-denominated loans. Details of the floating-to-fixed cross-currency swaps are as follows:

- Swap the face amount of the loans at US\$ for their agreed China renminbi equivalents (¥1,919 million for US\$286 million) with the counterparty banks and to exchange, at maturity date, the principal amount originally swapped.
- Pay fixed interest at the China renminbi notional amount and receives floating interest on the US\$ notional amount, on a quarterly basis, simultaneous with the interest payments on the hedged loans at an interest rates ranging from 3.86% to 3.97%.

In June and July 2018, SMPH entered into cross-currency swap transactions to hedge both the foreign currency and interest rate exposures on its U.S. dollar-denominated five-year term syndicated loans (the hedged loans) obtained on July 30, 2018 (see Note 15).

Details of the floating-to-fixed cross-currency swaps are as follows:

- Swap the face amount of the loans at US\$ for their agreed Philippine peso equivalents (₱3,199 million for US\$60 million and ₱2,667 million for US\$50 million on June 14, 2023) with the counterparty banks and to exchange, at maturity date, the principal amount originally swapped.
- Pay fixed interest at the Philippine peso notional amount and receives floating interest on the US\$ notional amount, on a quarterly to semi-annual basis, simultaneous with the interest payments on the hedged loans at an interest rates ranging from 6.37% to 6.39%.

In 2017, SM Land (China) Limited entered into cross-currency swap transactions to hedge both the foreign currency and interest rate exposures on its U.S. dollar-denominated five-year term loans (the hedged loans) obtained on May 8, 2017 and October 16, 2017 (see Note 15).

Details of the floating-to-fixed cross-currency swaps are as follows:

- Swap the face amount of the loans at US\$ for their agreed China renminbi equivalents (¥672 million for US\$100 million) with the counterparty banks and to exchange, at maturity date, the principal amount originally swapped.
- Pay fixed interest at the China renminbi notional amount and receives floating interest on the US\$ notional amount, on a quarterly basis, simultaneous with the interest payments on the hedged loans at an interest rates ranging from 4.95% to 5.43%.

The outstanding cross-currency swaps has a negative fair value of ₱717 million as of June 30, 2020.

*Principal Only Swaps.* In 2016 and 2017, SM Land (China) Limited entered into principal only swap transactions to hedge the foreign currency exposures amounting to \$270 million of five-year term syndicated loan obtained on March 21, 2016 (see Note 15). Under the principal only swap, it effectively converted the hedged US dollar-denominated loans and advances into China renminbi-denominated loans.

As at June 30, 2020, SM Land (China) Limited's outstanding principal only swaps have notional amounts totaling US\$270 million which were fixed to US\$:¥ exchange rates ranging from 6.458 to 6.889 and will mature on January 29, 2021. Fair value of the outstanding principal swaps amounted to ₱744 million as of June 30, 2020.

*Interest Rate Swaps.* In 2016, SM Land (China) Limited entered into US\$ interest rate swap agreement with notional amount of US\$270. Under the agreement, SM Land (China) Limited effectively converts the floating rate U.S. dollar-denominated loan into fixed rate loan (see Note 15). Negative fair value of the outstanding interest rate swaps amounted to ₱90 million.

As the terms of the swaps have been negotiated to match the terms of the hedged loans, the hedges were assessed to be effective. No ineffectiveness was recognized in the interim consolidated statements of income for the six-month periods ended June 30, 2020 and June 30, 2019.

#### Assessment of Hedge Effectiveness

There is an economic relationship between the hedged items and the hedging instruments as the terms of the cross-currency swaps, principal only swaps and interest rate swaps match the terms of the hedged items (i.e., notional amount and expected payment date). The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the cross-currency swaps, principal only swaps and interest rate swaps are identical to the hedged risk components. To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from differences in the timing of the cash flows of the hedged items and the hedging instruments and the counterparties' credit risk differently impacting the fair value movements of the hedging instruments.

#### Hedge Effectiveness Results

The fair value of the outstanding cross-currency swaps, principal only swaps and interest rate swaps amounting to ₱63 million loss and ₱30 million gain as at June 30, 2020 and December 31, 2019, respectively, was taken to equity under other comprehensive income. No ineffectiveness was recognized in the interim consolidated statements of income for the six-month periods ended June 30, 2020 and 2019. Foreign currency translation arising from the hedged loan recognized in the interim consolidated statements of income amounted to ₱370 million loss and ₱116 million loss for the six-month periods ended June 30, 2020 and 2019, respectively. Foreign exchange loss equivalent to the same amounts were recycled from equity to the interim consolidated statements of income during the same period.

#### Other Derivative Instruments Not Designated as Hedges

*Forward Swaps.* In 2018, SM Land (China) Limited entered into forward swap transactions to cap the foreign currency exposures on its U.S. dollar-denominated three-year term syndicated loans (the hedged loans) obtained on March 14, 2018 to May 25, 2018.

Fair value changes from the matured forward swaps in 2019 amounting ₱22 million gain was recognized in the interim consolidated statements of income for the six-month periods ended June 30, 2019.

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### 23. EPS Computation

Basic/diluted EPS is computed as follows:

	<b>June 30, 2020</b> <b>(Unaudited)</b>	June 30, 2019 (Unaudited)
	<i>(In Thousands, Except Per Share Data)</i>	
Net income attributable to equity holders of the parent (a)	<b>₱10,432,887</b>	₱19,299,286
Common shares issued	<b>33,166,300</b>	33,166,300
Less weighted average number of treasury stock	<b>4,309,889</b>	4,309,889
Weighted average number of common shares outstanding (b)	<b>28,856,411</b>	28,856,411
Earnings per share (a/b)	<b>₱0.362</b>	₱0.669

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### 24. Other Matters

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of ECQ measures in the areas of Luzon from March 16 to May 15 have caused disruptions in the Company's business activities. As of July 16, all the seventy-four malls in the Philippines have already reopened.

**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**  
**FINANCIAL RATIOS - KEY PERFORMANCE INDICATORS**

Ratio	Formula	June 30, 2020	December 31, 2019
<b>Current ratio</b>	$\frac{\text{Total current assets}}{\text{Total current liabilities}}$	1.24	1.60
<b>Acid - Test Ratio</b>	$\frac{\text{Total current assets less inventory and prepaid expenses}}{\text{Total current liabilities}}$	0.72	0.93
<b>Solvency Ratio</b>	$\frac{\text{Total assets}}{\text{Total liabilities}}$	1.80	1.83
<b>Debt-to-equity ratio</b>	$\frac{\text{Total interest-bearing liabilities}}{\text{Total equity attributable to equity holders of the parent}}$	45:55	44:56
<b>Net debt-to-equity ratio</b>	$\frac{\text{Total interest-bearing liabilities net of cash and cash equivalents}}{\text{Total equity attributable to equity holders of the parent}}$	42:58	40:60
<b>Asset to equity ratio</b>	$\frac{\text{Total assets}}{\text{Total equity attributable to equity holders of the parent}}$	2.26	2.22
		<b>June 30, 2020</b>	<b>June 30, 2019</b>
<b>Interest rate coverage ratio</b>	$\frac{\text{Earnings before interest, income taxes depreciation and amortization (EBITDA)}}{\text{Interest expense}}$	5.86	8.49
<b>Return on equity</b>	$\frac{\text{Net income attributable to equity holders of the parent}}{\text{Total average equity attributable to equity holders of the parent}}$	7%	14%
<b>Return on assets</b>	$\frac{\text{Net income attributable to equity holders of the parent}}{\text{Total average investment properties and inventories}}$	5%	9%
<b>Net income margin</b>	$\frac{\text{Net income attributable to equity holders of the parent}}{\text{Total revenue}}$	24%	34%
<b>Debt to EBITDA</b>	$\frac{\text{Total interest-bearing liabilities}}{\text{EBITDA}}$	5.54	3.59

**SM Prime Holdings, Inc. and Subsidiaries**  
**Aging of Accounts Receivable and Contract Assets**  
**As at June 30, 2020**  
*(Amounts in Thousands)*

Trade (billed and unbilled):	
Sale of real estate	<b>₱82,142,927</b>
Rent:	
Third parties	<b>5,560,458</b>
Related parties	<b>3,207,939</b>
Others	<b>7,805</b>
Nontrade	<b>200,701</b>
Accrued interest	<b>115,243</b>
Others	<b>2,166,375</b>
	<b>93,401,448</b>
Less allowance for ECLs	<b>1,152,847</b>
	<b>92,248,601</b>
Less noncurrent portion of receivables from sale of real estate	<b>26,501,069</b>
	<b>₱65,747,532</b>

The aging analysis of receivables and unbilled revenue from sale of real estate are as follows:

Neither past due nor impaired	<b>₱82,912,183</b>
Past due but not impaired:	
Less than 30 days	<b>2,683,613</b>
31–90 days	<b>563,727</b>
91–120 days	<b>1,285,238</b>
Over 120 days	<b>4,803,840</b>
Impaired	<b>1,152,847</b>
	<b>₱93,401,448</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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### SM Prime Net Income down by 46% in 1H 2020 to ₱10.4 billion as it waives rental to tenants of ₱11 billion during lockdown

Financial and Operational Highlights  
(In Million Pesos, except for financial ratios and percentages)

	Six Months Ended June 30				
	2020	% to Revenues	2019	% to Revenues	% Change
<b>Profit and Loss Data</b>					
Revenues	43,677	100%	57,049	100%	-23%
Costs and Expenses	27,328	63%	29,616	52%	-8%
Operating Income	16,349	37%	27,433	48%	-40%
Net Income	10,433	24%	19,299	34%	-46%
EBITDA	21,739	50%	32,342	57%	-33%
	June 30 2020	% to Total Assets	Dec 31 2019	% to Total Assets	% Change
<b>Balance Sheet Data</b>					
Total Assets	677,956	100%	667,280	100%	2%
Investment Properties	421,468	62%	410,640	62%	3%
Total Debt	240,951	36%	237,954	36%	1%
Net Debt	220,967	33%	203,354	30%	9%
Total Equity	299,477	44%	300,916	45%	0%
	June 30 2020	Dec 31 2019			
<b>Financial Ratios</b>					
Debt to Equity	0.45 : 0.55	0.44 : 0.56			
Net Debt to Equity	0.42 : 0.58	0.40 : 0.60			
	June 30 2020	June 30 2019			
Return on Equity	0.07	0.14			
Debt to EBITDA	5.54	3.59			
Interest Coverage Ratio	5.86	8.49			
Operating Income to Revenues	0.37	0.48			
EBITDA Margin	0.50	0.57			
Net Income to Revenues	0.24	0.34			



## ***Revenue***

SM Prime recorded consolidated revenues of ₱43.68 billion for the first six months of 2020, a decrease of 23% from ₱57.05 billion in the same period in 2019, primarily due to the following:

### ***Rent***

SM Prime recorded consolidated revenues from rent of ₱18.30 billion in 2020, a decrease of 39% from ₱29.94 billion in 2019. The decrease in rental revenue was due to the temporary closure of malls as well as other businesses not deemed essential to daily life, except for stores that offer essential products and services during the implementation of the enhanced community quarantine (ECQ) from March 16 to May 15. SM Prime waived a total of ₱11 billion in rentals and other charges during the government-imposed lockdown. The malls have gradually reopened subject to certain safety and protocol standards and Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) restrictions starting May 16 when Luzon and other parts of the Philippines were placed under Modified ECQ (MECQ) to General Community Quarantine (GCQ). Out of the total rental revenues, 82% is contributed by the malls and the rest from offices and hotels and convention centers.

### ***Real Estate Sales***

SM Prime recorded a 12% increase in real estate sales in 2020 from ₱21.00 billion to ₱23.46 billion primarily due to higher construction accomplishments of launched projects including Bloom, Vine, Spring and Lane and fast take-up of various Ready-For-Occupancy (RFO) projects particularly those located in Taguig and Mandaluyong. Even with the imposition of the ECQ and MECQ, SM Residences was immediately able to adjust its market reach by maximizing various digital sales platforms and offering flexible payment terms to buyers. Actual construction of projects usually starts within twelve to eighteen months from launch date and revenues are recognized in the books based on percentage of completion.

### ***Cinema and Event Ticket Sales and Other Revenues***

SM Prime cinema and event ticket sales and other revenues decreased by 69% to ₱1.91 billion in 2020 from ₱6.11 billion in 2019 due to the effect of COVID-19 in the sector. The cinema business is expected to slowly reopen its doors to patrons by August 2020. Other revenues is composed of sponsorships and advertising revenues, bowling and ice skating operations, merchandise sales from cinema snackbars and sale of food and beverages in hotels.

## ***Costs and Expenses***

SM Prime recorded consolidated costs and expenses of ₱27.33 billion in 2020, a decrease of 8% from ₱29.62 billion in the same period in 2019, as a result of the following:

### ***Costs of Real Estate***

Consolidated costs of real estate increased by 7% to ₱10.69 billion in 2020 from ₱9.98 billion in 2019 primarily due to costs related to higher recognized real estate sales. Gross profit margin on real estate sales improved in 2020 as a result of improving cost efficiencies.

### ***Operating Expenses***

SM Prime's consolidated operating expenses decreased by 15% to ₱16.64 billion in 2020 compared to last year's ₱19.64 billion. Out of the total operating expenses, 70% is contributed by the malls.

Operating expenses include depreciation and amortization, film rentals, taxes and licenses, marketing and selling expenses, utilities and manpower costs.

### ***Other Income (Charges)***

#### ***Interest Expense***

SM Prime's consolidated interest expense decreased by 3% to ₱3.71 billion in 2020 compared to ₱3.81 billion in 2019 mainly due to lower interest rates and capitalization of interest expense on loans allocated for construction and development of investment properties. This is net of increase in retail bonds issued in May 2019 and March 2020 amounting to ₱10.0 billion and ₱15.0 billion, respectively.

#### ***Interest, Dividend and Other Income (Charges) - net***

Interest, dividend and other income (charges) - net decreased by 11% to ₱1.11 billion in 2020 from ₱1.26 billion in 2019. This account is mainly composed of interest income from cash and cash equivalents, dividend income from equity instruments, equity in net earnings from associates and joint ventures and foreign exchange gains and losses. This account also includes the financial assistance provided by SM Prime to its agency personnel and various local government units (LGUs) amounting to ₱0.28 billion during the implementation of ECQ.

#### ***Provision for income tax***

SM Prime's consolidated provision for income tax decreased by 38% to ₱3.22 billion in 2020 from ₱5.17 billion in 2019.

#### ***Net income attributable to Parent***

SM Prime's consolidated net income attributable to Parent in 2020 decreased by 46% to ₱10.43 billion as compared to ₱19.30 billion in 2019.

### ***Balance Sheet Accounts***

SM Prime's total assets amounted to ₱677.96 billion as of June 30, 2020, an increase of 2% from ₱667.28 billion as of December 31, 2019.

Cash and cash equivalents decreased by 42% from ₱34.60 billion to ₱19.98 billion as of December 31, 2019 and June 30, 2020, respectively, mainly due to payments for capital expenditure projects during the period and debt servicing.

Receivables and contract assets increased by 23% from ₱53.64 billion to ₱65.75 billion as of December 31, 2019 and June 30, 2020, respectively, due to increase in real estate sales and also due to the Bayanihan to Heal as One Act (Bayanihan Act) mandating an extended grace period for the payment of loan amortizations which matured during the ECQ period.

Real estate inventories decreased by 7% from ₱43.95 billion to ₱40.99 billion as of December 31, 2019 and June 30, 2020, respectively, due to cost of sold units, net of construction accomplishments for the period.

Prepaid expenses and other current assets increased by 7% from ₱19.49 billion to ₱20.94 billion as of December 31, 2019 and June 30, 2020, respectively, due to deposits and advances to contractors related to construction projects and increase in input and creditable withholding taxes.

Equity instruments at fair value through other comprehensive income decreased by 26% from ₱21.08 billion to ₱15.50 billion as of December 31, 2019 and June 30, 2020, respectively, due to changes in fair values under this portfolio.

Investment properties increased by 3% from ₱410.64 billion to ₱421.47 billion as of December 31, 2019 and June 30, 2020, respectively, primarily due to ongoing new mall projects, redevelopment of SM Mall of Asia and other existing malls and commercial building construction, net of depreciation expense for the period.

Derivative assets increased by 21% from ₱0.83 billion to ₱1.00 billion as of December 31, 2019 and June 30, 2020, respectively, mainly resulting from the net fair value changes on principal only swap transactions and cross currency swap transactions entered into to hedge the Company's foreign exchange currency exposure. Likewise, derivative liabilities increased by 50% from ₱0.71 billion to ₱1.07 billion as of December 31, 2019 and June 30, 2020, respectively, mainly resulting from the net fair value changes on the interest rate swap transactions and cross currency swap transactions entered into in 2016 and 2018, respectively.

Other noncurrent assets increased by 16% from ₱54.95 billion to ₱63.86 billion as of December 31, 2019 and June 30, 2020, respectively, due to additional bonds and deposits for real estate acquisitions and construction for the period.

Loans payable increased from ₱0.10 billion to ₱3.00 billion as of December 31, 2019 and June 30, 2020, respectively, due to availments.

Accounts payable and other current liabilities increased by 9% from ₱70.13 billion to ₱76.22 billion as of December 31, 2019 and June 30, 2020, respectively, mainly due to SM Prime's dividends payable amounting to ₱5.34 billion declared in June 15 and subsequently paid on July 14, 2020.

Liability for purchased land decreased by 9% from ₱4.21 billion to ₱3.82 billion as of December 31, 2019 and June 30, 2020, respectively, due to subsequent payments.

Deferred tax liabilities increased by 48% from ₱4.18 billion to ₱6.20 billion as of December 31, 2019 and June 30, 2020, respectively, mainly due to unrealized gross profit on sale of real estate for income tax purposes.

Other noncurrent liabilities increased by 7% from ₱24.42 billion to ₱26.08 billion as of December 31, 2019 and June 30, 2020, respectively, due to increase in deferred output VAT related to sale of residential projects.

The Company's key performance indicators are measured in terms of the following: (1) debt to equity which measures the ratio of interest bearing liabilities to equity; (2) net debt to equity which measures the ratio of interest bearing liabilities net of cash and cash equivalents to equity; (3) return on equity (ROE) which measures the ratio of net income to capital provided by stockholders; (4) earnings before interest expense, income taxes, depreciation and amortization (EBITDA); (5) debt to EBITDA which measures the ratio of total interest-bearing liabilities to EBITDA; (6) interest coverage ratio which measures the ratio of EBITDA to interest expense; (7) operating income to revenues which basically measures the gross profit ratio; (8) EBITDA margin which measures the ratio of EBITDA to gross revenues and (9) net income to revenues which measures the ratio of net income to gross revenues. The following discuss in detail the key financial indicators of the Company.

Interest-bearing debt to equity increased to 0.45:0.55 as of June 30, 2020 from 0.44:0.56 as of December 31, 2019. Net interest-bearing debt to equity also increased to 42:58 as of June 30, 2020 from 40:60 as of December 31, 2019.

ROE decreased to 7% as of June 30, 2020 from 14% as of June 30, 2019 as a result of lower net income for the period.

Debt to EBITDA increased to 5.54:1 as of June 30, 2020 from 3.59:1 as of June 30, 2019 due to lower EBITDA for the period. Interest coverage ratio and EBITDA margin decreased to 5.86:1 and 50%, respectively, as of June 30, 2020 from 8.49:1 and 57%, respectively, as of June 30, 2019.

Consolidated operating income to revenues decreased to 37% as of June 30, 2020 from 48% as of June 30, 2019. Consolidated net income to revenues likewise decreased to 24% as of June 30, 2020 from 34% as of June 30, 2019.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic prompting the declaration of nationwide state of calamity and implementation of ECQ measures in most areas of the Philippines from March 16 to May 15 have caused disruptions in the Company's business activities.

As at June 30, 2020 and December 31, 2019, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42,200 million. This represents a continuing appropriation for land banking activities and planned construction projects. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company.

SM Prime's malls business unit has seventy-four shopping malls in the Philippines with 8.5 million square meters of gross floor area and seven shopping malls in China with 1.3 million square meters of gross floor area. Starting May 16, SM Supermalls have gradually reopened its doors for "Safe Malling" preceded by safety as the primary concern.

SM Prime currently has fifty residential projects, thirty-nine of which are in Metro Manila and eleven are outside Metro Manila. For the remaining half of 2020, SM Prime is scheduled to launch between 12,000 to 15,000 residential units that includes high-rise and mid-rise buildings located in Metro Manila.

SM Prime's Commercial Properties Group has twelve office buildings with a combined gross floor area of 695,000 square meters.

SM Prime's hotels and convention centers business unit currently has a portfolio of four convention centers, three trade halls and eight hotels with over 1,900 rooms. As a result of stringent LGU guidelines and IATF restrictions, substantially all of the hotels and convention centers have remained non-operational except for Conrad Manila, Park Inn Clark, Park Inn North EDSA and Park Inn Iloilo, strictly catering only to BPO employees and returning overseas Filipino workers/seafarers.


**SIGNATURE**

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

**SM PRIME HOLDINGS, INC.**

Registrant

Date: August 7, 2020



**JOHN NAI PENG C. ONG**  
Chief Finance Officer