

# COVER SHEET

SEC Registration Number

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**COMPANY NAME**

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

|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
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|   |   | J | . | W | . |   | D | i | o | k | n | o |   | B | l | v | d | . | , |   | M | a | l | l |   | o | f | A | s |   |
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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

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| <b>8831-1000</b> |
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Mobile Number

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No. of Stockholders

|              |
|--------------|
| <b>2,396</b> |
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Annual Meeting  
Month/Day

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Fiscal Year  
Month/Day

|                     |
|---------------------|
| <b>September 30</b> |
|---------------------|

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

|                                 |
|---------------------------------|
| <b>Mr. John Nai Peng C. Ong</b> |
|---------------------------------|

Email Address

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Telephone Number/s

|                  |
|------------------|
| <b>8831-1000</b> |
|------------------|

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> |
|---|

**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****INTERIM CONSOLIDATED BALANCE SHEET****September 30, 2021****(With Comparative Audited Figures as at December 31, 2020)***(Amounts in Thousands)*

|   | <b>September 30,<br/>2021<br/>(Unaudited)</b> | December 31,<br>2020<br>(Audited) |
|---|---|-----------------------------------|
| <b>ASSETS</b>   |   |                                   |
| <b>Current Assets</b>   |   |                                   |
| Cash and cash equivalents (Notes 5, 17, 21 and 22)  | <b>₱30,825,011</b>                            | ₱30,661,614                       |
| Receivables and contract assets (Notes 6, 17, 21 and 22)  | <b>67,877,914</b>                             | 58,944,930                        |
| Real estate inventories (Note 7)  | <b>50,528,640</b>                             | 43,691,877                        |
| Equity instruments at fair value through other comprehensive income<br>(FVOCI) (Notes 8, 17, 21 and 22) | <b>547,584</b>                                | 568,146                           |
| Derivative assets (Notes 21 and 22)   | <b>526,841</b>                                | 2,747                             |
| Prepaid expenses and other current assets (Notes 9 and 17)  | <b>23,814,650</b>                             | 23,205,662                        |
| <b>Total Current Assets</b>   | <b>174,120,640</b>                            | 157,074,976                       |
| <b>Noncurrent Assets</b>  |   |                                   |
| Equity instruments at FVOCI - net of current portion (Notes 8, 17, 21 and 22)                           | <b>16,388,611</b>                             | 16,131,568                        |
| Investment properties - net (Note 10)   | <b>460,404,195</b>                            | 436,159,081                       |
| Investments in associates and joint ventures (Note 11)  | <b>28,818,279</b>                             | 27,735,239                        |
| Deferred tax assets - net (Note 23)   | <b>938,180</b>                                | 831,546                           |
| Derivative assets - net of current portion (Notes 21 and 22)  | <b>485,716</b>                                | -                                 |
| Other noncurrent assets - net (Notes 12, 17, 21 and 22)   | <b>89,053,252</b>                             | 84,426,515                        |
| <b>Total Noncurrent Assets</b>  | <b>596,088,233</b>                            | 565,283,949                       |
|   | <b>₱770,208,873</b>                           | ₱722,358,925                      |
| <b>LIABILITIES AND EQUITY</b>   |   |                                   |
| <b>Current Liabilities</b>  |   |                                   |
| Loans payable (Notes 13, 17, 21 and 22)   | <b>₱7,250,043</b>                             | ₱10,900,000                       |
| Accounts payable and other current liabilities (Notes 14, 17, 21 and 22)                                | <b>77,085,361</b>                             | 81,033,985                        |
| Current portion of long-term debt (Notes 15, 17, 21 and 22)   | <b>21,511,289</b>                             | 42,738,350                        |
| Derivative liabilities (Notes 21 and 22)  | <b>269,583</b>                                | 357,662                           |
| Income tax payable  | <b>396,064</b>                                | 957,906                           |
| <b>Total Current Liabilities</b>  | <b>106,512,340</b>                            | 135,987,903                       |
| <b>Noncurrent Liabilities</b>   |   |                                   |
| Long-term debt - net of current portion (Notes 15, 17, 21 and 22)                                       | <b>276,116,590</b>                            | 218,830,647                       |
| Tenants' and customers' deposits - net of current portion<br>(Notes 14, 21 and 22)                      | <b>21,386,644</b>                             | 21,331,869                        |
| Liability for purchased land - net of current portion (Notes 14, 21 and 22)                             | <b>2,381,885</b>                              | 1,251,227                         |
| Deferred tax liabilities - net (Note 24)  | <b>8,569,114</b>                              | 6,786,018                         |
| Derivative liabilities - net of current portion (Notes 21 and 22)                                       | <b>1,558,197</b>                              | 2,445,735                         |
| Other noncurrent liabilities (Notes 14, 21 and 22)  | <b>28,020,024</b>                             | 25,007,898                        |
| <b>Total Noncurrent Liabilities</b>   | <b>338,032,454</b>                            | 275,653,394                       |
| <b>Total Liabilities (Carried Forward)</b>  | <b>444,544,794</b>                            | 411,641,297                       |

|  | September 30,<br>2021<br>(Unaudited) | December 31,<br>2020<br>(Audited) |
|--|--------------------------------------|-----------------------------------|
| <b>Total Liabilities (<i>Brought Forward</i>)</b>                | <b>₱444,544,794</b>                  | <b>₱411,641,297</b>               |
| <b>Equity Attributable to Equity Holders of the Parent</b>       |                                      |                                   |
| Capital stock (Notes 16 and 24)                                  | 33,166,300                           | 33,166,300                        |
| Additional paid-in capital - net                                 | 38,031,226                           | 38,022,913                        |
| Cumulative translation adjustment                                | 2,767,544                            | 1,524,439                         |
| Net fair value changes of equity instruments at FVOCI (Note 8)   | 13,697,150                           | 13,460,669                        |
| Net fair value changes on cash flow hedges (Note 22)             | (1,449,740)                          | (1,769,030)                       |
| Remeasurement loss on defined benefit obligation                 | (626,751)                            | (587,796)                         |
| Retained earnings (Note 16):                                     |                                      |                                   |
| Appropriated   | 42,200,000                           | 42,200,000                        |
| Unappropriated   | 199,509,123                          | 186,251,267                       |
| Treasury stock (Notes 16 and 24)                                 | (2,984,695)                          | (2,984,695)                       |
| <b>Total Equity Attributable to Equity Holders of the Parent</b> | <b>324,310,157</b>                   | <b>309,284,067</b>                |
| <b>Non-controlling Interests</b>                                 | <b>1,353,922</b>                     | <b>1,433,561</b>                  |
| <b>Total Equity</b>  | <b>325,664,079</b>                   | <b>310,717,628</b>                |
|  | <b>₱770,208,873</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)*

|   | Three-Month Periods<br>Ended September 30 |             | Nine-Month Periods<br>Ended September 30 |             |
|---|---|-------------|--|-------------|
|   | 2021                                      | 2020        | 2021                                     | 2020        |
|   | (Unaudited)                               |             | (Unaudited)                              |             |
| <b>REVENUE</b>  |   |             |  |             |
| Rent (Note 17)  | <b>₱7,856,174</b>                         | ₱6,232,743  | <b>₱23,785,215</b>                       | ₱24,537,260 |
| Sales:  |   |             |  |             |
| Real estate   | <b>7,400,731</b>                          | 10,402,232  | <b>31,493,527</b>                        | 33,862,826  |
| Cinema and event ticket                                     | <b>–</b>                                  | 2,497       | <b>10,474</b>                            | 610,149     |
| Others (Notes 17 and 18)                                    | <b>491,968</b>                            | 372,679     | <b>1,547,767</b>                         | 1,676,865   |
|   | <b>15,748,873</b>                         | 17,010,151  | <b>56,836,983</b>                        | 60,687,100  |
| <b>COSTS AND EXPENSES</b> (Note 19)                         | <b>10,246,682</b>                         | 10,793,492  | <b>35,262,538</b>                        | 38,121,701  |
| <b>INCOME FROM OPERATIONS</b>                               | <b>5,502,191</b>                          | 6,216,659   | <b>21,574,445</b>                        | 22,565,399  |
| <b>OTHER INCOME (CHARGES)</b>                               |   |             |  |             |
| Interest expense (Notes 6, 13, 15, 17 and 20)               | <b>(2,503,083)</b>                        | (2,132,285) | <b>(6,089,802)</b>                       | (5,844,352) |
| Interest and dividend income (Notes 5, 6, 8, 12, 17 and 20) | <b>245,972</b>                            | 251,764     | <b>685,112</b>                           | 984,202     |
| Others - net (Notes 11, 14 and 15)                          | <b>1,615,504</b>                          | (19,862)    | <b>3,123,705</b>                         | 360,310     |
|   | <b>(641,607)</b>                          | (1,900,383) | <b>(2,280,985)</b>                       | (4,499,840) |
| <b>INCOME BEFORE INCOME TAX</b>                             | <b>4,860,584</b>                          | 4,316,276   | <b>19,293,460</b>                        | 18,065,559  |
| <b>PROVISION FOR INCOME TAX - NET</b> (Note 23)             | <b>878,463</b>                            | 370,290     | <b>3,622,242</b>                         | 3,591,002   |
| <b>NET INCOME</b>   | <b>₱3,982,121</b>                         | ₱3,945,986  | <b>₱15,671,218</b>                       | ₱14,474,557 |
| <b>Attributable to</b>                                      |   |             |  |             |
| Equity holders of the Parent (Notes 16 and 24)              | <b>3,979,167</b>                          | 3,937,635   | <b>₱15,624,082</b>                       | ₱14,370,522 |
| Non-controlling interests (Note 16)                         | <b>2,954</b>                              | 8,351       | <b>47,136</b>                            | 104,035     |
|   | <b>₱3,982,121</b>                         | ₱3,945,986  | <b>₱15,671,218</b>                       | ₱14,474,557 |
| Basic/Diluted earnings per share (Note 24)                  | <b>₱0.138</b>                             | ₱0.136      | <b>₱0.541</b>                            | ₱0.498      |
| 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)*

|  | Three-Month Periods<br>Ended September 30 |                   | Nine-Month Periods Ended<br>September 30 |                    |
|--|---|-------------------|--|--------------------|
|  | 2021                                      | 2020              | 2021                                     | 2020               |
|  | (Unaudited)                               |                   | (Unaudited)                              |                    |
| <b>NET INCOME</b>  | <b>₱3,982,121</b>                         | <b>₱3,945,986</b> | <b>₱15,671,218</b>                       | <b>₱14,474,557</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 FVOCI securities (Note 8) | <b>(120,401)</b>                          | (1,751,333)       | <b>236,481</b>                           | (7,334,102)        |
| Remeasurement loss on defined benefit obligation                                 | <b>—</b>                                  | —                 | <b>(39,228)</b>                          | —                  |
|  | <b>(120,401)</b>                          | (1,751,333)       | <b>197,253</b>                           | (7,334,102)        |
| Items that may be reclassified to profit or loss in subsequent periods:          |   |                   |  |                    |
| Net fair value changes on cash flow hedges                                       | <b>74,325</b>                             | 504,675           | <b>319,290</b>                           | (43,298)           |
| Cumulative translation adjustment  | <b>773,832</b>                            | 136,526           | <b>1,243,105</b>                         | (266,131)          |
|  | <b>727,756</b>                            | (1,110,132)       | <b>1,759,648</b>                         | (7,643,531)        |
| <b>TOTAL COMPREHENSIVE INCOME</b>  | <b>₱4,709,877</b>                         | <b>₱2,835,854</b> | <b>₱17,430,866</b>                       | <b>₱6,831,026</b>  |
| <b>Attributable to</b>   |   |                   |  |                    |
| Equity holders of the Parent (Note 16)   | <b>4,706,923</b>                          | 2,827,503         | <b>17,384,003</b>                        | ₱6,726,991         |
| Non-controlling interests (Note 16)  | <b>2,954</b>                              | 8,351             | <b>46,863</b>                            | 104,035            |
|  | <b>₱4,709,877</b>                         | <b>₱2,835,854</b> | <b>₱17,430,866</b>                       | <b>₱6,831,026</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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020**  
*(Amounts in Thousands)*

| Equity Attributable to Equity Holders of the Parent (Notes 16 and 24) |                   |  |   |   |   |   |                             |                |  |                              |                 |              |
|---|-------------------|--|---|---|---|---|-----------------------------|----------------|--|------------------------------|-----------------|--------------|
|   | Capital Stock     | Additional<br>Paid-in<br>Capital - Net | Cumulative<br>Translation<br>Adjustment | Net fair value<br>changes of<br>equity<br>instruments at<br>FVOCI<br>(Note 8) | Net Fair Value<br>Changes on<br>Cash Flow<br>Hedges | Remeasurement<br>Loss on Defined<br>Benefit<br>Obligation | Retained Earnings (Note 16) |                | Treasury<br>Stock<br>(Notes 16 and 24) | Non-controlling<br>Interests | Total<br>Equity |              |
|   | (Notes 16 and 24) |  |   |   |   |   | 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   | -                 | -                                      | -                                       | -   | -   | -   | -                           | 15,624,082     | -                                      | 15,624,082                   | 47,136          | 15,671,218   |
| Other comprehensive income (loss)                                     | -                 | -                                      | 1,243,105                               | 236,481   | 319,290   | (38,955)  | -                           | -              | -                                      | 1,759,921                    | (273)           | 1,759,648    |
| Total comprehensive income (loss) for the period                      | -                 | -                                      | 1,243,105                               | 236,481   | 319,290   | (38,955)  | -                           | 15,624,082     | -                                      | 17,384,003                   | 46,863          | 17,430,866   |
| Cash dividends (Note 16)  | -                 | -                                      | -                                       | -   | -   | -   | -                           | (2,368,097)    | -                                      | (2,368,097)                  | -               | (2,368,097)  |
| Cash dividends received by a subsidiary                               | -                 | -                                      | -                                       | -   | -   | -   | -                           | 1,871          | -                                      | 1,871                        | -               | 1,871        |
| Cash dividends paid to non-controlling interests                      | -                 | -                                      | -                                       | -   | -   | -   | -                           | -              | -                                      | -                            | (129,050)       | (129,050)    |
| Increase in minority  | -                 | 8,313                                  | -                                       | -   | -   | -   | -                           | -              | -                                      | 8,313                        | 2,548           | 10,861       |
| At September 30, 2021 (Unaudited)                                     | ₱33,166,300       | ₱38,031,226                            | ₱2,767,544                              | ₱13,697,150   | (₱1,449,740)  | (₱626,751)  | ₱42,200,000                 | ₱199,509,123   | (₱2,984,695)                           | ₱324,310,157                 | ₱1,353,922      | ₱325,664,079 |
| 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   | -                 | -                                      | -                                       | -   | -   | -   | -                           | 14,370,522     | -                                      | 14,370,522                   | 104,035         | 14,474,557   |
| Other comprehensive loss  | -                 | -                                      | (266,131)                               | (7,334,102)   | (43,298)  | -   | -                           | -              | -                                      | (7,643,531)                  | -               | (7,643,531)  |
| Total comprehensive income (loss) for the period                      | -                 | -                                      | (266,131)                               | (7,334,102)   | (43,298)  | -   | -                           | 14,370,522     | -                                      | 6,726,991                    | 104,035         | 6,831,026    |
| Cash dividends (Note 16)  | -                 | -                                      | -                                       | -   | -   | -   | -                           | (5,342,658)    | -                                      | (5,342,658)                  | -               | (5,342,658)  |
| Cash dividends received by a subsidiary                               | -                 | -                                      | -                                       | -   | -   | -   | -                           | 4,222          | -                                      | 4,222                        | -               | 4,222        |
| Cash dividends payable to non-controlling interests                   | -                 | -                                      | -                                       | -   | -   | -   | -                           | -              | -                                      | -                            | (258,100)       | (258,100)    |
| At September 30, 2020 (Unaudited)                                     | ₱33,166,300       | ₱38,007,668                            | ₱1,078,143                              | ₱10,506,888   | (₱1,371,465)  | (₱913,390)  | ₱42,200,000                 | ₱182,615,277   | (₱2,984,695)                           | ₱302,304,726                 | ₱1,446,038      | ₱303,750,764 |

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>Nine-Month Periods Ended</b> |              |
|--|---------------------------------|--------------|
|  | <b>September 30</b>             |              |
|  | <b>2021</b>                     | <b>2020</b>  |
|  | (Unaudited)                     |              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                 |              |
| Income before income tax   | <b>₱19,293,460</b>              | ₱18,065,559  |
| Adjustments for:   |                                 |              |
| Depreciation and amortization (Notes 10, 12 and 19)                                    | <b>7,893,523</b>                | 7,656,312    |
| Interest expense (Notes 6, 13, 15, 17 and 20)  | <b>6,089,802</b>                | 5,844,352    |
| Equity in net earnings of associates and joint ventures (Note 11)                      | <b>(989,321)</b>                | (500,591)    |
| Interest, dividend income and others (Notes 5, 6, 8, 10, 12, 17 and 20)                | <b>(981,185)</b>                | (984,202)    |
| Loss (gain) on unrealized foreign exchange and fair value changes on derivatives - net | <b>(491,556)</b>                | 183,771      |
| Operating income before working capital changes  | <b>30,814,723</b>               | 30,265,201   |
| Decrease (increase) in:  |                                 |              |
| Receivables and contract assets  | <b>(7,649,690)</b>              | (21,025,371) |
| Real estate inventories  | <b>(2,417,563)</b>              | 3,211,740    |
| Prepaid expenses and other current assets  | <b>(490,410)</b>                | (1,987,665)  |
| Increase (decrease) in:  |                                 |              |
| Accounts payable and other current liabilities   | <b>1,330,997</b>                | 10,464,396   |
| Tenants' and customers' deposits   | <b>(69,489)</b>                 | (238,124)    |
| Cash generated from operations   | <b>21,518,568</b>               | 20,690,177   |
| Income tax paid  | <b>(2,548,101)</b>              | (2,011,947)  |
| Cash provided by operating activities  | <b>18,970,467</b>               | 18,678,230   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                 |              |
| Interest received  | <b>394,107</b>                  | 852,032      |
| Dividends received   | <b>150,025</b>                  | 161,492      |
| Net additions to investment properties (Note 10)                                       | <b>(31,159,025)</b>             | (32,154,687) |
| Increase in other noncurrent assets  | <b>(5,773,027)</b>              | (4,216,519)  |
| Net cash used in investing activities  | <b>(36,387,920)</b>             | (35,357,682) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                                 |              |
| Availments of loans payable and long-term debt (Notes 13 and 15)                       | <b>73,353,355</b>               | 56,476,912   |
| Payments of:   |                                 |              |
| Long-term debt (Note 15)   | <b>(33,748,986)</b>             | (24,027,749) |
| Loans payable (Note 13)  | <b>(12,041,101)</b>             | (16,700,000) |
| Interest (Notes 13, 15, 17 and 20)   | <b>(6,824,377)</b>              | (6,164,604)  |
| Dividends (Note 16)  | <b>(2,675,277)</b>              | (5,338,436)  |
| Matured derivatives (Note 22)  | <b>(362,732)</b>                | -            |
| Lease liabilities (Note 14)  | <b>(61,373)</b>                 | (74,445)     |
| Net cash provided by financing activities  | <b>17,639,509</b>               | 4,171,678    |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>                    |                                 |              |
|  | <b>(58,659)</b>                 | (7,515)      |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                            |                                 |              |
|  | <b>163,397</b>                  | (12,515,289) |
| <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>₱30,825,011</b>              | ₱22,084,670  |

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 September 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 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.

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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 under the going concern assumption. The Company believes that its business would remain relevant despite the challenges posed by the Coronavirus disease (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.



### Statement of Compliance

The accompanying interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*, as modified by the application of the reporting reliefs issued and approved by SEC under Memorandum Circular (MC) No. 34-2020 in response to the COVID-19 pandemic in “Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A No. 2018-12-D, PFRS 15 Implementation Issues Affecting the Real Estate Industry” and application of “IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost)”.

On July 8, 2021, to assist real estate companies to finally adopt the above mentioned PIC Q&A and IFRIC pronouncements and enable them to fully comply with PFRS 15 and revert to full PFRS, the SEC issued SEC MC No. 8, series of 2021 amending the transition provision of the above PIC Q&A and IFRIC pronouncement, which would provide real estate companies the accounting policy option of applying either the full retrospective approach or modified retrospective approach when they apply the provisions of the above PIC Q&A and IFRIC pronouncements.

The details of the impact of adoption of the above financial reporting reliefs are discussed in the Note 3 to the interim condensed consolidated financial statements.

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 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 September 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. Details of judgments, estimates and assumptions are disclosed in relevant notes of the interim condensed consolidated financial statements.

Except as otherwise disclosed, there were no significant changes in the significant accounting judgments, estimates and assumptions used by the Company for the nine-month period ended September 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.

These amendments had no significant impact on the interim condensed consolidated financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

- 2021 Amendments to PFRS 16, *Leases, COVID -19 Related Rent Concessions* is an update to the amendment to PFRS 16, which provides relief to lessees from applying PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of COVID-19 pandemic for any reduction in lease payments originally due on or before June 30, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021, earlier application is permitted. The Company early adopted the 2021 amendment to PFRS 16 beginning January 1, 2021.

*Company as Lessor.* Throughout the government-imposed community quarantine, the Company waived rentals and other charges amounting to ₱16,544 million and ₱17,279 million for the nine-month periods ended September 30, 2021 and 2020, respectively, which significantly reduced rental income. Such rental waivers are not accounted as a lease modification under PFRS 16 since COVID-19 is a force majeure under the general law.

- Adoption of the Provisions of PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02), PIC Q&A No. 2018-12-H, and PIC Q&A 2018-14 (as amended by PIC Q&A 2020-05) provide guidance on some PFRS 15 implementation issues affecting the real estate industry. The Company adopted these PIC Q&As starting January 1, 2021 using modified retrospective approach. The Company's accounting policy are aligned with PFRS. The adoption of these PIC Q&As do not have significant impact to the Company's financial statements.

#### Future Changes in Accounting Policies

Pronouncements that were issued but not yet effective as at September 30, 2021 are the same as those disclosed in the Company's annual consolidated financial statements for the year ended December 31, 2020, except for the pronouncements listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when these become effective.

#### *Effective beginning on or before January 1, 2023*

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*

#### *Deferred Effectivity – Effective beginning on or before January 1, 2024*

- Deferral of PIC Q&A 2018-12-D, *PFRS 15 Implementing Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-04)*. On October 25, 2018 and December 15, 2020, the Philippine SEC issued SEC MC No. 14-2018 and SEC MC No. 34-2020 providing relief to the real estate industry by deferring the application of “assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)” until December 31, 2020 and 2023, respectively.

The Company availed of the SEC relief to defer the above specific provisions of PIC Q&A No. 2018-12-D. The adoption of this guidance would have an impact to interest income, interest expense, revenue from real estate sales, contract assets, provision for deferred income tax, deferred tax asset or liability and the opening balance of retained earnings on the year of adoption. The Company is currently assessing if the mismatch between the percentage of completion (POC) and right to an amount of consideration constitutes a significant financing component.

- IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost). On February 21, 2020 and December 15, 2020, the Philippine SEC issued SEC MC No. 4-2020 and SEC MC No. 34-2020, providing relief to the real estate industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020 and 2023, respectively. The Company opted to avail of the relief as provided by the SEC. The adoption of the IFRIC Agenda Decision is not expected to have significant impact on the consolidated financial statements.

#### 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

|                                    | Nine-month period ended September 30, 2021 (Unaudited) |             |            |                                     |                              |                          |
|------------------------------------|--|-------------|------------|-------------------------------------|------------------------------|--------------------------|
|                                    | Mall   | Residential | Commercial | Hotels and<br>Convention<br>Centers | Eliminations/<br>Adjustments | Consolidated<br>Balances |
|                                    | <i>(In Thousands)</i>                                  |             |            |                                     |                              |                          |
| Revenue:                           |  |             |            |                                     |                              |                          |
| External customers                 | ₱20,135,588  | ₱32,082,148 | ₱3,754,886 | ₱864,361                            | ₱-                           | ₱56,836,983              |
| Inter-segment                      | 93,019   | 1,799       | 63,884     | 3,973                               | (162,675)                    | -                        |
|                                    | ₱20,228,607  | ₱32,083,947 | ₱3,818,770 | ₱868,334                            | (162,675)                    | ₱56,836,983              |
| Segment results:                   |  |             |            |                                     |                              |                          |
| Income (loss) before income tax    | ₱4,631,076   | ₱12,943,867 | ₱2,863,683 | (₱913,565)                          | (₱231,601)                   | ₱19,293,460              |
| Provision for income tax - net     | (325,780)  | (2,552,463) | (743,999)  | -                                   | -                            | (3,622,242)              |
| Net income (loss)                  | ₱4,305,296   | ₱10,391,404 | ₱2,119,684 | (₱913,565)                          | (₱231,601)                   | ₱15,671,218              |
| Net income (loss) attributable to: |  |             |            |                                     |                              |                          |
| Equity holders of the Parent       | ₱4,259,453   | ₱10,390,111 | ₱2,119,684 | (₱913,565)                          | (₱231,601)                   | ₱15,624,082              |
| Non-controlling interests          | 45,843   | 1,293       | -          | -                                   | -                            | 47,136                   |
| Other information:                 |  |             |            |                                     |                              |                          |
| Capital expenditures               | ₱19,526,141  | ₱23,862,034 | ₱3,505,077 | ₱1,264,503                          | ₱-                           | ₱48,157,755              |
| Depreciation and amortization      | 6,745,685  | 90,371      | 595,626    | 461,841                             | -                            | 7,893,523                |

| Nine-month period ended September 30, 2020 (Unaudited) |                    |                    |                   |                                     |                              |                          |
|--|--------------------|--------------------|-------------------|-------------------------------------|------------------------------|--------------------------|
|  | Mall               | Residential        | Commercial        | Hotels and<br>Convention<br>Centers | Eliminations/<br>Adjustments | Consolidated<br>Balances |
| <i>(In Thousands)</i>                                  |                    |                    |                   |                                     |                              |                          |
| <b>Revenue:</b>  |                    |                    |                   |                                     |                              |                          |
| External customers                                     | ₱21,500,596        | ₱34,219,037        | ₱3,682,905        | ₱1,284,562                          | ₱-                           | ₱60,687,100              |
| Inter-segment  | 68,504             | -                  | 56,136            | 1,714                               | (126,354)                    | -                        |
|  | <b>₱21,569,100</b> | <b>₱34,219,037</b> | <b>₱3,739,041</b> | <b>₱1,286,276</b>                   | <b>(126,354)</b>             | <b>₱60,687,100</b>       |
| <b>Segment results:</b>                                |                    |                    |                   |                                     |                              |                          |
| Income (loss) before income tax                        | ₱3,950,072         | ₱12,075,708        | ₱3,042,406        | (₱741,759)                          | (₱260,868)                   | ₱18,065,559              |
| Provision for income tax - net                         | (1,202,474)        | (2,241,012)        | (147,516)         | -                                   | -                            | (3,591,002)              |
| Net income (loss)                                      | <b>₱2,747,598</b>  | <b>₱9,834,696</b>  | <b>₱2,894,890</b> | <b>(₱741,759)</b>                   | <b>(₱260,868)</b>            | <b>₱14,474,557</b>       |
| <b>Net income (loss) attributable to:</b>              |                    |                    |                   |                                     |                              |                          |
| Equity holders of the Parent                           | ₱2,636,192         | ₱9,836,318         | ₱2,894,890        | (₱736,010)                          | (₱260,868)                   | ₱14,370,522              |
| Non-controlling interests                              | 105,657            | (1,622)            | -                 | -                                   | -                            | 104,035                  |
| <b>Other information:</b>                              |                    |                    |                   |                                     |                              |                          |
| Capital expenditures                                   | ₱18,661,848        | ₱17,988,796        | ₱5,103,491        | ₱792,262                            | ₱-                           | ₱42,546,397              |
| Depreciation and amortization                          | 6,563,850          | 111,244            | 496,623           | 484,595                             | -                            | 7,656,312                |

| September 30, 2021 (Unaudited) |                     |                     |                    |                                     |                     |                          |
|--------------------------------|---------------------|---------------------|--------------------|-------------------------------------|---------------------|--------------------------|
|                                | Mall                | Residential         | Commercial         | Hotels and<br>Convention<br>Centers | Eliminations        | Consolidated<br>Balances |
| <i>(In Thousands)</i>          |                     |                     |                    |                                     |                     |                          |
| <b>Segment assets</b>          | <b>₱415,376,745</b> | <b>₱279,774,224</b> | <b>₱62,012,874</b> | <b>₱14,712,739</b>                  | <b>(₱1,667,709)</b> | <b>₱770,208,873</b>      |
| <b>Segment liabilities</b>     | <b>₱279,946,242</b> | <b>₱159,340,735</b> | <b>₱6,158,999</b>  | <b>₱766,527</b>                     | <b>(₱1,667,709)</b> | <b>₱444,544,794</b>      |

| December 31, 2020 (Audited) |              |              |             |                                     |              |                          |
|-----------------------------|--------------|--------------|-------------|-------------------------------------|--------------|--------------------------|
|                             | Mall         | Residential  | Commercial  | Hotels and<br>Convention<br>Centers | Eliminations | Consolidated<br>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 nine-month periods ended September 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 in the same manner as it reports its segment information.

#### Seasonality

Except for the significant impact of the 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.

## 5. Cash and Cash Equivalents

Cash and cash equivalents comprised the following:

|   | September 30,<br>2021<br>(Unaudited) | December 31,<br>2020<br>(Audited) |
|---|--------------------------------------|-----------------------------------|
|   | <i>(In Thousands)</i>                |                                   |
| Cash on hand and in banks (see Note 17) | <b>₱9,566,766</b>                    | ₱12,484,610                       |
| Temporary investments (see Note 17)     | <b>21,258,245</b>                    | 18,177,004                        |
|   | <b>₱30,825,011</b>                   | ₱30,661,614                       |

Interest income earned from cash in banks and temporary investments amounted to ₱427 million and ₱730 million for the nine-month periods ended September 30, 2021 and 2020, respectively (see Note 20).

## 6. Receivables and Contract Assets

This account consists of:

|  | September 30,<br>2021<br>(Unaudited) | December 31,<br>2020<br>(Audited) |
|--|--------------------------------------|-----------------------------------|
|  | <i>(In Thousands)</i>                |                                   |
| Trade (billed and unbilled):   |                                      |                                   |
| Sale of real estate*   | <b>₱104,741,778</b>                  | ₱97,140,164                       |
| Rent:  |                                      |                                   |
| Third parties  | <b>4,511,326</b>                     | 5,161,293                         |
| Related parties (see Note 17)  | <b>1,862,625</b>                     | 2,249,505                         |
| Others   | <b>9,172</b>                         | 28,429                            |
| Accrued interest (see Note 17)   | <b>261,866</b>                       | 129,226                           |
| Nontrade and others (see Note 17)  | <b>2,942,236</b>                     | 2,119,136                         |
|  | <b>114,329,003</b>                   | 106,827,753                       |
| Less allowance for expected credit loss (ECLs)                                   | <b>717,853</b>                       | 1,066,130                         |
|  | <b>113,611,150</b>                   | 105,761,623                       |
| Less noncurrent portion of receivables from sale<br>of real estate (see Note 12) | <b>45,733,236</b>                    | 46,816,693                        |
|  | <b>₱67,877,914</b>                   | ₱58,944,930                       |

\*Includes unbilled revenue from sale of real estate amounting to ₱95,980 million and ₱86,631 million as at September 30, 2021 and December 31, 2020, respectively.

Interest income earned from receivables amounted to ₱65 million and ₱47 million for the nine-month periods ended September 30, 2021 and 2020, respectively (see Note 20).

The Company assigned receivables from sale of real estate (billed and unbilled) on a without recourse basis to local banks amounting to ₱359 million and ₱5,911 million for period ended September 30, 2021 and 2020, respectively (see Note 17).

The Company also has assigned billed and unbilled receivables from real estate on a with recourse basis to local banks with outstanding balance of ₱382 million and ₱1,809 million as at September 30,

2021 and December 31, 2020, respectively. The related liability from assigned receivables, which is of equal amount with the assigned receivables, bear interest rates of 4.50% and 4.25% to 4.50% as at September 30, 2021 and December 31, 2020, respectively. The fair value of the assigned receivables and liability from assigned receivables approximates their costs (see Note 14).

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

|                               | <b>September 30,<br/>2021<br/>(Six Months)<br/>(Unaudited)</b> | December 31,<br>2020<br>(One Year)<br>(Audited) |
|-------------------------------|--|---|
| <i>(In Thousands)</i>         |  |   |
| At beginning of the period    | <b>₱1,066,130</b>  | ₱1,053,549                                      |
| Reversals - net (see Note 19) | <b>(348,277)</b>   | 12,581  |
| <b>At end of the period</b>   | <b>₱717,853</b>  | <b>₱1,066,130</b>                               |

Receivables 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<br>Development | Condominium<br>Units for Sale | Residential Units<br>and Subdivision<br>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<br>(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                                     | 15,583,688              | -                             | -  | 15,583,688         |
| Cost of real estate sold (see Note 19)                        | (12,707,229)            | (507,504)                     | (25,009)                                     | (13,239,742)       |
| Transfers   | (6,486,633)             | 6,486,538                     | 95   | -                  |
| Reclassifications from investment properties<br>(see Note 10) | 4,079,513               | -                             | -  | 4,079,513          |
| Translation adjustment and others                             | 339,686                 | 32,338                        | 41,280                                       | 413,304            |
| <b>Balance as at September 30, 2021</b>                       | <b>₱35,737,342</b>      | <b>₱14,683,260</b>            | <b>₱108,038</b>                              | <b>₱50,528,640</b> |

Land and development which pertains to the Company's on-going residential projects and condominium and residential units for sale which pertain to the completed projects are stated at cost as at September 30, 2021 and December 31, 2020.

Contract fulfillment assets, included under land and development, mainly pertain to unamortized portion of land cost totaling ₱2,790 million and ₱1,745 million as at September 30, 2021 and December 31, 2020, respectively.

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**8. Equity Instruments at FVOCI**

This account consists of investments in:

|                         | <b>September 30,<br/>2021<br/>(Unaudited)</b> | December 31,<br>2020<br>(Audited) |
|-------------------------|---|-----------------------------------|
|                         | <i>(In Thousands)</i>                         |                                   |
| Shares of stock:        |   |                                   |
| Listed (see Note 17)    | <b>₱16,932,814</b>                            | ₱16,696,333                       |
| Unlisted                | <b>3,381</b>                                  | 3,381                             |
|                         | <b>16,936,195</b>                             | 16,699,714                        |
| Less noncurrent portion | <b>16,388,611</b>                             | 16,131,568                        |
|                         | <b>₱547,584</b>                               | ₱568,146                          |

Dividend income from investments at FVOCI amounted to ₱158 million and ₱170 million for the nine-month periods ended September 30, 2021 and 2020, respectively.

Unrealized gain on changes in fair value amounting to ₱236 million for the nine-month period ended September 30, 2021 and unrealized loss due to changes in fair value amounting to ₱7,334 million for the nine-month period ended September 30, 2020 were included under other comprehensive income.

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

This account consists of:

|   | <b>September 30,<br/>2021<br/>(Unaudited)</b> | December 31,<br>2020<br>(Audited) |
|---|---|-----------------------------------|
|   | <i>(In Thousands)</i>                         |                                   |
| Input and creditable withholding taxes  | <b>₱10,624,602</b>                            | ₱9,655,119                        |
| Advances and deposits                   | <b>8,779,268</b>                              | 9,052,663                         |
| Prepaid taxes and other prepayments     | <b>3,457,109</b>                              | 3,839,114                         |
| Supplies and inventories                | <b>441,353</b>                                | 407,203                           |
| Cash in escrow and others (see Note 17) | <b>512,318</b>                                | 251,563                           |
|   | <b>₱23,814,650</b>                            | ₱23,205,662                       |



## 10. Investment Properties

The movements in this account are as follows:

|  | Land Held for<br>Future<br>Development | Land and<br>Improvements | Buildings and<br>Improvements | Building<br>Equipment,<br>Furniture<br>and Others | Right-of-use<br>Assets - Land | Construction<br>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 (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  | 8,182,459                              | 3,318,541                | 710,217                       | 1,658,827   | 1,177,691                     | 17,420,850                  | 32,468,585         |
| Reclassifications (see Note 7)                   | (2,134,376)                            | (1,991,203)              | 4,483,276                     | 600,523   | –                             | (5,037,733)                 | (4,079,513)        |
| Translation adjustment                           | –                                      | 121,220                  | 2,981,464                     | 234,306   | 941,148                       | 494,774                     | 4,772,912          |
| Disposals  | (73,450)                               | (19,995)                 | (232)                         | (62,376)  | (191,482)                     | –                           | (347,535)          |
| Balance as at September 30, 2021                 | ₱77,459,547                            | ₱74,554,125              | ₱255,824,473                  | ₱47,276,060                                       | ₱27,518,797                   | ₱83,155,780                 | ₱565,788,782       |
| <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)      | –                                      | 198,380                  | 5,408,082                     | 1,727,178   | 439,772                       | –                           | 7,773,412          |
| Translation adjustment                           | –                                      | 71,528                   | 663,244                       | 145,808   | 26,189                        | –                           | 906,769            |
| Disposals  | –                                      | (2,599)                  | (155)                         | (59,750)  | (48,342)                      | –                           | (110,846)          |
| Balance as at September 30, 2021                 | ₱–                                     | ₱2,759,948               | ₱69,855,089                   | ₱31,255,747                                       | ₱1,513,803                    | ₱–                          | ₱105,384,587       |
| <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 September 30, 2021</b>                  | <b>77,459,547</b>                      | <b>71,794,177</b>        | <b>185,969,384</b>            | <b>16,020,313</b>                                 | <b>26,004,994</b>             | <b>83,155,780</b>           | <b>460,404,195</b> |

Portions of investment properties located in China with total carrying value of ₱1,840 million as at September 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 ₱23,785 million and ₱24,537 million for the nine-month periods ended September 30, 2021 and 2020, respectively. Consolidated costs and expenses from investment properties amounted to ₱16,149 million and ₱18,122 million for the nine-month periods ended September 30, 2021 and 2020, respectively.

Construction in progress includes shopping mall complex under construction and landbanking and commercial building constructions amounting to ₱83,156 million and ₱70,278 million as at September 30, 2021 and December 31, 2020, respectively.

The outstanding contracts with various contractors related to the construction of the on-going projects are valued at ₱20,914 million and ₱22,641 million as at September 30, 2021 and December 31, 2020, respectively, inclusive of overhead, cost of labor and materials and all other costs necessary for the proper execution of the works.

Interest capitalized to the construction of investment properties amounted to ₱3,772 million and ₱3,540 million and capitalization rates used range from 2.56% to 4.74% and from 2.35% to 4.70%, for the nine-month period ended September 30, 2021 and for the year ended December 31, 2020, respectively.

The most recent fair value of investment properties amounted to ₱1,305,810 million as of September 30, 2018 as determined by an independent appraiser who holds a recognized and relevant professional qualification. Management believes that the carrying values of additions to investment properties subsequent to the most recent valuation date would approximate their fair values. 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 the most recent valuation. 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 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 |                   |
|---|----------------------------|-------------------------|-------------------|
|   |                            | September 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                  | 645,026            | 344,295           | 989,321            |
| Translation                             | 93,719             | -                 | 93,719             |
| <b>Balance as at September 30, 2021</b> | <b>₱19,864,191</b> | <b>₱8,954,088</b> | <b>₱28,818,279</b> |

The carrying value of investment in OLC amounted to ₱18,480 and ₱17,835 million as at September 30, 2021 and December 31, 2020, respectively, which consists of its proportionate share in the net assets of OLC and fair value adjustments. The share in profit and total comprehensive income amounted to ₱645 million and ₱269 million for the nine-month periods ended September 30, 2021 and 2020, respectively.

The carrying value of investment in FHREC amounted to ₱1,385 million and ₱1,291 million as at September 30, 2021 and December 31, 2020, respectively, with cumulative equity in net earnings amounting to ₱1,083 million and ₱1,009 million as at September 30, 2021 and December 31, 2020, respectively.

The carrying values of investments in Waltermart amounted to ₱7,127 million and ₱6,885 million as at September 30, 2021 and December 31, 2020, respectively. The aggregate share in profit and total comprehensive income, amounted to ₱242 million and ₱113 million for the nine-month periods ended September 30, 2021 and 2020, respectively.

The carrying value of investment in STRC amounted to ₱1,815 million and ₱1,678 million as at September 30, 2021 and December 31, 2020, respectively. The aggregate share in profit and total comprehensive income amounted to ₱137 million and ₱123 million for the nine-month period ended September 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 September 30, 2021 and December 31, 2020.

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## 12. Other Noncurrent Assets - net

This account consists of:

|   | September 30,<br>2021<br>(Unaudited) | December 31,<br>2020<br>(Audited) |
|---|--------------------------------------|-----------------------------------|
|   | <i>(In Thousands)</i>                |                                   |
| Receivables from sale of real estate - net of current portion (see Note 6)*   | <b>₱45,733,236</b>                   | ₱46,816,693                       |
| Bonds and deposits  | <b>35,750,618</b>                    | 32,433,867                        |
| Time deposits (see Notes 17 and 22)   | <b>3,381,905</b>                     | 1,356,442                         |
| Property and equipment - net of accumulated depreciation of ₱2,221 million and ₱2,103 million, respectively (see Note 19) | <b>1,291,370</b>                     | 1,311,208                         |
| Deferred input tax  | <b>1,311,621</b>                     | 1,111,000                         |
| Others  | <b>1,584,502</b>                     | 1,397,305                         |
|   | <b>₱89,053,252</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 ₱34 million and ₱35 million for the nine-month periods ended September 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 ₱7,250 million and ₱10,900 million as at September 30, 2021 and December 31, 2020, with due dates of less than one year. These loans bear interest rates of 2.25% to 3.65% in 2021 and 3.15% to 4.00% in 2020.

Interest expense incurred from loans payable amounted to ₱137 million and ₱122 million for the nine-month periods ended September 30, 2021 and 2020, respectively (see Note 20).

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

This account consists of:

|   | September 30,<br>2021<br>(Unaudited) | December 31,<br>2020<br>(Audited) |
|---|--------------------------------------|-----------------------------------|
| <i>(In Thousands)</i>                                       |                                      |                                   |
| Trade:  |                                      |                                   |
| Third parties   | <b>₱34,741,914</b>                   | ₱37,994,767                       |
| Related parties (see Note 17)                               | <b>166,951</b>                       | 490,247                           |
| Tenants' and customers' deposits*                           | <b>36,115,153</b>                    | 37,540,373                        |
| Accrued operating expenses:                                 |                                      |                                   |
| Third parties   | <b>12,244,315</b>                    | 9,863,058                         |
| Related parties (see Note 17)                               | <b>407,443</b>                       | 407,443                           |
| Lease liabilities   | <b>11,958,000</b>                    | 11,076,316                        |
| Liability for purchased land                                | <b>9,464,286</b>                     | 8,608,649                         |
| Deferred output VAT   | <b>9,946,201</b>                     | 8,228,236                         |
| Accrued interest (see Note 17)                              | <b>2,001,935</b>                     | 2,237,044                         |
| Payable to government agencies                              | <b>1,760,501</b>                     | 1,268,136                         |
| Nontrade  | <b>408,711</b>                       | 400,110                           |
| Liability from assigned receivables and others (see Note 6) | <b>2,895,287</b>                     | 4,447,540                         |
|   | <b>122,110,697</b>                   | 122,561,919                       |
| Less noncurrent portion                                     | <b>45,025,336</b>                    | 41,527,934                        |
|   | <b>₱77,085,361</b>                   | ₱81,033,985                       |

\*Includes unearned revenue from sale of real estate amounting to ₱5,358 million and ₱7,615 million as at September 30, 2021 and December 31, 2020, respectively.

Lease liabilities included in "Other noncurrent liabilities" amounted to ₱11,800 million and ₱11,009 million as at September 30, 2021 and December 31, 2020, respectively. Interest on lease liabilities included under "Others - net" in the interim consolidated statements of income amounted to ₱247 million and ₱243 million for the nine-month periods ended September 30, 2021 and 2020, respectively.

The undiscounted payments of lease liabilities are scheduled as follows:

|                             | September 30,<br>2021<br>(Unaudited) | December 31,<br>2020<br>(Audited) |
|-----------------------------|--------------------------------------|-----------------------------------|
| <i>(In Thousands)</i>       |                                      |                                   |
| Within 1 year               | <b>₱747,352</b>                      | ₱655,840                          |
| More than 1 year to 5 years | <b>3,203,598</b>                     | 2,636,354                         |
| More than 5 years           | <b>22,360,435</b>                    | 22,131,323                        |
|                             | <b>₱26,311,385</b>                   | ₱25,423,517                       |

Accrued operating expenses - third parties consist of:

|                                      | <b>September 30,<br/>2021<br/>(Unaudited)</b> | December 31,<br>2020<br>(Audited) |
|--------------------------------------|---|-----------------------------------|
|                                      | <i>(In Thousands)</i>                         |                                   |
| Payable to contractors               | <b>₱4,993,282</b>                             | ₱4,045,630                        |
| Utilities                            | <b>3,765,125</b>                              | 2,532,449                         |
| Marketing and advertising and others | <b>3,485,908</b>                              | 3,284,979                         |
|                                      | <b>₱12,244,315</b>                            | ₱9,863,058                        |

## 15. Long-term Debt

This account consists of:

|   | Availability Date                    | Maturity Date                       | Weighted Average Interest Rate            | Condition | Outstanding Balance               |                                |
|---|--------------------------------------|-------------------------------------|---|-----------|-----------------------------------|--------------------------------|
|   |                                      |                                     |   |           | September 30, 2021<br>(Unaudited) | December 31, 2020<br>(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      | 4.92%                                     | Unsecured | <b>₱89,632,740</b>                | ₱99,964,260                    |
| Other bank loans                        | June 19, 2012 - April 26, 2021       | June 19, 2022 - April 26, 2028      | Floating BVAL + margin; Fixed 4.61%       | Unsecured | <b>46,430,000</b>                 | 31,548,000                     |
| U.S. dollar-denominated loans*          | July 30, 2018 - August 26, 2021      | October 2, 2022 - March 30, 2026    | LIBOR USD + spread; quarterly             | Unsecured | <b>31,110,000</b>                 | 10,084,830                     |
| <b>Subsidiaries</b>                     |                                      |                                     |   |           |                                   |                                |
| Philippine peso-denominated loans       | June 3, 2013 - July 29, 2021         | February 8, 2021 - August 7, 2029   | Floating BVAL + margin; Fixed 4.71%       | Unsecured | <b>81,968,020</b>                 | 78,992,080                     |
| U.S. dollar-denominated loans*          | March 21, 2016 - September 27, 2021  | January 29, 2021 - January 25, 2026 | LIBOR USD + spread; semi-annual/quarterly | Unsecured | <b>42,069,032</b>                 | 39,669,574                     |
| China yuan renminbi-denominated loans** | October 16, 2017 - July 1, 2021      | October 16, 2022 - July 1, 2026     | LPR; annually; Fixed - 5.85%              | Secured   | <b>8,426,098</b>                  | 2,559,639                      |
|   |                                      |                                     |   |           | <b>299,635,890</b>                | 262,818,383                    |
| Less debt issue cost                    |                                      |                                     |   |           | <b>2,008,011</b>                  | 1,249,386                      |
|   |                                      |                                     |   |           | <b>297,627,879</b>                | 261,568,997                    |
| Less current portion                    |                                      |                                     |   |           | <b>21,511,289</b>                 | 42,738,350                     |
|   |                                      |                                     |   |           | <b>₱276,116,590</b>               | ₱218,830,647                   |

LIBOR – London Interbank Offered Rate

BVAL – Bloomberg Valuation Service

LPR - China Loan Prime Rate

\*Hedged against foreign exchange and interest rate risks using derivative instruments (see Note 22).

\*\*Secured by portions of investment properties located in China (see Note 10).

Debt issue cost pertaining to the loan availments in 2021 amounted to ₱1,138 million. Amortization of debt issue cost (included under “Others - net” in the interim consolidated statements of income) for the nine-month periods ended September 30, 2021 and 2020 amounted to ₱393 million and ₱303 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 September 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               | ₱22,170,774  | (₱659,485)              | ₱21,511,289  |
| More than 1 year to 5 years | 265,656,328  | (1,333,681)             | 264,322,647  |
| More than 5 years           | 11,808,788   | (14,845)                | 11,793,943   |
|                             | ₱299,635,890 | (2,008,011)             | ₱297,627,879 |

Interest expense incurred from long-term debt amounted to ₱5,924 million and ₱5,596 million for the nine-month periods ended September 30, 2021 and 2020, respectively (see Note 20).

## 16. Equity

#### Capital Stock

As at September 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 September 30, 2021 and December 31, 2020, the Company has 28,856 million outstanding shares.

#### Retained Earnings

In 2021, the 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 September 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 ₱116,109 million and ₱104,746 million as at September 30, 2021 and December 31, 2020, respectively, representing the cost of shares held in treasury amounting to ₱2,985 million as at September 30, 2021 and December 31, 2020 and accumulated equity in net earnings of SMPH subsidiaries, associates and joint ventures totaling ₱113,504 million and ₱101,761 million as at September 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 September 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 September 30, 2021 and December 31, 2020.

## 17. Related Party Transactions

The significant related party transactions entered into by the Company with SMIC, bank and retail of SM 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<br>[Asset (Liability)] |                                   | Terms                                      | Conditions              |
|----------------------------------|--------------------------------------|--------------------------------------|---|-----------------------------------|--|-------------------------|
|                                  | September 30,<br>2021<br>(Unaudited) | September 30,<br>2020<br>(Unaudited) | September 30,<br>2021<br>(Unaudited)      | December 31,<br>2020<br>(Audited) |  |                         |
| <i>(In Thousands)</i>            |                                      |                                      |   |                                   |  |                         |
| <b>Ultimate Parent</b>           |                                      |                                      |   |                                   |  |                         |
| Rent income                      | ₱44,380                              | ₱40,999                              | ₱-  | ₱-                                |  |                         |
| Rent receivable                  | -                                    | -                                    | 41,925                                    | 4,426                             | Non-interest bearing                       | Unsecured; not impaired |
| Other revenues                   | 32,451                               | 37,661                               | -   | -                                 |  |                         |
| Other receivables                | -                                    | -                                    | 2,912                                     | 4,480                             | Non-interest bearing                       | Unsecured; not impaired |
| Rent expense                     | 12,859                               | 31,106                               | -   | -                                 |  |                         |
| Trade payable                    | -                                    | -                                    | (4,905)                                   | (36,646)                          | Non-interest bearing                       | Unsecured               |
| Equity instruments at FVOCI      | -                                    | -                                    | 144,643                                   | 153,263                           | Non-interest bearing                       | Unsecured; not impaired |
| Dividend income                  | 621                                  | 621                                  | -   | -                                 |  |                         |
| <b>Bank and Retail Group</b>     |                                      |                                      |   |                                   |  |                         |
| Cash and cash equivalents        | 116,192,107                          | 90,911,635                           | 19,262,285                                | 17,670,812                        | Interest bearing based on prevailing rates | Unsecured; not impaired |
| Rent income                      | 6,864,904                            | 7,430,233                            | -   | -                                 |  |                         |
| Rent receivable                  | -                                    | -                                    | 1,800,951                                 | 2,221,901                         | Non-interest bearing                       | Unsecured; not impaired |
| Other revenues                   | 397                                  | 21,435                               | -   | -                                 |  |                         |
| Other receivables                | -                                    | -                                    | 8,441                                     | 8,441                             | Non-interest bearing                       | Unsecured; not impaired |
| Interest income                  | 160,442                              | 375,944                              | -   | -                                 |  |                         |
| Accrued interest receivable      | -                                    | -                                    | 21,542                                    | 12,049                            | Non-interest bearing                       | Unsecured; not impaired |
| Receivable financed              | 358,861                              | 5,910,578                            | -   | -                                 | Without recourse                           | Unsecured               |
| Time deposits                    | -                                    | -                                    | 856,593                                   | 1,356,442                         | Interest-bearing                           | Unsecured; not impaired |
| Loans payable and long-term debt | 1,700,000                            | 1,500,412                            | (12,241,980)                              | (14,139,453)                      | Interest-bearing                           | Unsecured               |
| Interest expense                 | 431,544                              | 514,663                              | -   | -                                 |  |                         |
| Accrued interest payable         | -                                    | -                                    | (36,241)                                  | (53,452)                          | Non-interest bearing                       | Unsecured               |
| Rent expense                     | -                                    | 38                                   | -   | -                                 |  |                         |
| Trade payable                    | -                                    | 31,103                               | (107,737)                                 | (288,144)                         | Non-interest bearing                       | Unsecured               |
| Other expenses                   | 1,005                                | 815                                  | -   | -                                 |  |                         |
| Equity instruments at FVOCI      | -                                    | -                                    | 9,956,698                                 | 9,614,605                         | Non-interest bearing                       | Unsecured; not impaired |
| Cash in escrow                   | 250,965                              | 25,952                               | 397,274                                   | 144,209                           | Interest bearing based on prevailing rates | Unsecured; not impaired |
| Dividend income                  | 81,022                               | 81,022                               | -   | -                                 |  |                         |

|                              | Amount of Transactions               |                                      | Outstanding Amount<br>[Asset (Liability)] |                                   | Terms                | Conditions              |
|------------------------------|--------------------------------------|--------------------------------------|---|-----------------------------------|----------------------|-------------------------|
|                              | September 30,<br>2021<br>(Unaudited) | September 30,<br>2020<br>(Unaudited) | September 30,<br>2021<br>(Unaudited)      | December 31,<br>2020<br>(Audited) |                      |                         |
| <i>(In Thousands)</i>        |                                      |                                      |   |                                   |                      |                         |
| <b>Other Related Parties</b> |                                      |                                      |   |                                   |                      |                         |
| Rent income                  | ₱118,668                             | ₱111,283                             | ₱-  | ₱-                                |                      |                         |
| Rent receivable              | -                                    | -                                    | 19,749                                    | 23,178                            | Non-interest bearing | Unsecured; not impaired |
| Other revenues               | 110,721                              | 41,706                               | -   | -                                 |                      |                         |
| Other receivables            | -                                    | -                                    | 27,704                                    | 6,862                             | Non-interest bearing | Unsecured; not impaired |
| Rent expense                 | 4,586                                | 4,090                                | -   | -                                 |                      |                         |
| Accrued expenses             | -                                    | -                                    | (407,443)                                 | (407,443)                         | Non-interest bearing | Unsecured               |
| Trade payable                | -                                    | -                                    | (54,309)                                  | (165,457)                         | Non-interest bearing | Unsecured               |

#### Compensation of Key Management Personnel

The aggregate compensation and benefits related to key management personnel for the nine-month periods ended September 30, 2021 and 2020 consist of short-term employee benefits amounting to ₱733 million and ₱874 million, respectively, and post-employment benefits (pension benefits) amounting to ₱193 million and ₱127 million, respectively.

#### 18. Other Revenues

This account consists of:

|                                      | September 30,<br>2021<br>(Unaudited) | September 30,<br>2020<br>(Unaudited) |
|--------------------------------------|--------------------------------------|--------------------------------------|
| <i>(In Thousands)</i>                |                                      |                                      |
| Food and beverages                   | ₱305,308                             | ₱347,296                             |
| Net merchandise sales                | 122,238                              | 175,085                              |
| Amusement income                     | 44,201                               | 155,617                              |
| Bowling and ice skating fees         | 13,655                               | 54,188                               |
| Advertising and others (see Note 17) | 1,062,365                            | 944,679                              |
|                                      | <b>₱1,547,767</b>                    | <b>₱1,676,865</b>                    |

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

#### 19. Costs and Expenses

This account consists of:

|   | September 30,<br>2021<br>(Unaudited) | September 30,<br>2020<br>(Unaudited) |
|---|--------------------------------------|--------------------------------------|
| <i>(In Thousands)</i>                               |                                      |                                      |
| Cost of real estate sold (see Note 7)               | ₱13,239,742                          | ₱15,333,146                          |
| Depreciation and amortization (see Notes 10 and 12) | 7,893,523                            | 7,656,312                            |
| Administrative - net                                | 5,281,778                            | 5,970,586                            |
| Marketing and selling expenses                      | 4,090,428                            | 3,337,854                            |
| Business taxes and licenses                         | 3,580,210                            | 3,748,676                            |

*(Forward)*

|                    | <b>September 30,<br/>2021<br/>(Unaudited)</b> | September 30,<br>2020<br>(Unaudited) |
|--------------------|---|--------------------------------------|
| Rent (see Note 17) | <b>₱408,718</b>                               | ₱447,424                             |
| Insurance          | <b>392,137</b>                                | 456,427                              |
| Film rentals       | <b>9,285</b>                                  | 326,150                              |
| Others             | <b>366,717</b>                                | 845,126                              |
|                    | <b>₱35,262,538</b>                            | ₱38,121,701                          |

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>September 30,<br/>2021<br/>(Unaudited)</b> | September 30,<br>2020<br>(Unaudited) |
|--|---|--------------------------------------|
|  | <i>(In Thousands)</i>                         |                                      |
| Interest income on:                    |   |                                      |
| Cash and cash equivalents (see Note 5) | <b>₱427,292</b>                               | ₱730,240                             |
| Time deposits (see Note 12)            | <b>34,270</b>                                 | 34,899                               |
| Others (see Notes 6 and 9)             | <b>65,185</b>                                 | 49,231                               |
|  | <b>₱526,747</b>                               | ₱814,370                             |
| Interest expense on:                   |   |                                      |
| Long-term debt (see Note 15)           | <b>₱5,923,587</b>                             | ₱5,596,389                           |
| Loans payable (see Note 13)            | <b>136,838</b>                                | 122,237                              |
| Receivable financing (see Note 6)      | <b>29,377</b>                                 | 125,726                              |
|  | <b>₱6,089,802</b>                             | ₱5,844,352                           |

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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 85% and 80% of its long-term borrowings as at September 30, 2021 and December 31, 2020, respectively 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 net assets amounted to US\$33 million (₱1,663 million) as at September 30, 2021 and US\$25 million (₱1,179 million) as at December 31, 2020.

In translating the foreign currency-denominated monetary net assets to peso amounts, the exchange rates used were ₱51.00 to US\$1.00 and ₱48.02 to US\$1.00, the Philippine peso to U.S. dollar exchange rate as at September 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 and its related fair value hierarchy, by category and by class, other than those whose carrying values are reasonable approximations of fair values:

|   | September 30, 2021    |                     |                    |                   |                     |
|---|-----------------------|---------------------|--------------------|-------------------|---------------------|
|   | Carrying Value        | Fair Value          | Level 1            | Level 2           | Level 3             |
|   | <i>(In Thousands)</i> |                     |                    |                   |                     |
| <b>Financial Assets</b>   |                       |                     |                    |                   |                     |
| Financial assets at FVTPL:  |                       |                     |                    |                   |                     |
| Derivative assets   | P1,012,557            | P1,012,557          | P-                 | P1,012,557        | P-                  |
| Financial assets at amortized cost:                               |                       |                     |                    |                   |                     |
| Time deposits (included under<br>"Other noncurrent assets - net") | 3,381,905             | 3,381,905           | -                  | 3,381,905         | -                   |
| Financial assets at FVOCI:  |                       |                     |                    |                   |                     |
| Equity instruments  | 16,936,195            | 16,936,195          | 16,932,814         | -                 | 3,381               |
|   | <b>P21,330,657</b>    | <b>P21,330,657</b>  | <b>P16,932,814</b> | <b>P4,394,462</b> | <b>P3,381</b>       |
| <b>Financial Liabilities</b>                                      |                       |                     |                    |                   |                     |
| Financial liabilities at FVTPL:                                   |                       |                     |                    |                   |                     |
| Derivative liabilities  | P1,827,780            | P1,827,780          | P-                 | P1,827,780        | P-                  |
| Loans and borrowings:   |                       |                     |                    |                   |                     |
| Liability for purchased land - net of<br>current portion          | 2,381,885             | 2,340,807           | -                  | -                 | 2,340,807           |
| Long-term debt - net of current<br>portion                        | 276,116,590           | 278,227,265         | -                  | -                 | 278,227,265         |
| Tenants' deposits - net of current<br>portion*                    | 21,103,267            | 20,998,897          | -                  | -                 | 20,998,897          |
| Other noncurrent liabilities*                                     | 6,307,916             | 6,253,364           | -                  | -                 | 6,253,364           |
|   | <b>P307,737,438</b>   | <b>P309,648,113</b> | <b>P-</b>          | <b>P1,827,780</b> | <b>P307,820,333</b> |

\*Excluding lease liability and nonfinancial liabilities amounting to P21,995 million as at September 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  |
| 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    |
|  | ₱249,155,434          | ₱244,878,299 | ₱-          | ₱2,803,397 | ₱242,074,902 |

\*Excluding lease liability and nonfinancial liabilities amounting to ₱20,070 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 nine-month period ended September 30, 2021 and the year ended 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:

*Time Deposits and Derivative Instruments.* The fair values are based on observable market inputs.

*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 1.01% to 5.38% and 1.24% to 4.67% as at September 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 4.22% to 4.81% and 3.72% to 4.44% as at September 30, 2021 and December 31, 2020, 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 2.60% to 3.09% and 2.13% to 5.47% as at September 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.

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

Derivative Instruments Accounted for as Cash Flow Hedges

As at September 30, 2021, the Company have outstanding arrangements to hedge both foreign currency and interest rate exposure on its foreign currency denominated debts. Details as follow:

*Cross currency Swaps.*

| Hedged Loan                       | Outstanding<br>Notional Amount | Agreed Equivalent | Fair Value | US\$ Swap Rate      | Fixed Interest Rate | Maturity |
|-----------------------------------|--------------------------------|-------------------|------------|---------------------|---------------------|----------|
|                                   | <i>(In Thousands)</i>          |                   |            |                     |                     |          |
| Two - year term loans             | \$100,000                      | ₱4,828,000        | (₱103,946) | ₱48.2800            | 2.8800%             | 2022     |
| Four - year term loans            | \$150,000                      | ₱7,277,500        | 290,272    | ₱48.5000 - ₱48.5200 | 3.6350% - 3.7000%   | 2024     |
| Five - year term loans            | \$286,000                      | ¥1,919,208        | (716,180)  | ¥6.6880 - ¥6.7188   | 3.8600% - 3.9700%   | 2024     |
| Five - year term syndicated loans | \$110,000                      | ₱5,865,700        | (647,291)  | ₱53.3200 - ₱53.3300 | 6.3700% - 6.3900%   | 2023     |
| Five - year term loans            | \$100,000                      | ¥671,715          | (269,582)  | ¥6.4850 - ¥6.5473   | 4.9500% - 5.4300%   | 2022     |

*Principal Only, Foreign Exchange and Interest Rate Swap*

| Hedged Loan                       | Outstanding<br>Notional Amount | Agreed<br>Equivalent | Principal Only<br>Swap | Fair Value<br>Foreign<br>Exchange Swap | Interest Rate<br>Swap | US\$ Swap Rate      | Fixed Interest Rate | Maturity |
|-----------------------------------|--------------------------------|----------------------|------------------------|--|-----------------------|---------------------|---------------------|----------|
|                                   | <i>(In Thousands)</i>          |                      |                        |  |                       |                     |                     |          |
| Five - year term syndicated loans | \$360,000                      | ₱18,094,460          | ₱-                     | ₱463,804                               | ₱-                    | ₱48.8000 - ₱50.9050 | -                   | 2022     |
| Five - year term syndicated loans | \$400,000                      | -                    | -                      | -                                      | 143,804               | -                   | 2.2800% - 2.4645%   | 2026     |
| Five - year term loans            | \$170,000                      | ¥1,100,515           | (77,564)               | -                                      | 51,640                | ¥6.4845 - ¥6.6496   | 2.6330% - 2.6340%   | 2026     |
| Four - year term syndicated loans | \$100,000                      | ₱5,111,500           | -                      | 63,037                                 | -                     | ₱50.2800            | -                   | 2022     |
| Four - year term syndicated loans | \$100,000                      | -                    | -                      | -                                      | (13,217)              | -                   | 2.3980%             | 2026     |



As the terms of the swaps have been negotiated to match the terms of the hedged loans, the hedges were assessed to be effective.

The net movements in fair value of all derivative instruments are as follows:

|   | <b>September 30,<br/>2021<br/>(Unaudited)</b> | December 31,<br>2020<br>(Audited) |
|---|---|-----------------------------------|
|   | <i>(In Thousands)</i>                         |                                   |
| Balance at beginning of period              | <b>(₱2,800,650)</b>                           | ₱114,698                          |
| Net changes in fair value during the period | <b>2,315,636</b>                              | (2,915,348)                       |
| Fair value of settled derivatives           | <b>(330,209)</b>                              | -                                 |
| Balance at end of year                      | <b>(₱815,223)</b>                             | (₱2,800,650)                      |

### 23. Provision for Income Tax - Net

The details of the Company's provision for income tax are as follows:

|                            | <b>September 30,<br/>2021<br/>(Unaudited)</b> | September 30,<br>2020<br>(Unaudited) |
|----------------------------|---|--------------------------------------|
|                            | <i>(In Thousands)</i>                         |                                      |
| Provision for current tax  | <b>₱1,969,524</b>                             | ₱1,361,915                           |
| Provision for deferred tax | <b>1,652,718</b>                              | 2,229,087                            |
|                            | <b>₱3,622,242</b>                             | ₱3,591,002                           |

#### Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25%. For entities with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020.
- Imposition of improperly accumulated earnings tax is repealed.

Applying the provisions of the CREATE Act, the Company have been subjected to the lower tax rate of 15% (optional standard deduction) to 25% (itemized deduction) of taxable income and 1% MCIT of gross income effective July 1, 2020.

The Company recognized one-time impact of CREATE in the interim consolidated statement of comprehensive income for the nine-month period ended September 30, 2021 amounting to ₱300 million and ₱39 million for provision for income tax (current and deferred) and remeasurement loss on defined benefit obligation, respectively. Deferred tax liabilities - net also decreased by ₱212 million.

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#### 24. EPS Computation

Basic/diluted EPS is computed as follows:

|   | <b>September 30, 2021</b>                    | September 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>₱15,624,082</b>                           | ₱14,370,522        |
| 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<br>outstanding (b) | <b>28,856,411</b>                            | 28,856,411         |
| Earnings per share (a/b)                                    | <b>₱0.541</b>                                | ₱0.498             |

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

|   |                     |
|---|---------------------|
| Trade (billed and unbilled):                                    |                     |
| Sale of real estate   | <b>₱104,741,778</b> |
| Rent:   |                     |
| Third parties   | <b>4,511,326</b>    |
| Related parties   | <b>1,862,625</b>    |
| Others  | <b>9,172</b>        |
| Accrued interest  | <b>261,866</b>      |
| Nontrade and others   | <b>2,942,236</b>    |
|   | <b>114,329,003</b>  |
| Less allowance for ECLs   | <b>717,853</b>      |
|   | <b>113,611,150</b>  |
| Less noncurrent portion of receivables from sale of real estate | <b>45,733,236</b>   |
|   | <b>₱67,877,914</b>  |

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

|                               |                     |
|-------------------------------|---------------------|
| Neither past due nor impaired | <b>₱100,596,943</b> |
| Past due but not impaired:    |                     |
| Less than 30 days             | <b>2,372,563</b>    |
| 31–90 days                    | <b>3,146,186</b>    |
| 91–120 days                   | <b>1,343,758</b>    |
| Over 120 days                 | <b>6,151,700</b>    |
| Impaired                      | <b>717,853</b>      |
|                               | <b>₱114,329,003</b> |

Receivables 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 SEPTEMBER 30, 2021 and 2020**

| Ratio                           | Formula   | September 30,<br>2021 | December 31,<br>2020 |
|---------------------------------|---|-----------------------|----------------------|
|                                 | <i>(In Thousands)</i>   |                       |                      |
| <b>Current Ratio</b>            | <b>Total Current Assets divided by Total Current Liabilities</b>  | <b>1.63</b>           | 1.16                 |
|                                 | Total current assets  | ₱174,120,640          |                      |
|                                 | Divide by: Total current liabilities  | 106,512,340           |                      |
|                                 | Current Ratio   | 1.63                  |                      |
| <b>Acid Test Ratio</b>          | <b>Quick assets (Total Current Assets less Inventories and Prepaid expenses) divided by Total Current Liabilities</b> | <b>0.94</b>           | 0.66                 |
|                                 | Total current assets  | ₱174,120,640          |                      |
|                                 | Less: Real estate inventories   | (50,528,640)          |                      |
|                                 | Prepaid expenses  | (23,814,650)          |                      |
|                                 | Quick assets  | 99,777,350            |                      |
|                                 | Divide by: Total current liabilities  | 106,512,340           |                      |
|                                 | Acid test ratio   | 0.94                  |                      |
| <b>Debt-to-Equity Ratio</b>     | <b>Total Interest-Bearing debt divided by Total Equity</b>  | <b>48:52</b>          | 47:53                |
|                                 | Total interest-bearing debt   | ₱304,877,922          |                      |
|                                 | To: Total equity attributable to equity holders of the parent   | 324,310,157           |                      |
|                                 | Debt to equity ratio  | 48:52                 |                      |
| <b>Net debt-to-equity ratio</b> | <b>Total Interest-Bearing debt less cash and cash equivalents and investment securities divided by Total Equity</b>   | <b>46:54</b>          | 44:56                |
|                                 | Total interest-bearing debt   | ₱304,877,922          |                      |
|                                 | Cash and cash equivalents   | (30,825,011)          |                      |
|                                 | Total interest-bearing liabilities less cash and cash equivalents and investment securities                           | 274,052,911           |                      |
|                                 | To: Total equity attributable to equity holders of the parent   | 324,310,157           |                      |
|                                 | Net debt-to-equity ratio  | 46:54                 |                      |
| <b>Solvency Ratio</b>           | <b>Total Assets divided by Total Liabilities</b>  | <b>1.73</b>           | 1.75                 |
|                                 | Total assets  | ₱770,208,873          |                      |
|                                 | Divide by: Total Liabilities  | 444,544,794           |                      |
|                                 | Asset to liabilities ratio  | 1.73                  |                      |
| <b>Asset to equity ratio</b>    | <b>Total assets divided by Total Equity</b>   | <b>2.37</b>           | 2.34                 |
|                                 | Total assets  | ₱770,208,873          |                      |
|                                 | Divide by: Total equity attributable to equity holders of the parent  | 324,310,157           |                      |
|                                 | Asset to equity ratio   | 2.37                  |                      |

| Ratio                                  | Formula   | September 30,<br>2021 | September<br>30, 2020 |
|--|---|-----------------------|-----------------------|
|  | <i>(In Thousands)</i>   |                       |                       |
| <b>Interest Rate Coverage Ratio</b>    | <b>Earnings Before Interest, Taxes and Depreciation and Amortization (EBITDA) divided by Total Interest Expense</b> | <b>4.83</b>           | 5.15                  |
|  | Income from operations  | ₱21,574,445           |                       |
|  | Less: Minority interest income  | (47,136)              |                       |
|  | Add: Depreciation and amortization  | 7,893,523             |                       |
|  | EBITDA  | 29,420,832            |                       |
|  | Divide by: Interest expense   | 6,089,802             |                       |
|  | Interest rate coverage ratio  | 4.83                  |                       |
| <b>Debt to EBITDA</b>                  | <b>Total interest-bearing liabilities divided by EBITDA</b>   | <b>7.77</b>           | 6.27                  |
|  | Total interest-bearing liabilities  | ₱304,877,922          |                       |
|  | Divide by: EBITDA*  | 39,227,776            |                       |
|  | Debt to EBITDA  | 7.77                  |                       |
| <b>Return on Equity</b>                | <b>Net Income divided by Average Total Equity</b>   | <b>7%</b>             | 6%                    |
|  | Net income attributable to equity holders of the parent*  | ₱20,832,110           |                       |
|  | Divide by: Average total equity attributable to equity holders of the parent  | 316,799,226           |                       |
|  | Return on Equity  | 7%                    |                       |
| <b>Return on Investment Properties</b> | <b>Net Income divided by Average Investment Properties</b>  | <b>6%</b>             | 5%                    |
|  | Net income attributable to equity holders of the parent*  | ₱20,832,110           |                       |
|  | Divide by: Total average investment properties (excluding construction in progress)                                 | 371,564,804           |                       |
|  | Return on Investment Properties   | 6%                    |                       |

\*annualized

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

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### SM Prime's Consolidated Net Income up by 9% in 9M 2021 to ₱15.6 billion

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

|                      | Third Quarter Ended Sep 30 |               |        |               |      | Nine Months Ended Sep 30 |               |        |               |     |
|----------------------|----------------------------|---------------|--------|---------------|------|--------------------------|---------------|--------|---------------|-----|
|                      | 2021                       | % to Revenues | 2020   | % to Revenues | %    | 2021                     | % to Revenues | 2020   | % to Revenues | %   |
| Profit and Loss Data |                            |               |        |               |      |                          |               |        |               |     |
| Revenues             | 15,749                     | 100%          | 17,010 | 100%          | -7%  | 56,837                   | 100%          | 60,687 | 100%          | -6% |
| Costs and Expenses   | 10,247                     | 65%           | 10,793 | 63%           | -5%  | 35,263                   | 62%           | 38,122 | 63%           | -8% |
| Operating Income     | 5,502                      | 35%           | 6,217  | 37%           | -11% | 21,574                   | 38%           | 22,565 | 37%           | -4% |
| Net Income           | 3,979                      | 25%           | 3,938  | 23%           | 1%   | 15,624                   | 27%           | 14,371 | 24%           | 9%  |
| EBITDA               | 8,122                      | 52%           | 8,379  | 49%           | -3%  | 29,422                   | 52%           | 30,118 | 50%           | -2% |

|                       | Sep 30<br>2021 | % to Total<br>Assets | Dec 31<br>2020 | % to Total<br>Assets | %   |
|-----------------------|----------------|----------------------|----------------|----------------------|-----|
| Balance Sheet Data    |                |                      |                |                      |     |
| Total Assets          | 770,209        | 100%                 | 722,359        | 100%                 | 7%  |
| Investment Properties | 460,404        | 60%                  | 436,159        | 60%                  | 6%  |
| Total Debt            | 304,878        | 40%                  | 272,469        | 38%                  | 12% |
| Net Debt              | 274,053        | 36%                  | 241,807        | 33%                  | 13% |
| Total Equity          | 324,310        | 42%                  | 309,284        | 43%                  | 5%  |

|                    | Sep 30<br>2021 | Dec 31<br>2020 |
|--------------------|----------------|----------------|
| Financial Ratios   |                |                |
| Debt to Equity     | 0.48 : 0.52    | 0.47 : 0.53    |
| Net Debt to Equity | 0.46 : 0.54    | 0.44 : 0.56    |
| Return on Equity   | 0.07           | 0.06           |
| Debt to EBITDA     | 7.77           | 6.94           |

|                              | Sep 30<br>2021 | Sep 30<br>2020 | Dec 31<br>2020 |
|------------------------------|----------------|----------------|----------------|
| Interest Coverage Ratio      | 4.83           | 5.15           | 4.57           |
| Operating Income to Revenues | 0.38           | 0.37           | 0.35           |
| EBITDA Margin                | 0.52           | 0.50           | 0.48           |
| Net Income to Revenues       | 0.27           | 0.24           | 0.22           |

## ***Revenues***

SM Prime recorded consolidated revenues of ₱56.84 billion in the first nine months of 2021, compared to ₱60.69 billion in the same period of 2020.

### ***Rent***

SM Prime recorded consolidated revenues from rent of ₱7.86 billion in the third quarter of 2021, a 26% increase from ₱6.23 billion in the same period of 2020. Out of the total rental revenues, 82% is contributed by the malls and the rest from offices and hotels and convention centers. While more tenants were allowed to operate by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) and local government unit, malls rental revenue was affected by ECQ in April and August 2021. And as such, rent revenues of ₱23.79 billion in the first nine months of 2021 is lower from the ₱24.54 billion in the same period in 2020 as pandemic condition started in March 2020.

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

SM Prime recorded a 7% decrease in real estate sales in the first nine months of 2021 from ₱33.86 billion to ₱31.49 billion while reservation sales from primary residential business has reached ₱76.3 billion in the first three quarters of 2021, 14% higher from ₱66.7 billion in the same period last year. 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 third quarter of 2021 compared to ₱0.38 billion in the same period in 2020. However, it decreased by 32% to ₱1.56 billion in the first nine months of 2021 from ₱2.29 billion in the same period in 2020 as pandemic condition started in March 2020. Other revenues in the nine months period in 2021 is composed of sponsorships and advertising revenues, bowling operations and sale of food and beverages in hotels.

## ***Costs and Expenses***

SM Prime recorded consolidated costs and expenses of ₱35.26 billion in the first nine months of 2021, a decrease of 8% from ₱38.12 billion in the same period in 2020, as a result of the following:

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

Consolidated costs of real estate decreased by 14% to ₱13.24 billion in the first nine months of 2021 from ₱15.33 billion in the same period in 2020 due to decrease in real estate sales, net of savings as a result of improving cost efficiencies. Gross profit margin on real estate sales improved to 58% in 2021 from 55% in 2020.

### ***Operating Expenses***

SM Prime's consolidated operating expenses decreased by 3% to ₱22.02 billion in the first nine months of 2021 compared to last year's ₱22.79 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 increased by 4% to ₱6.09 billion in the first nine months of 2021 compared to ₱5.84 billion in the same period in 2020 mainly due to the retail bonds issued in February 2021 amounting to ₱10.0 billion and new bank loans availed for working capital and capital expenditure requirements, net of the capitalized interest on proceeds spent for construction and development of investment properties.

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

Interest, dividend and others - net increased to ₱3.81 billion in the first nine months of 2021 from last years' ₱1.34 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 - net***

SM Prime's consolidated provision for income tax - net is flat at ₱3.62 billion in the first nine months of 2021 compared with the same period in 2020. The Company recognized one-time impact of CREATE amounting to ₱0.30 billion.

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

SM Prime's consolidated net income attributable to Parent increased by 9% to ₱15.62 billion in the first nine months of 2021 as compared to ₱14.37 billion in the same period in 2020.

## ***Balance Sheet Accounts***

SM Prime's total assets amounted to ₱770.21 billion and ₱722.36 billion as of September 30, 2021 and December 31, 2020, respectively.

Cash and cash equivalents increased from ₱30.66 billion to ₱30.83 billion as of December 31, 2020 and September 30, 2021, respectively, mainly due to proceeds from the issuance of bonds and availment of new loans, net of payments for capital expenditure projects during the period and debt servicing.

Receivables and contract assets increased by 15% from ₱58.94 billion to ₱67.88 billion as of December 31, 2020 and September 30, 2021, respectively, due to sale of residential units.

Real estate inventories increased by 16% from ₱43.69 billion to ₱50.53 billion as of December 31, 2020 and September 30, 2021, respectively, due to construction accomplishments for the period, net of cost of sold units.

Investment properties increased by 6% from ₱436.16 billion to ₱460.40 billion as of December 31, 2020 and September 30, 2021, respectively, primarily due to acquisitions during the period and 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.

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 5% from ₱84.43 billion to ₱89.05 billion as of December 31, 2020 and September 30, 2021, respectively.



Loans payable decreased by 33% from ₱10.90 billion to ₱7.25 billion as of December 31, 2020 and September 30, 2021, respectively, due to payments, net of availment for the period.

Accounts payable and other current liabilities decreased by 5% from ₱81.03 billion to ₱77.09 billion as of December 31, 2020 and December 31, 2020, respectively, mainly due to payments made.

Long-term debt increased by 14% from ₱261.57 billion to ₱297.63 billion as of December 31, 2020 and September 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 from ₱2.80 billion to ₱0.82 billion as of December 31, 2020 and September 30, 2021, respectively, as a result of foreign exchange and net fair value changes on 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 ₱2.38 billion as of December 31, 2020 and September 30, 2021, respectively, due to acquisitions.

Deferred tax assets - net increased by 13% from ₱0.83 billion to ₱0.94 billion as of December 31, 2020 and September 30, 2021, respectively due to NOLCO. Deferred tax liabilities - net increased by 26% from ₱6.79 billion to ₱8.57 billion as of December 31, 2020 and September 30, 2021, respectively, mainly due to unrealized gross profit on sale of real estate for income tax purposes.

Other noncurrent liabilities increased by 12% from ₱25.01 billion to ₱28.02 billion as of December 31, 2020 and September 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 increased to 48:52 from 47:53 as of September 30, 2021 and December 31, 2020, respectively. Net interest-bearing debt to equity also increased to 46:54 as of September 30, 2021 from 44:56 as of December 31, 2020.

ROE improved to 7% as of September 30, 2021 from 6% as of December 31, 2020. Debt to EBITDA also increased to 7.77:1 as of September 30, 2021 from 6.94:1 as of December 31, 2020.

EBITDA margin improved to 52% as of September 30, 2021, compared to 50% and 48% as of September 30, 2020 and December 31, 2020, respectively while interest coverage ratio is 4.83:1 as of September 30, 2021, compared to 5.15:1 and 4:57:1 as of September 30, 2020 and December 31, 2020, respectively.

Consolidated operating income to revenues improved to 38% as of September 30, 2021 compared to 37% as of September 30, 2020 and 35% as of December 31, 2020. Consolidated net income to revenues also improved to 27% as of September 30, 2021 compared to 24% as of September 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 September 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-eight residential projects, forty-five of which are in Metro Manila and thirteen 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 two 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: November 8, 2021

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