

# COVER SHEET

SEC Registration Number

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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

1	7	-	Q
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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
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Mobile Number

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No. of Stockholders

2,399
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Annual Meeting  
Month/Day

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Fiscal Year  
Month/Day

June 30
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**CONTACT PERSON INFORMATION**

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

Name of Contact Person

Mr. John Nai Peng C. Ong
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Email Address

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Telephone Number/s

8831-1000
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Mobile Number

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**CONTACT PERSON'S ADDRESS**

<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>
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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.

SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2021**
2. SEC Identification Number **AS0940000-88**
3. BIR Tax Identification No. **003-058-789**
4. Exact name of registrant as specified in its charter **SM PRIME HOLDINGS, INC.**
5. **PHILIPPINES** 6. (SEC Use Only)  
Province, Country or other jurisdiction of      Industry Classification Code:  
incorporation or organization
7. **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** **1300**  
Address of principal office      Postal Code
8. **(632) 8831-1000**  
Registrant's telephone number, including area code
9. \_\_\_\_\_  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 4 and 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b>CAPITAL STOCK, P 1 PAR VALUE</b>	28,879,231,694

11. Are any or all of these securities listed on the Philippine Stock Exchange.  
Yes  No

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 11 of the Securities Regulation Code (SRC) and SRC Rule 11(a)-1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes  No

- (b) has been subject to such filing requirements for the past 90 days.

Yes  No

SM Prime Holdings, Inc.  
and Subsidiaries

Unaudited Interim Condensed Consolidated  
Financial Statements  
As at June 30, 2021  
and for the Three-Month and Six-Month  
Periods Ended June 30, 2021 and 2020  
(with Comparative Audited Consolidated  
Balance Sheet as at December 31, 2020)

**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES****INTERIM CONSOLIDATED BALANCE SHEET****June 30, 2021****(With Comparative Audited Figures as at December 31, 2020)***(Amounts in Thousands)*

	<b>June 30, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 5, 17, 21 and 22)	<b>₱26,839,332</b>	₱30,661,614
Receivables and contract assets (Notes 6, 17, 21 and 22)	<b>58,159,280</b>	58,944,930
Real estate inventories (Note 7)	<b>46,945,563</b>	43,691,877
Equity instruments at fair value through other comprehensive income (Notes 8, 17, 21 and 22)	<b>562,627</b>	568,146
Derivative assets (Notes 21 and 22)	–	2,747
Prepaid expenses and other current assets (Notes 9 and 17)	<b>24,724,040</b>	23,205,662
<b>Total Current Assets</b>	<b>157,230,842</b>	157,074,976
<b>Noncurrent Assets</b>		
Equity instruments at fair value through other comprehensive income - net of current portion (Notes 8, 17, 21 and 22)	<b>16,493,970</b>	16,131,568
Investment properties - net (Note 10)	<b>454,120,025</b>	436,159,081
Investments in associates and joint ventures (Note 11)	<b>28,480,683</b>	27,735,239
Deferred tax assets - net	<b>902,212</b>	831,546
Derivative assets - net of current portion (Notes 21 and 22)	<b>22,481</b>	–
Other noncurrent assets - net (Notes 12, 17, 21 and 22)	<b>92,163,598</b>	84,426,515
<b>Total Noncurrent Assets</b>	<b>592,182,969</b>	565,283,949
	<b>₱749,413,811</b>	₱722,358,925
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable (Notes 13, 17, 21 and 22)	<b>₱4,442,567</b>	₱10,900,000
Accounts payable and other current liabilities (Notes 14, 17, 21 and 22)	<b>79,618,984</b>	81,033,985
Current portion of long-term debt (Notes 15, 17, 21 and 22)	<b>27,959,206</b>	42,738,350
Derivative liabilities (Notes 21 and 22)	<b>356,549</b>	357,662
Income tax payable	<b>583,679</b>	957,906
<b>Total Current Liabilities</b>	<b>112,960,985</b>	135,987,903
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Notes 15, 17, 21 and 22)	<b>254,408,917</b>	218,830,647
Tenants' and customers' deposits - net of current portion (Notes 14, 21 and 22)	<b>21,553,885</b>	21,331,869
Liability for purchased land - net of current portion (Notes 14, 21 and 22)	<b>2,177,918</b>	1,251,227
Deferred tax liabilities - net	<b>8,482,776</b>	6,786,018
Derivative liabilities - net of current portion (Notes 21 and 22)	<b>1,880,115</b>	2,445,735
Other noncurrent liabilities (Notes 14, 21 and 22)	<b>27,005,874</b>	25,007,898
<b>Total Noncurrent Liabilities</b>	<b>315,509,485</b>	275,653,394
<b>Total Liabilities (Carried Forward)</b>	<b>428,470,470</b>	411,641,297

	<b>June 30, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
<b>Total Liabilities (<i>Brought Forward</i>)</b>	<b>₱428,470,470</b>	<b>₱411,641,297</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>38,022,913</b>	38,022,913
Cumulative translation adjustment	<b>1,993,712</b>	1,524,439
Net fair value changes of equity instruments at fair value through other comprehensive income (Note 8)	<b>13,817,551</b>	13,460,669
Net fair value changes on cash flow hedges (Note 22)	<b>(1,524,065)</b>	(1,769,030)
Remeasurement loss on defined benefit obligation	<b>(626,751)</b>	(587,796)
Retained earnings (Note 16):		
Appropriated	<b>42,200,000</b>	42,200,000
Unappropriated	<b>195,529,956</b>	186,251,267
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>319,594,921</b>	309,284,067
<b>Non-controlling Interests</b>	<b>1,348,420</b>	1,433,561
<b>Total Equity</b>	<b>320,943,341</b>	310,717,628
	<b>₱749,413,811</b>	<b>₱722,358,925</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>2021</b>	<b>2020</b>
	(Unaudited)	
<b>REVENUE</b>		
Rent (Note 17)	<b>₱15,929,041</b>	₱18,304,517
Sales:		
Real estate	<b>24,092,796</b>	23,460,594
Cinema and event ticket	<b>10,474</b>	607,652
Others (Notes 17 and 18)	<b>1,055,799</b>	1,304,186
	<b>41,088,110</b>	43,676,949
<b>COSTS AND EXPENSES</b> (Note 19)	<b>25,015,856</b>	27,328,209
<b>INCOME FROM OPERATIONS</b>	<b>16,072,254</b>	16,348,740
<b>OTHER INCOME (CHARGES)</b>		
Interest expense (Notes 13, 15, 17 and 20)	<b>(3,586,719)</b>	(3,712,067)
Interest and dividend income (Notes 5, 6, 8, 9, 12, 17 and 20)	<b>439,140</b>	732,438
Others - net (Notes 11, 14 and 15)	<b>1,508,201</b>	380,172
	<b>(1,639,378)</b>	(2,599,457)
<b>INCOME BEFORE INCOME TAX</b>	<b>14,432,876</b>	13,749,283
<b>PROVISION FOR INCOME TAX</b>		
Current	<b>1,198,190</b>	1,194,387
Deferred	<b>1,545,589</b>	2,026,325
	<b>2,743,779</b>	3,220,712
<b>NET INCOME</b>	<b>₱11,689,097</b>	₱10,528,571
<b>Attributable to</b>		
Equity holders of the Parent (Notes 16 and 23)	<b>₱11,644,915</b>	₱10,432,887
Non-controlling interests (Note 16)	<b>44,182</b>	95,684
	<b>₱11,689,097</b>	₱10,528,571
Basic/Diluted earnings per share (Note 23)	<b>₱0.404</b>	₱0.362
Dividend per share (Note 16)	<b>₱0.082</b>	₱0.185

*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>2021</b>	<b>2020</b>
	(Unaudited)	
<b>NET INCOME</b>	<b>₱11,689,097</b>	<b>₱10,528,571</b>
<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)	356,882	(5,582,769)
Remeasurement loss on defined benefit obligation	(39,228)	-
	<b>317,654</b>	<b>(5,582,769)</b>
Items that may be reclassified to profit or loss in subsequent periods:		
Net fair value changes on cash flow hedges	244,965	(547,973)
Cumulative translation adjustment	469,273	(402,658)
	<b>1,031,892</b>	<b>(6,533,400)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱12,720,989</b>	<b>₱3,995,171</b>
<b>Attributable to</b>		
Equity holders of the Parent (Note 16)	₱12,677,080	₱3,899,487
Non-controlling interests (Note 16)	43,909	95,684
	<b>₱12,720,989</b>	<b>₱3,995,171</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>2021</b>	<b>2020</b>
	(Unaudited)	
<b>REVENUE</b>		
Rent (Note 17)	<b>₱7,453,819</b>	₱5,526,785
Real estate sales	<b>12,343,387</b>	12,166,629
Others (Notes 17 and 18)	<b>491,462</b>	196,066
	<b>20,288,668</b>	17,889,480
<b>COSTS AND EXPENSES</b> (Note 19)	<b>12,884,597</b>	13,420,272
<b>INCOME FROM OPERATIONS</b>	<b>7,404,071</b>	4,469,208
<b>OTHER INCOME (CHARGES)</b>		
Interest expense (Notes 13, 15, 17 and 20)	<b>(1,907,630)</b>	(1,734,958)
Interest and dividend income (Notes 5, 6, 8, 9, 12, 17 and 20)	<b>198,958</b>	324,255
Others - net (Notes 11, 14 and 15)	<b>940,249</b>	131,161
	<b>(768,423)</b>	(1,279,542)
<b>INCOME BEFORE INCOME TAX</b>	<b>6,635,648</b>	3,189,666
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>		
Current	<b>571,831</b>	(680,349)
Deferred	<b>895,579</b>	1,738,307
	<b>1,467,410</b>	1,057,958
<b>NET INCOME</b>	<b>₱5,168,238</b>	₱2,131,708
<b>Attributable to</b>		
Equity holders of the Parent (Notes 16 and 23)	<b>₱5,168,327</b>	₱2,112,721
Non-controlling interests (Note 16)	<b>(89)</b>	18,987
	<b>₱5,168,238</b>	₱2,131,708
<b>Basic/Diluted earnings per share</b> (Note 23)	<b>₱0.179</b>	₱0.073

*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>2021</b>	<b>2020</b>
	(Unaudited)	
<b>NET INCOME</b>	<b>₱5,168,238</b>	<b>₱2,131,708</b>
<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)	1,476,302	1,894,926
Remeasurement loss on defined benefit obligation	(34,104)	-
	<b>1,442,198</b>	<b>1,894,926</b>
Items that may be reclassified to profit or loss in subsequent periods:		
Net fair value changes on cash flow hedges	(487,981)	46,876
Cumulative translation adjustment	360,420	(176,619)
	<b>1,314,637</b>	<b>1,765,183</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱6,482,875</b>	<b>₱3,896,891</b>
<b>Attributable to</b>		
Equity holders of the Parent (Note 16)	₱6,483,237	₱3,877,904
Non-controlling interests (Note 16)	(363)	18,987
	<b>₱6,482,875</b>	<b>₱3,896,891</b>

*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, 2021 AND 2020**  
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent (Notes 16 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 (Note 22)	Retained Earnings (Note 16)		Treasury Stock (Notes 16 and 23)	Non-controlling Interests	Total Equity	
						Appropriated	Unappropriated		Total			
At December 31, 2020 (Audited)	₱33,166,300	₱38,022,913	₱1,524,439	₱13,460,669	(₱1,769,030)	(₱587,796)	₱42,200,000	₱186,251,267	(₱2,984,695)	₱309,284,067	₱1,433,561	₱310,717,628
Net income for the period	-	-	-	-	-	-	-	11,644,915	-	11,644,915	44,182	11,689,097
Other comprehensive income (loss)	-	-	469,273	356,882	244,965	(38,955)	-	-	-	1,032,165	(273)	1,031,892
Total comprehensive income (loss) for the period	-	-	469,273	356,882	244,965	(38,955)	-	11,644,915	-	12,677,080	43,909	12,720,989
Cash dividends	-	-	-	-	-	-	-	(2,368,097)	-	(2,368,097)	-	(2,368,097)
Cash dividends received by a subsidiary	-	-	-	-	-	-	-	1,871	-	1,871	-	1,871
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(129,050)	(129,050)
At June 30, 2021 (Unaudited)	₱33,166,300	₱38,022,913	₱1,993,712	₱13,817,551	(₱1,524,065)	(₱626,751)	₱42,200,000	₱195,529,956	(₱2,984,695)	₱319,594,921	₱1,348,420	₱320,943,341
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

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>2021</b>	<b>2020</b>
	(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱14,432,876</b>	₱13,749,283
Adjustments for:		
Depreciation and amortization (Notes 10, 12 and 19)	<b>5,272,189</b>	5,485,671
Interest expense (Notes 13, 15, 17 and 20)	<b>3,586,719</b>	3,712,067
Equity in net earnings of associates and joint ventures (Note 11)	<b>(711,164)</b>	(425,036)
Interest and dividend income (Notes 5, 6, 8, 9, 12, 17 and 20)	<b>(439,140)</b>	(732,438)
Gain (loss) on unrealized foreign exchange and fair value changes on derivatives - net	<b>(223,524)</b>	225,023
Operating income before working capital changes	<b>21,917,956</b>	22,014,570
Decrease (increase) in:		
Receivables and contract assets	<b>(6,402,415)</b>	(14,114,147)
Real estate inventories	<b>(1,038,316)</b>	2,890,220
Prepaid expenses and other current assets	<b>(1,475,004)</b>	(1,503,894)
Increase (decrease) in:		
Accounts payable and other current liabilities	<b>(152,621)</b>	1,996,159
Tenants' and customers' deposits	<b>176,562</b>	649,310
Cash generated from operations	<b>13,026,162</b>	11,932,218
Income tax paid	<b>(1,578,538)</b>	(2,492,738)
Cash provided by operating activities	<b>11,447,624</b>	9,439,480
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>286,587</b>	639,352
Dividends received	<b>96,409</b>	106,585
Additions to investment properties (Note 10)	<b>(22,508,532)</b>	(17,669,755)
Increase in other noncurrent assets	<b>(535,732)</b>	(7,406,923)
Net cash used in investing activities	<b>(22,661,268)</b>	(24,330,741)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Availments of bank loans and long-term debt (Notes 13 and 15)	<b>39,842,152</b>	40,050,412
Payments of:		
Long-term debt (Note 15)	<b>(15,729,770)</b>	(21,216,068)
Bank loans (Note 13)	<b>(10,400,000)</b>	(15,100,000)
Interest (Notes 13, 15, 17 and 20)	<b>(3,623,154)</b>	(3,414,527)
Dividends	<b>(2,366,226)</b>	-
Matured derivatives (Note 22)	<b>(281,106)</b>	-
Lease liabilities (Note 14)	<b>(24,711)</b>	(39,252)
Net cash provided by financing activities	<b>7,417,185</b>	280,565
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(25,823)</b>	(5,047)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,822,282)</b>	(14,615,743)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>30,661,614</b>	34,599,959
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>₱26,839,332</b>	₱19,984,216

*See accompanying Notes to Interim Condensed Consolidated Financial Statements*

**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**  
**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, 2021, 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. While 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, 2020.

#### 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, 2021, 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, 2021.

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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, 2020, except for the following amendments which the Company has adopted starting January 1, 2021. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*, provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply prospectively, however, the Company is not required to restate prior periods.

The following amendments to the hedge designation documentations (allowed until the end of the reporting period during which a change in the interest basis is made) will not result in the

discontinuance of their hedge accounting: (1) designating RFR as the hedged risk; and (2) description of the hedged item and/or hedging instrument to reflect the RFR. When the description of the hedged item is amended, amounts accumulated in cash flow hedge reserve are deemed to be based on RFR, i.e., amount will be released to profit or loss in the same period or periods in which the hedged RFR cash flows affect profit or loss. The Company is currently assessing the impact of adopting this standard.

- Amendments to PFRS 16, *Leases, COVID -19 Related Rent Concessions* extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after April 1, 2021.

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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, 2021 (Unaudited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations/ Adjustments	Consolidated Balances
<i>(In Thousands)</i>						
Revenue:						
External customers	₱13,620,471	₱24,459,531	₱2,459,481	₱548,627	₱-	₱41,088,110
Inter-segment	42,762	1,181	42,347	2,293	(88,583)	-
	<b>₱13,663,233</b>	<b>₱24,460,712</b>	<b>₱2,501,828</b>	<b>₱550,920</b>	<b>(88,583)</b>	<b>₱41,088,110</b>
Segment results:						
Income (loss) before income tax	₱4,175,686	₱9,094,186	₱1,934,073	(₱599,524)	(₱171,545)	₱14,432,876
Provision for income tax	(307,068)	(1,936,675)	(500,036)	-	-	(2,743,779)
Net income (loss)	<b>₱3,868,618</b>	<b>₱7,157,511</b>	<b>₱1,434,037</b>	<b>(₱599,524)</b>	<b>(₱171,545)</b>	<b>₱11,689,097</b>
Net income (loss) attributable to:						
Equity holders of the Parent	₱3,825,892	₱7,156,055	₱1,434,037	(₱599,524)	(₱171,545)	₱11,644,915
Non-controlling interests	42,726	1,456	-	-	-	44,182
Other information:						
Capital expenditures	₱13,647,407	₱19,439,074	₱1,488,861	₱716,404	₱-	₱35,291,746
Depreciation and amortization	4,530,036	59,813	377,102	305,238	-	5,272,189

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	₱16,386,214	₱23,701,857	₱2,501,145	₱1,087,733	₱-	₱43,676,949
Inter-segment	30,668	6,111	37,227	1,253	(75,259)	-
	<b>₱16,416,882</b>	<b>₱23,707,968</b>	<b>₱2,538,372</b>	<b>₱1,088,986</b>	<b>(₱75,259)</b>	<b>₱43,676,949</b>
Segment results:						
Income (loss) before income tax	₱4,052,016	₱8,080,771	₱2,164,016	(₱384,711)	(₱162,809)	₱13,749,283
Provision for income tax	(974,849)	(1,826,071)	(419,792)	-	-	(3,220,712)
Net income (loss)	<b>₱3,077,167</b>	<b>₱6,254,700</b>	<b>₱1,744,224</b>	<b>(₱384,711)</b>	<b>(₱162,809)</b>	<b>₱10,528,571</b>
Net income (loss) attributable to:						
Equity holders of the Parent	₱2,974,846	₱6,261,337	₱1,744,224	(₱384,711)	(₱162,809)	₱10,432,887
Non-controlling interests	102,321	(6,637)	-	-	-	95,684
Other information:						
Capital expenditures	₱12,823,016	₱13,209,860	₱3,598,157	₱414,794	₱-	₱30,045,827
Depreciation and amortization	4,758,968	78,329	325,519	322,855	-	5,485,671

June 30, 2021 (Unaudited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
<b>Segment assets</b>	<b>₱403,417,319</b>	<b>₱271,416,581</b>	<b>₱62,092,993</b>	<b>₱14,143,004</b>	<b>(₱1,656,086)</b>	<b>₱749,413,811</b>
<b>Segment liabilities</b>	<b>₱267,317,514</b>	<b>₱156,259,034</b>	<b>₱6,000,432</b>	<b>₱549,576</b>	<b>(₱1,656,086)</b>	<b>₱428,470,470</b>

December 31, 2020 (Audited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
Segment assets	₱393,412,575	₱254,869,649	₱61,567,161	₱14,067,315	(₱1,557,775)	₱722,358,925
Segment liabilities	₱258,218,748	₱147,833,429	₱6,230,590	₱916,305	(₱1,557,775)	₱411,641,297

For the six-month periods ended June 30, 2021 and 2020, 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 significant impact of COVID-19 pandemic to the Company's operations starting March 2020, there were no other 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.

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**5. Cash and Cash Equivalents**

Cash and cash equivalents comprised the following:

	<b>June 30, 2021</b>	December 31, 2020
	<b>(Unaudited)</b>	(Audited)
	<i>(In Thousands)</i>	
Cash on hand and in banks (see Note 17)	<b>₱13,840,326</b>	₱12,484,610
Temporary investments (see Note 17)	<b>12,999,006</b>	18,177,004
	<b>₱26,839,332</b>	₱30,661,614

Interest income earned from cash in banks and temporary investments amounted to ₱288 million and ₱568 million for the six-month periods ended June 30, 2021 and 2020, respectively (see Note 20).

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**6. Receivables and Contract Assets**

This account consists of:

	<b>June 30, 2021</b>	December 31, 2020
	<b>(Unaudited)</b>	(Audited)
	<i>(In Thousands)</i>	
Trade (billed and unbilled):		
Sale of real estate*	<b>₱103,781,879</b>	₱97,140,164
Rent:		
Third parties	<b>4,745,644</b>	5,161,293
Related parties (see Note 17)	<b>2,058,858</b>	2,249,505
Others	<b>5,592</b>	28,429
Nontrade	<b>120,551</b>	50,548
Accrued interest (see Note 17)	<b>185,370</b>	129,226
Others (see Note 17)	<b>2,401,430</b>	2,068,588
	<b>113,299,324</b>	106,827,753
Less allowance for ECLs	<b>1,057,614</b>	1,066,130
	<b>112,241,710</b>	105,761,623
Less noncurrent portion of receivables from sale of real estate (see Note 12)	<b>54,082,430</b>	46,816,693
	<b>₱58,159,280</b>	₱58,944,930

\*Includes unbilled revenue from sale of real estate amounting to ₱90,626 million and ₱86,631 million as at June 30, 2021 and December 31, 2020, respectively.

Interest income earned from receivables amounted to ₱39 million and ₱28 million for the six-month periods ended June 30, 2021 and 2020, respectively (see Note 20).



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

	<b>June 30, 2021 (Six Months) (Unaudited)</b>	December 31, 2020 (One Year) (Audited)
	<i>(In Thousands)</i>	
At beginning of the period	<b>₱1,066,130</b>	₱1,053,549
Provision – net	<b>(8,516)</b>	12,581
At end of the period	<b>₱1,057,614</b>	₱1,066,130

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, 2019	₱37,930,932	₱5,880,355	₱134,822	₱43,946,109
Development cost incurred	18,139,127	–	–	18,139,127
Cost of real estate sold	(18,447,010)	(2,057,496)	(73,900)	(20,578,406)
Transfers	(4,850,263)	4,849,029	1,234	–
Reclassifications from investment properties (see Note 10)	2,031,711	–	–	2,031,711
Translation adjustment and others	123,820	–	29,516	153,336
Balance as at December 31, 2020	34,928,317	8,671,888	91,672	43,691,877
Development cost incurred	11,353,318	–	–	11,353,318
Cost of real estate sold (see Note 19)	(9,551,045)	(824,781)	(17,928)	(10,393,754)
Transfers	(6,164,607)	6,164,512	95	–
Reclassifications from investment properties (see Note 10)	2,129,477	–	–	2,129,477
Translation adjustment and others	110,633	23,894	30,118	164,645
<b>Balance as at June 30, 2021</b>	<b>₱32,806,093</b>	<b>₱14,035,513</b>	<b>₱103,957</b>	<b>₱46,945,563</b>

Condominium and residential units for sale pertain to the completed projects and are stated at cost as at June 30, 2021 and December 31, 2020.

Contract fulfillment assets, included under land and development, mainly pertain to unamortized portion of land cost totaling ₱2,214 million and ₱1,745 million as at June 30, 2021 and December 31, 2020, respectively.

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**8. Equity Instruments at FVOCI**

This account consists of investments in:

	<b>June 30, 2021</b>	December 31, 2020
	<b>(Unaudited)</b>	(Audited)
	<i>(In Thousands)</i>	
Shares of stock:		
Listed (see Note 17)	<b>₱17,053,216</b>	₱16,696,333
Unlisted	<b>3,381</b>	3,381
	<b>17,056,597</b>	16,699,714
Less noncurrent portion	<b>16,493,970</b>	16,131,568
	<b>₱562,627</b>	₱568,146

Dividend income from investments at FVOCI amounted to ₱96 million and ₱107 million for the six-month periods ended June 30, 2021 and 2020, respectively.

Unrealized gain on changes in fair value amounting to ₱357 million for the six-month period ended June 30, 2021 and unrealized loss due to changes in fair value amounting to ₱5,583 million for the six-month period ended June 30, 2020 were included under other comprehensive income.

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**9. Prepaid Expenses and Other Current Assets**

This account consists of:

	<b>June 30, 2021</b>	December 31, 2020
	<b>(Unaudited)</b>	(Audited)
	<i>(In Thousands)</i>	
Input and creditable withholding taxes	<b>₱10,331,776</b>	₱9,655,119
Advances and deposits	<b>9,248,261</b>	9,052,663
Prepaid taxes and other prepayments	<b>4,319,446</b>	3,839,114
Supplies and inventories	<b>394,676</b>	407,203
Cash in escrow and others (see Note 17)	<b>429,881</b>	251,563
	<b>₱24,724,040</b>	₱23,205,662

## 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, 2019	₱70,842,765	₱70,247,314	₱237,616,734	₱42,588,024	₱22,203,470	₱53,779,717	₱497,278,024
Additions	6,585,159	3,535,214	2,045,713	1,478,530	3,276,229	24,409,153	41,329,998
Reclassifications to real estate inventories (see Note 7)	(1,829,378)	(628,379)	7,517,657	862,027	–	(7,953,638)	(2,031,711)
Translation adjustment	–	15,655	469,724	37,418	111,741	42,657	677,195
Disposals	(4,113,632)	(44,242)	(80)	(121,219)	–	–	(4,279,173)
Balance as at December 31, 2020	71,484,914	73,125,562	247,649,748	44,844,780	25,591,440	70,277,889	532,974,333
Additions	8,032,775	2,656,289	212,370	571,934	645,231	11,755,655	23,874,254
Reclassifications to real estate inventories (see Note 7)	(2,134,376)	(14,300)	4,126,592	516,209	–	(4,623,602)	(2,129,477)
Translation adjustment	–	44,340	1,090,562	85,705	344,254	180,979	1,745,840
Disposals	–	(14,130)	(222)	(60,114)	–	–	(74,466)
Balance as at June 30, 2021	₱77,383,313	₱75,797,761	₱253,079,050	₱45,958,514	₱26,580,925	₱77,590,921	₱556,390,484
<b>Accumulated Depreciation and Amortization</b>							
Balance as at December 31, 2019	₱–	₱2,270,162	₱56,648,135	₱27,175,335	₱544,814	₱–	₱86,638,446
Depreciation and amortization	–	236,598	7,024,320	2,349,180	546,328	–	10,156,426
Translation adjustment	–	12,180	111,470	25,372	5,042	–	154,064
Disposals	–	(26,301)	(7)	(107,376)	–	–	(133,684)
Balance as at December 31, 2020	–	2,492,639	63,783,918	29,442,511	1,096,184	–	96,815,252
Depreciation and amortization (see Note 19)	–	132,112	3,486,144	1,291,245	283,022	–	5,192,523
Translation adjustment	–	25,154	235,784	52,268	8,693	–	321,899
Disposals	–	(2,469)	–	(56,746)	–	–	(59,215)
Balance as at June 30, 2021	₱–	₱2,647,436	₱67,505,846	₱30,729,278	₱1,387,899	₱–	₱102,270,459
<b>Net Book Value</b>							
As at December 31, 2020	₱71,484,914	₱70,632,923	₱183,865,830	₱15,402,269	₱24,495,256	₱70,277,889	₱436,159,081
<b>As at June 30, 2021</b>	<b>77,383,313</b>	<b>73,150,325</b>	<b>185,573,204</b>	<b>15,229,236</b>	<b>25,193,026</b>	<b>77,590,921</b>	<b>454,120,025</b>

Portions of investment properties located in China with total carrying value of ₱1,789 million as at June 30, 2021 are mortgaged as collaterals to secure domestic short term and long term borrowings (see Notes 13 and 15).

Consolidated rent income from investment properties amounted to ₱15,929 million and ₱18,305 million for the six-month periods ended June 30, 2021 and 2020, respectively. Consolidated costs and expenses from investment properties amounted to ₱11,248 million and ₱13,361 million for the six-month periods ended June 30, 2021 and 2020, respectively.

Construction in progress includes shopping mall complex under construction and landbanking and commercial building constructions amounting to ₱77,591 million and ₱70,278 million as at June 30, 2021 and December 31, 2020, respectively.

Interest capitalized to the construction of investment properties amounted to ₱2,901 million and ₱3,540 million and capitalization rates used range from 2.65% to 5.01% and from 2.35% to 4.70%, for the periods ended June 30, 2021 and December 31, 2020, 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 Company's management believes that there is no impairment loss on the Company's investment properties and there is no significant change in the fair value of the investment properties from that determined on September 30, 2018.

Management also believes that the carrying values of additions to investment properties subsequent to the most recent valuation date would approximate their fair values.

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.

## 11. Investments in Associates and Joint Ventures

The ownership interests in associate and joint ventures accounted for under the equity method mainly consist of the following:

Company	Country of Incorporation	Percentage of Ownership	
		June 30, 2021	December 31, 2020
<b>Associates</b>			
Feihua Real Estate (Chongqing) Company Ltd. (FHREC)	People's Republic of China	50.00	50.00
Ortigas Land Corporation (OLC) (formerly OCLP Holdings, Inc.)	Philippines	39.96	39.96
<b>Joint Ventures</b>			
Winsome Development Corporation*	Philippines	51.00	51.00
Willin Sales, Inc.*	- do -	51.00	51.00
Willimson, Inc. *	- do -	51.00	51.00
Waltermart Ventures, Inc. *	- do -	51.00	51.00
WM Development, Inc. *	- do -	51.00	51.00
WM Shopping Center Management Inc.*	- do -	51.00	51.00
Metro Rapid Transit Service Inc.	- do -	51.00	51.00
ST 6747 Resources Corporation (STRC)	- do -	50.00	50.00

\*collectively, Waltermart

The movements in this account are as follows:

	Associates	Joint Ventures	Total
	<i>(In Thousands)</i>		
Balance as at December 31, 2019	₱18,914,405	₱8,299,993	₱27,214,398
Equity in net earnings	323,473	371,000	694,473
Dividends	(127,450)	(61,200)	(188,650)
Translation	15,018	-	15,018
Balance as at December 31, 2020	19,125,446	8,609,793	27,735,239
Equity in net earnings	499,862	211,302	711,164
Translation	34,280	-	34,280
<b>Balance as at June 30, 2021</b>	<b>₱19,659,588</b>	<b>₱8,821,095</b>	<b>₱28,480,683</b>

As at June 30, 2021, OLC's total assets, total liabilities and total equity amounted to ₱43,035 million, ₱31,799 million and ₱11,236 million, respectively, and the carrying value of investment in OLC amounted to ₱18,335 million, which consists of its proportionate share in the net assets of OLC amounting to ₱4,563 million and fair value adjustments and others totaling ₱13,772 million. The share in profit and total comprehensive income amounted to ₱500 million and ₱223 million for the six-month periods ended June 30, 2021 and 2020, respectively.

The carrying value of investment in FHREC amounted to ₱1,325 million and ₱1,291 million as at June 30, 2021 and December 31, 2020, respectively, with cumulative equity in net earnings amounting to ₱1,036 million and ₱1,009 million as at June 30, 2021 and December 31, 2020, respectively.

The carrying values of investments in Waltermart amounted to ₱7,039 million and ₱6,885 million as at June 30, 2021 and December 31, 2020, respectively. The aggregate share in profit and total comprehensive income, net of dividend received, amounted to ₱154 million and ₱136 million for the six-month periods ended June 30, 2021 and 2020, respectively.

The carrying value of investment in STRC amounted to ₱1,771 million and ₱1,678 million as at June 30, 2021 and December 31, 2020, respectively. The aggregate share in profit and total comprehensive income amounted to ₱93 million and ₱71 million for the six-month period ended June 30, 2021 and 2020, respectively.

The Company has no outstanding contingent liabilities or capital commitments related to its investments in associates and joint ventures as at June 30, 2021 and December 31, 2020.

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## 12. Other Noncurrent Assets - net

This account consists of:

	<b>June 30, 2021</b>	December 31, 2020
	<b>(Unaudited)</b>	(Audited)
	<i>(In Thousands)</i>	
Receivables from sale of real estate - net of current portion (see Note 6)*	<b>₱54,082,430</b>	₱46,816,693
Bonds and deposits	<b>31,894,954</b>	32,433,867
Time deposits (see Notes 17 and 22)	<b>2,102,747</b>	1,356,442
Property and equipment - net of accumulated depreciation of ₱2,179 million and ₱2,103 million, respectively (see Note 19)	<b>1,291,706</b>	1,311,208
Deferred input tax	<b>1,268,075</b>	1,111,000
Others	<b>1,523,686</b>	1,397,305
	<b>₱92,163,598</b>	₱84,426,515

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

Interest income earned from time deposits amounted to ₱16 million and ₱29 million for the six-month periods ended June 30, 2021 and 2020, respectively (see Note 20).

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## 13. Loans Payable

This account consists of Philippine peso and China yuan renminbi denominated loans amounting to ₱4,443 million and ₱10,900 million as at June 30, 2021 and December 31, 2020, with due dates of less than one year. These loans bear interest rates of 2.65% to 3.75% in 2021 and 3.15 % to 4.00% in 2020.

Interest expense incurred from loans payable amounted to ₱96 million and ₱101 million for the six-month periods ended June 30, 2021 and 2020, respectively (see Note 20).

#### 14. Accounts Payable and Other Current Liabilities

This account consists of:

	<b>June 30, 2021</b>	December 31, 2020
	<b>(Unaudited)</b>	(Audited)
<i>(In Thousands)</i>		
Trade:		
Third parties	<b>₱35,509,562</b>	₱37,994,767
Related parties (see Note 17)	<b>207,889</b>	490,247
Tenants' and customers' deposits*	<b>37,007,406</b>	37,540,373
Accrued operating expenses:		
Third parties	<b>12,338,331</b>	9,863,058
Related parties (see Note 17)	<b>407,443</b>	407,443
Lease liabilities	<b>11,694,478</b>	11,076,316
Liability for purchased land	<b>9,959,122</b>	8,608,649
Deferred output VAT	<b>9,369,049</b>	8,228,236
Accrued interest (see Note 17)	<b>2,313,216</b>	2,237,044
Payable to government agencies	<b>1,555,494</b>	1,268,136
Nontrade	<b>404,154</b>	400,110
Liability from assigned receivables and others	<b>3,116,120</b>	4,447,540
	<b>123,882,264</b>	122,561,919
Less noncurrent portion	<b>44,263,280</b>	41,527,934
	<b>₱79,618,984</b>	₱81,033,985

\*Includes unearned revenue from sale of real estate amounting to ₱5,633 million and ₱7,615 million as at June 30, 2021 and December 31, 2020, respectively.

Lease liabilities included in "Other noncurrent liabilities" amounted to ₱11,585 million and ₱11,009 million as at June 30, 2021 and December 31, 2020, respectively. Interest on lease liabilities included under "Others - net" in the interim consolidated statement of income amounted to ₱171 million and ₱162 million for the six-month periods ended June 30, 2021 and 2020, respectively.

The undiscounted payments of lease liabilities are scheduled as follows:

	<b>June 30, 2021</b>	December 31, 2020
	<b>(Unaudited)</b>	(Audited)
<i>(In Thousands)</i>		
Within 1 year	<b>₱709,004</b>	₱655,840
More than 1 year to 5 years	<b>2,921,833</b>	2,636,354
More than 5 years	<b>22,300,856</b>	22,131,323
	<b>₱25,931,693</b>	₱25,423,517

Accrued operating expenses - third parties consist of:

	<b>June 30, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
	<i>(In Thousands)</i>	
Payable to contractors	<b>₱5,010,607</b>	₱4,045,630
Utilities	<b>2,849,615</b>	2,532,449
Marketing and advertising and others	<b>4,478,109</b>	3,284,979
	<b>₱12,338,331</b>	₱9,863,058



## 15. Long-term Debt

This account consists of:

	Availment Date	Maturity Date	Interest Rate	Condition	Outstanding Balance	
					June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
<i>(In Thousands)</i>						
<b>Parent Company</b>						
Philippine peso-denominated loans						
Retail bonds	September 1, 2014 - February 5, 2021	March 1, 2020 - March 25, 2027	2.46% - 6.22%	Unsecured	<b>₱91,995,300</b>	₱99,964,260
Other bank loans	June 19, 2012 – April 26, 2021	June 19, 2022 – April 26, 2028	Floating BVAL + margin; Fixed 4.51% - 4.75%	Unsecured	<b>46,430,000</b>	31,548,000
U.S. dollar-denominated loans*	July 30, 2018 - April 27, 2021	October 2, 2022 – March 29, 2026	LIBOR + spread; quarterly	Unsecured	<b>15,128,000</b>	10,084,830
<b>Subsidiaries</b>						
Philippine peso-denominated loans	June 3, 2013 - June 23, 2021	February 8, 2021 - August 7, 2029	Floating BVAL + margin; Fixed 3.61% - 6.37%	Unsecured	<b>83,723,020</b>	78,992,080
U.S. dollar-denominated loans**	March 21, 2016 - January 29, 2021	January 29, 2021 - January 25, 2026	LIBOR + spread; semi-annual/quarterly	Unsecured	<b>40,295,790</b>	39,669,574
China yuan renminbi-denominated loans***	October 16, 2017 - May 6, 2021	October 16, 2022- April 20, 2026	LPR; annually; Fixed - 5.85%	Secured	<b>6,404,019</b>	2,559,639
					<b>283,976,129</b>	262,818,383
Less debt issue cost					<b>1,608,006</b>	1,249,386
					<b>282,368,123</b>	261,568,997
Less current portion					<b>27,959,206</b>	42,738,350
					<b>₱254,408,917</b>	₱218,830,647

*LIBOR – London Interbank Offered Rate*

*BVAL – Bloomberg Valuation Service*

*LPR - China Loan Prime Rate*

*\*Hedged against foreign exchange risks using cross-currency swaps and interest rate 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. (see Note 10)*

Debt issue cost pertaining to the loan availments amounted to ₱613 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, 2021 and 2020 amounted to ₱254 million and ₱198 million, respectively.

The loan agreements of the Company provide certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control. As at June 30, 2021 and December 31, 2020, 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	₱27,959,206	(₱272,276)	₱27,686,930
More than 1 year to 5 years	234,704,463	(1,292,190)	233,412,273
More than 5 years	21,312,460	(43,540)	21,268,920
	<u>₱283,976,129</u>	<u>(₱1,608,006)</u>	<u>₱282,368,123</u>

Interest expense incurred from long-term debt amounted to ₱3,466 million and ₱3,469 million for the six-month periods ended June 30, 2021 and 2020, respectively (see Note 20).

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## 16. Equity

### Capital Stock

As at June 30, 2021 and December 31, 2020, 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, 2021 and December 31, 2020, the Parent Company has 28,879 million outstanding shares including 23 million shares held by SMDC.

### Retained Earnings

In 2021, the Board of Directors (BOD) approved the declaration of cash dividend of ₱0.082 per share or ₱2,368 million to stockholders of record as of May 5, 2021, ₱2 million of which was received by SMDC. This was paid on May 19, 2021.

In 2020, 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 was paid on July 14, 2020.

As at June 30, 2021 and December 31, 2020, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42,200 million. This represents appropriation for land banking activities and planned construction projects for the next two to three years. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company. Approval of malls expansions and new projects is delegated by the BOD to the Executive Committee of the Company.

The retained earnings account is restricted for the payment of dividends to the extent of ₱112,800 million and ₱104,746 million as at June 30, 2021 and December 31, 2020, respectively, representing the cost of shares held in treasury amounting to ₱2,985 million as at June 30, 2021 and December 31, 2020 and accumulated equity in net earnings of SMPH subsidiaries, associates and joint ventures totaling ₱109,815 million and ₱101,761 million as at June 30, 2021 and December 31, 2020, 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, 2021 and December 31, 2020, 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, 2020.

## 17. Related Party Transactions

The significant related party transactions entered into by the Company with SMIC, bank 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, 2021 (Unaudited)	June 30, 2020 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)		
<i>(In Thousands)</i>						
<b>Ultimate Parent</b>						
Rent income	₱29,445	₱22,414	₱-	₱-		
Rent receivable	-	-	24,892	4,426	Noninterest-bearing	Unsecured; not impaired
Management fee income	1,149	783	-	-		
Service income	22,600	24,000	-	-		
Service fee receivable	-	-	2,912	4,480	Noninterest-bearing	Unsecured; not impaired
Rent expense	10,238	22,560	-	-		
Trade payable	-	-	(12,913)	(36,646)	Noninterest-bearing	Unsecured
Equity instruments at FVOCI	-	-	146,030	153,263	Noninterest-bearing	Unsecured; not impaired
<b>Bank and Retail Group</b>						
Cash and cash equivalents	80,030,594	50,324,130	11,128,908	17,670,812	Interest bearing based on prevailing rates	Unsecured; not impaired
Rent income	4,586,522	5,693,681	-	-		
Rent receivable	-	-	1,967,411	2,221,901	Noninterest-bearing	Unsecured; not impaired
Service income	298	14,091	-	-		
Management fee receivable	-	-	8,441	8,441	Noninterest-bearing	Unsecured; not impaired
Interest income	116,135	268,903	-	-		
Accrued interest receivable	-	-	18,953	12,049	Noninterest-bearing	Unsecured; not impaired
Receivable financed	358,861	5,910,578	-	-	Without recourse	Unsecured
Time deposits	-	-	856,535	1,356,442	Interest-bearing	Unsecured
Loans payable and long-term debt	-	1,500,412	(12,438,384)	(14,139,453)	Interest-bearing	Unsecured
Interest expense	295,267	397,057	-	-		
Accrued interest payable	-	-	(49,239)	(53,452)	Noninterest-bearing	Unsecured
Rent expense	-	38	-	-		
Trade payable	-	-	(89,412)	(288,144)	Noninterest-bearing	Unsecured
Management fee expense	780	268	-	-		
Equity instruments at FVOCI	-	-	10,190,762	9,614,605	Noninterest-bearing	Unsecured; not impaired
Cash in escrow	176,374	25,004	322,678	144,209	Interest bearing based on prevailing rates	Unsecured; not impaired
Dividend income	54,015	54,015	-	-		
<b>Other Related Parties</b>						
Rent income	180,626	72,076	-	-		
Rent receivable	-	-	66,555	23,178	Noninterest-bearing	Unsecured; not impaired
Service income	54,082	29,568	-	-		
Service fee receivable	-	-	7,984	-	Noninterest-bearing	Unsecured; not impaired
Management fee income	551	3,388	-	-		

	Amount of Transactions		Outstanding Amount [Asset (Liability)]		Terms	Conditions
	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)		
	<i>(In Thousands)</i>					
Management fee receivable	₱-	₱-	₱6,862	₱6,862	Noninterest-bearing	Unsecured; not impaired
Accrued expenses	-	-	(407,443)	(407,443)	Noninterest-bearing	Unsecured
Trade payable	-	-	(105,564)	(165,457)	Noninterest-bearing	Unsecured

#### Compensation of Key Management Personnel

The aggregate compensation and benefits related to key management personnel for the six-month periods ended June 30, 2021 and 2020 consist of short-term employee benefits amounting to ₱529 million and ₱546 million, respectively, and post-employment benefits (pension benefits) amounting to ₱139 million and ₱95 million, respectively.

#### 18. Other Revenues

This account consists of:

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
	<i>(In Thousands)</i>	
Food and beverages	₱201,972	₱301,777
Net merchandise sales	83,726	150,190
Amusement income	38,746	152,674
Bowling and ice skating fees	10,565	54,188
Advertising and others (see Note 17)	720,790	645,357
	<b>₱1,055,797</b>	<b>₱1,304,186</b>

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

#### 19. Costs and Expenses

This account consists of:

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
	<i>(In Thousands)</i>	
Cost of real estate sold (see Note 7)	₱10,393,754	₱10,685,769
Depreciation and amortization (see Notes 10 and 12)	5,272,189	5,485,671
Administrative	3,248,994	4,528,675
Marketing and selling expenses	2,551,841	2,312,250
Business taxes and licenses	2,357,261	2,597,371
Rent (see Note 17)	323,979	399,679
Insurance	265,945	324,924
Film rentals	9,285	299,738
Others	592,608	694,132
	<b>₱25,015,856</b>	<b>₱27,328,209</b>

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

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## 20. Interest Income and Interest Expense

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

	<b>June 30, 2021 (Unaudited)</b>	June 30, 2020 (Unaudited)
	<i>(In Thousands)</i>	
Interest income on:		
Cash and cash equivalents (see Note 5)	<b>₱287,707</b>	₱567,911
Time deposits (see Note 12)	<b>15,764</b>	28,565
Others (see Notes 6)	<b>39,260</b>	29,376
	<b>₱342,731</b>	<b>₱625,852</b>
Interest expense on:		
Long-term debt (see Note 15)	<b>₱3,465,572</b>	₱3,468,566
Loans payable (see Note 13)	<b>95,738</b>	100,966
Receivable financing and others	<b>25,409</b>	142,535
	<b>₱3,586,719</b>	<b>₱3,712,067</b>

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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. Approximately 80% of its long-term borrowings as at June 30, 2021 and December 31, 2020 are at a fixed rate of interest after taking into account the effect of interest rate swaps.

### 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\$29 million (₱1,423 million) as at June 30, 2021 and US\$25 million (₱1,179 million) as at December 31, 2020.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rates used were ₱48.80 to US\$1.00 and ₱48.02 to US\$1.00, the Philippine peso to U.S. dollar exchange rate as at June 30, 2021 and December 31, 2020, 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 and the impact of COVID-19 pandemic 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:

	Carrying Value	Fair Value	June 30, 2021		
			Level 1	Level 2	Level 3
			<i>(In Thousands)</i>		
<b>Financial Assets</b>					
Financial assets at FVTPL:					
Derivative assets	P22,481	P22,481	P-	P22,481	P-
Financial assets at amortized cost:					
Time deposits (included under "Other noncurrent assets - net")	2,102,747	2,102,747	-	2,102,747	-
Financial assets at FVOCI:					
Equity instruments	17,056,597	17,056,597	17,053,216	-	3,381
	<b>P19,181,825</b>	<b>P19,181,825</b>	<b>P17,053,216</b>	<b>P2,125,228</b>	<b>P3,381</b>
<b>Financial Liabilities</b>					
Financial liabilities at FVTPL:					
Derivative liabilities	P2,236,664	P2,236,664	P-	P2,236,664	P-
Loans and borrowings:					
Liability for purchased land - net of current portion	2,177,918	2,114,684	-	-	2,114,684
Long-term debt - net of current portion	254,408,917	257,548,063	-	-	257,548,063
Lease liability - net of current portion	11,585,075	11,585,075	-	-	11,585,075
Tenants' deposits - net of current portion	21,103,491	21,084,935	-	-	21,084,935
Other noncurrent liabilities*	6,025,509	5,970,186	-	-	5,970,186
	<b>P297,537,574</b>	<b>P300,539,607</b>	<b>P-</b>	<b>P2,236,664</b>	<b>P298,302,943</b>

\*Excluding lease liability and nonfinancial liabilities amounting to P9,395 million as at June 30, 2021.

	December 31, 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	₱2,747	₱2,747	₱-	₱2,747	₱-
Financial assets at amortized cost:					
Time deposits (included under "Other noncurrent assets - net")	1,356,442	1,356,442	-	1,356,442	-
Financial assets at FVOCI:					
Equity instruments	16,699,714	16,699,714	16,696,333	-	3,381
	₱18,058,903	₱18,058,903	₱16,696,333	₱1,359,189	₱3,381
<b>Financial Liabilities</b>					
Financial liabilities at FVTPL:					
Derivative liabilities	₱2,803,397	₱2,803,397	₱-	₱2,803,397	₱-
Loans and borrowings:					
Liability for purchased land - net of current portion	1,251,227	1,204,295	-	-	1,204,295
Long-term debt - net of current portion	218,830,647	214,950,879	-	-	214,950,879
Lease liability - net of current portion	11,009,422	11,009,422	-	-	11,009,422
Tenants' deposits - net of current portion	21,077,872	20,772,115	-	-	20,772,115
Other noncurrent liabilities*	5,192,291	5,147,613	-	-	5,147,613
	₱260,164,856	₱255,887,721	₱-	₱2,803,397	₱253,084,324

\*Excluding lease liability and nonfinancial liabilities amounting to ₱8,806 million as at December 31, 2020.

### 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, 2021 and December 31, 2020, 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:

Debt Type	Fair Value Assumptions
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 1.05% to 5.19% and 1.24% to 4.67% as at June 30, 2021 and December 31, 2020, 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 3.71% to 4.53% and 3.72% to 4.44% as at June 30, 2021 and December 31, 2020, respectively.

*Tenants' Deposits, Liability for Purchased Land, Lease Liabilities 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 2.60% to 8.03% and 2.13% to 8.03% as at June 30, 2021 and December 31, 2020, 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.

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

*Cross currency Swaps.* The table below shows information on the Company's cross currency swap transactions to hedge both the foreign currency and interest rate exposures on its U.S. dollar-denominated loans.

Year Obtained	Maturity	Hedged Loan	Outstanding Notional Amount	Agreed Equivalent	Receive	Pay
<i>(In Thousands)</i>						
2020	2022	Two - year term loans	\$100,000	₱4,828,000	3 months LIBOR +margin%	2.88%
2020	2024	Four - year term loans	\$150,000	₱7,277,500	3 months LIBOR +margin%	3.64% - 3.70%
2019	2024	Five - year term loans	\$286,000	¥1,919,208	3 months LIBOR +margin%	3.86% - 3.97%
2018	2023	Five - year term syndicated loans	\$110,000	₱5,865,700	3 months LIBOR +margin%	6.37% - 6.39%
2017	2022	Five - year term loans	\$100,000	¥671,715	3 months LIBOR +margin%	4.95% - 5.43%

The fair value of the outstanding cross currency swaps amounted to negative ₱2,040 million and negative ₱2,446 million as of June 30, 2021 and December 31, 2020, respectively.

*Principal Only Swaps.* In 2021, 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 January 29, 2021 (see Note 15). Under the principal only swap, it effectively converted the hedged US dollar-denominated loans and advances into China renminbi-denominated loans.

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. The principal only swaps matured on January 29, 2021.

Cumulative fair value changes recognized in equity under other comprehensive income from the matured principal only swaps amounting to ₱134 million was recognized in the consolidated statements of income for the six-month period ended June 30, 2021.

As at June 30, 2021, SM Land (China) Limited's outstanding principal only swaps have notional amounts totaling US\$270 million which were fixed to US\$:¥ exchange rate 6.459 with maturities ranging from July 28, 2021 to January 23, 2026.

Fair value of the outstanding principal swaps amounted to negative ₱171 million as of June 30, 2021 and negative ₱300 million as of December 31, 2020.

*Interest Rate Swaps.* In 2021, SMPH entered into a floating to fixed US\$ interest rate swap agreement with notional amount of US\$100 million. Under the agreement, SMPH effectively converts the floating rate U.S. dollar-denominated loan into fixed rate loan with quarterly payment intervals up to March 27, 2026 (see Note 15).

In 2016, SM Land (China) Limited also entered into US\$ interest rate swap agreement with notional amount of US\$270 million. Under the agreement, SM Land (China) Limited effectively converts the floating rate U.S. dollar-denominated loan into fixed rate loan (see Note 15). The interest rate swaps matured on January 29, 2021.

Negative fair value of the outstanding interest rate swaps amounted to ₱4 million and ₱55 million as of June 30, 2021 and December 31, 2020, respectively.

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, 2021 and 2020.

#### 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 negative ₱2,214 million and negative ₱2,801 million as at June 30, 2021 and December 31, 2020, 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 31, 2021 and 2020. Foreign currency translation arising from the hedged loan recognized in the interim consolidated statements of income amounted to ₱76 million gain and ₱370 million loss for the six-month periods ended June 30, 2021 and 2020, 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

*Non-deliverable Currency Forwards and Swaps.* In 2021, SMPH entered into sell ₱ and buy US\$ currency forward contract. It also entered into sell US\$ and buy ₱ currency forward and swap contract with the same aggregate notional amount.

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## 23. EPS Computation

Basic/diluted EPS is computed as follows:

	<b>June 30, 2021</b>	June 30, 2020
	<b>(Unaudited)</b>	(Unaudited)
	<i>(In Thousands, Except Per Share Data)</i>	
Net income attributable to equity holders of the parent (a)	<b>₱11,644,915</b>	₱10,432,887
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>₱0.404</b>	₱0.362

**SM Prime Holdings, Inc. and Subsidiaries**  
**Aging of Accounts Receivable and Contract Assets**  
**As at June 30, 2021**  
*(Amounts in Thousands)*

Trade (billed and unbilled):	
Sale of real estate	<b>₱103,781,879</b>
Rent:	
Third parties	4,745,644
Related parties	2,058,858
Others	5,592
Nontrade	120,551
Accrued interest	185,370
Others	2,401,430
	<b>113,299,324</b>
Less allowance for ECLs	<b>1,057,614</b>
	<b>112,241,710</b>
Less noncurrent portion of receivables from sale of real estate	<b>54,082,430</b>
	<b>₱58,159,280</b>

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

Neither past due nor impaired	<b>₱97,216,738</b>
Past due but not impaired:	
Less than 30 days	2,692,378
31–90 days	3,607,580
91–120 days	1,519,177
Over 120 days	7,205,837
Impaired	1,057,614
	<b>₱113,299,324</b>

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

**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**  
**FINANCIAL RATIOS - KEY PERFORMANCE INDICATORS**  
**AS OF JUNE 30, 2021 and 2020**

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
<b>i. Current Ratio</b>		
<u>Total current assets</u>		
Total current liabilities	1.39	1.16
<b>Acid-Test Ratio</b>		
<u>Total current assets less inventory and prepaid expenses</u>		
Total current liabilities	0.76	0.66
<b>ii. Debt-to-equity Ratio</b>		
<u>Total interest-bearing liabilities</u>		
Total equity attributable to equity holders of the parent	47:53	47:53
<b>Net debt-to-equity ratio</b>		
<u>Total interest-bearing liabilities less cash and cash equivalents and investment securities</u>		
Total equity attributable to equity holders of the parent	45:55	44:56
<b>Solvency Ratio</b>		
<u>Total assets</u>		
Total liabilities	1.75	1.75
<b>iii. Asset to equity ratio</b>		
<u>Total assets</u>		
Total equity attributable to equity holders of the parent	2.34	2.34
	<b>June 30,</b>	<b>June 30,</b>
	<b>2021</b>	<b>2020</b>
<b>iv. Interest Service Coverage</b>		
<u>Earnings before interest, income taxes, depreciation and amortization (EBITDA)</u>		
Interest expense	5.94	5.86
<b>Debt to EBITDA*</b>		
<u>Total interest-bearing liabilities</u>		
EBITDA	6.73	5.54
<b>v. Return on Equity*</b>		
<u>Net income attributable to equity holders of the parent</u>		
Total average equity attributable to equity holders of the parent	7%	7%
<b>Return on Investment Properties*</b>		
<u>Net income attributable to equity holders of the parent</u>		
Total average investment properties (excluding shopping mall complex under construction)	6%	6%

*\*annualized*

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

### SM Prime's Consolidated Net Income up by 12% in 1H of 2021 to ₱11.6 billion

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

	Second Quarter Ended Jun 30					Six Months Ended Jun 30				
	2021	% to Revenues	2020	% to Revenues	%	2021	% to Revenues	2020	% to Revenues	%
Profit and Loss Data										
Revenues	20,289	100%	17,889	100%	13%	41,088	100%	43,677	100%	-6%
Costs and Expenses	12,885	64%	13,420	75%	-4%	25,016	61%	27,328	63%	-8%
Operating Income	7,404	36%	4,469	25%	66%	16,072	39%	16,349	37%	-2%
Net Income	5,168	25%	2,113	12%	145%	11,645	28%	10,433	24%	12%
EBITDA	9,993	49%	7,184	40%	39%	21,300	52%	21,739	50%	-2%

	Jun 30 2021	% to Total Assets	Dec 31 2020	% to Total Assets	%
Balance Sheet Data					
Total Assets	749,414	100%	722,359	100%	4%
Investment Properties	454,120	61%	436,159	60%	4%
Total Debt	286,811	38%	272,469	38%	5%
Net Debt	259,971	35%	241,807	33%	8%
Total Equity	319,595	43%	309,284	43%	3%

	Jun 30 2021	Dec 31 2020
Financial Ratios		
Debt to Equity	0.47 : 0.53	0.47 : 0.53
Net Debt to Equity	0.45 : 0.55	0.44 : 0.56
Return on Equity	0.07	0.06
Debt to EBITDA	6.73	6.94

	Jun 30 2021	Jun 30 2020	Dec 31 2020
Interest Coverage Ratio	5.94	5.86	4.57
Operating Income to Revenues	0.39	0.37	0.35
EBITDA Margin	0.52	0.50	0.48
Net Income to Revenues	0.28	0.24	0.22

## ***Revenues***

SM Prime recorded consolidated revenues of ₱20.29 in the second quarter of 2021, an improvement of 13% compared to ₱17.89 billion in the same period of 2020.

### ***Rent***

SM Prime recorded consolidated revenues from rent of ₱7.45 billion in the second quarter of 2021, a 35% increase from ₱5.53 billion in the same period of 2020 as more tenants were allowed to operate by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) and local government unit. However, rent revenues of ₱15.93 billion in the first six months of 2021 is lower from the ₱18.30 billion in the same period in 2020 as pandemic condition started in March 2020. Out of the total rental revenues, 82% of rent revenues is contributed by the malls and the rest from offices and hotels and convention centers.

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

SM Prime recorded a 3% increase in real estate sales in the first six months of 2021 from ₱23.46 billion to ₱24.09 billion primarily due to sales take-up and construction accomplishments of ongoing projects, including Shore 3, Glam, Bloom, Fame, Style, Green 2 and Lane and fast take-up of various Ready-For-Occupancy (RFO) projects particularly those located in Mandaluyong and Pasay. 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 improved to ₱0.49 billion in the second quarter of 2021 compared to ₱0.20 billion in the same period in 2020. However, it decreased by 44% to ₱1.07 billion in the first six months of 2021 from ₱1.91 billion in the same period in 2020 as pandemic condition started in March 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 ₱25.02 billion in the first six months of 2021, a decrease of 8% from ₱27.33 billion in the same period in 2020, as a result of the following:

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

Consolidated costs of real estate decreased by 3% to ₱10.39 billion in the first six months of 2021 from ₱10.69 billion in the same period in 2020 as a result of improving cost efficiencies.

### ***Operating Expenses***

SM Prime's consolidated operating expenses decreased by 12% to ₱14.62 billion in the first six months of 2021 compared to last year's ₱16.64 billion. Out of the total operating expenses, 66% is contributed by the malls. Operating expenses include depreciation and amortization, 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 ₱3.59 billion in the first six months of 2021 compared to ₱3.71 billion in the same period in 2020 mainly due to lower interest rates and capitalized interest on proceeds spent for construction and development of investment properties.

### ***Interest, Dividend and Others - net***

Interest, dividend and others - net increased to ₱1.95 billion in the first six months of 2021 from last years' ₱1.11 billion. This mainly consists 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.

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

SM Prime's consolidated provision for income tax decreased by 15% to ₱2.74 billion in the first six months of 2021 from ₱3.22 billion in the same period in 2020. The Company recognized one-time impact of CREATE amounting to ₱0.31 billion.

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

SM Prime's consolidated net income attributable to Parent increased by 12% to ₱11.64 billion in the first six months of 2021 as compared to ₱10.43 billion in the same period in 2020.

## ***Balance Sheet Accounts***

SM Prime's total assets amounted to ₱749.41 billion and ₱722.36 billion as of June 30, 2021 and December 31, 2020, respectively.

Cash and cash equivalents decreased by 12% from ₱30.66 billion to ₱26.84 billion as of December 31, 2020 and June 30, 2021, respectively, mostly due to payments for capital expenditure projects during the period and debt servicing.

Real estate inventories increased by 7% from ₱43.69 billion to ₱46.95 billion as of December 31, 2020 and June 30, 2021, respectively, due to construction accomplishments for the period, net of cost of sold units.

Prepaid expenses and other current assets increased by 7% from ₱23.21 billion to ₱24.72 billion as of December 31, 2020 and June 30, 2021, respectively, due to increase in input and creditable withholding taxes and deposits and advances to contractors related to construction projects.

Other noncurrent assets - net, which includes bonds and deposits for real estate acquisitions and noncurrent portion of receivables from sale of real estate, increased by 9% from ₱84.43 billion to ₱92.16 billion as of December 31, 2020 and June 30, 2021, respectively.

Loans payable decreased from ₱10.90 billion to ₱4.44 billion as of December 31, 2020 and June 30, 2021, respectively, due to payments, net of availment for the period.



Long-term debt increased by 8% from ₱261.57 billion to ₱282.37 billion as of December 31, 2020 and June 30, 2021, respectively, mainly due to the issuance of ₱10.00 billion retail bonds in February 2021 and new loan availments to fund capital expenditure requirements, net of payment of maturing loans.

Derivative liabilities - net decreased by 21% from ₱2.80 billion to ₱2.21 billion as of December 31, 2020 and June 30, 2021, respectively, as a result of foreign exchange and net fair value changes on principal only swap transactions, and cross currency swap transactions as well as maturity in January 2021 of certain principal only swap and interest rate swap transactions entered into to hedge the Company's foreign exchange currency exposure on dollar denominated long-term debts.

Liability for purchased land increased from ₱1.25 billion to ₱2.18 billion as of December 31, 2020 and June 30, 2021, respectively, due to acquisitions for the period.

Deferred tax liabilities increased by 25% from ₱6.79 billion to ₱8.48 billion as of December 31, 2020 and June 30, 2021, respectively, mainly due to unrealized gross profit on sale of real estate for income tax purposes.

Other noncurrent liabilities increased by 8% from ₱25.01 billion to ₱27.01 billion as of December 31, 2020 and June 30, 2021, 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 is steady at 47:53 as of June 30, 2021 and December 31, 2020. Net interest-bearing debt to equity increased to at 45:55 as of June 30, 2021 from 44:56 as of December 31, 2020.

ROE improved to 7% as of June 30, 2021 from 6% as of December 31, 2020. Debt to EBITDA also improved to 6.73:1 as of June 30, 2021 from 6.94:1 as of December 31, 2020.

EBITDA margin is 52% as of June 30, 2021, compared to 50% and 48% as of June 30, 2020 and December 31, 2020, respectively while interest coverage ratio is 5.94:1 as of June 30, 2021, compared to 5.86:1 and 4:57:1 as of June 30, 2020 and December 31, 2020, respectively.

Consolidated operating income to revenues improved to 39% as of June 30, 2021 compared to 37% as of June 30, 2020 and 35% as of December 31, 2020. Consolidated net income to revenues also improved to 28% as of June 30, 2021 compared to 24% as of June 30, 2020 and 22% as of December 31, 2020.

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.

As at June 30, 2021 and December 31, 2020, 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.

For the year 2021, the Company expects to incur capital expenditures of around ₱80 billion. This will be funded with internally generated funds and external borrowings.

SM Prime currently has fifty-five residential projects, forty-three of which are in Metro Manila and twelve are outside Metro Manila. The Company aims to launch 15,000 to 20,000 residential units in 2021.

SM Prime's malls business unit has seventy-six shopping malls in the Philippines with 8.6 million square meters of gross floor area (GFA) and seven shopping malls in China with 1.3 million square meters of GFA. Subject to local government units' guidelines and prevailing quarantine classification, the Company intends to launch three new malls in the Philippines. These new malls, plus the expansion of the Company's existing malls, will provide an addition of almost 0.3 million square meters of GFA.

SM Prime's Commercial Properties Group has twelve office buildings with a combined gross floor area of approximately 0.7 million square meters.

SM Prime's hotels and convention centers business unit currently has a portfolio of five convention centers, two trade halls and eight hotels with over 2,000 rooms.

**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 5, 2021

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