

COVER SHEET

SEC Registration Number

						1	6	3	4	2
--	--	--	--	--	--	---	---	---	---	---

COMPANY NAME

S	M		I	N	V	E	S	T	M	E	N	T	S		C	O	R	P	O	R	A	T	I	O	N		A	N	D	
	S	U	B	S	I	D	I	A	R	I	E	S																		

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

1	0	t	h		F	l	o	o	r	,		O	n	e		E	-	C	o	m		C	e	n	t	e	r	,		
H	a	r	b	o	r		D	r	i	v	e	,		M	a	l	l		o	f		A	s	i	a		C	o	m	
p	l	e	x	,		C	B	P	-	1	A	,		P	a	s	a	y		C	i	t	y		1	3	0	0		

Form Type	Department requiring the report	Secondary License Type, If Applicable
1 7 - Q		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
-	8857-0100	-
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,258		06/30

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON'S ADDRESS

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

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

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

SEC Number 16342
PSE Disclosure Security Code _____

SM INVESTMENTS CORPORATION

(Company's Full Name)

**10th Floor, One E-Com Center, Harbor Drive,
Mall of Asia Complex, CBP-IA, Pasay City 1300**

(Company's Address)

8857- 0100

(Telephone Number)

December 31

(Year Ending)
(month & day)

**SEC Form 17-Q
2nd Quarter Report**

Form Type

Amendment Designation (If applicable)

June 30, 2021

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended June 30, 2021
2. Commission Identification Number 016342 3. BIR Tax Identification No. 169-020-000
4. Exact name of registrant as specified in its charter SM INVESTMENTS CORPORATION
5. PHILIPPINES
Province, Country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-IA, Pasay City
1300
Address of principal office Postal Code
8. 8857-0100
Registrant's telephone number, including area code
9. Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the
RSA

Title of Each Class	Number of Shares of Common Stock Outstanding	Amount of Debt Outstanding
COMMON STOCK P10 PAR VALUE	1,204,582,867	N.A.

11. Are any or all of these securities listed on the Philippine Stock Exchange.
Yes [] No []
12. Indicate by check mark whether the registrant:
(a) has filed all reports required to be filed by Section 11 of the Securities Regulation Code (SRC) and SRC Rule 11(a)-1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);
Yes [] No []
(b) has been subject to such filing requirements for the past 90 days.
Yes [] No []

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1. Interim Condensed Consolidated Financial Statements

Interim Consolidated Balance Sheets as at June 30, 2021 (Unaudited),
December 31, 2020 (Audited)

Interim Consolidated Statements of Income for the Six-Month Periods Ended
June 30, 2021 and 2020 (Unaudited)

Interim Consolidated Statements of Changes in Stockholders' Equity for the
Six-Month Periods Ended June 30, 2021 and 2020 (Unaudited)

Interim Consolidated Statements of Cash Flows for the Six-Month Periods Ended
June 30, 2021 and 2020 (Unaudited)

Notes to Interim Condensed Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition as at
June 30, 2021 and December 31, 2020 and Result of Operations for the Six-Month
Periods Ended June 30, 2021 and 2020

Item 3. Aging of Accounts Receivable - Trade as at June 30, 2021

PART II – SIGNATURE

PART I FINANCIAL INFORMATION

Item 1. Interim Condensed Consolidated Financial Statements

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

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

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET
June 30, 2021
With Comparative Audited Figures as at December 31, 2020
(Amounts in Thousands)

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 20 and 23)	P53,919,251	P78,159,197
Time deposits (Notes 7, 20 and 23)	73,031	31,012
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 8 and 23)	562,627	568,146
Receivables and contract assets (Notes 9, 20 and 23)	60,257,292	60,526,230
Inventories (Note 10)	76,970,039	72,056,045
Other current assets (Notes 11, 20 and 23)	46,823,398	43,170,378
Total Current Assets	238,605,638	254,511,008
Noncurrent Assets		
Financial assets at FVOCI - net of current portion (Notes 8 and 23)	27,011,264	27,278,240
Investments in associate companies and joint ventures (Note 12)	300,218,700	296,265,722
Time deposits - net of current portion (Notes 7, 20 and 23)	2,102,747	1,356,442
Property and equipment (Note 13)	36,184,709	26,087,448
Investment properties (Note 14)	452,439,848	435,466,724
Right-of-use assets - net (Note 22)	42,899,099	41,979,029
Intangibles (Note 15)	28,757,266	24,588,503
Deferred tax assets (Note 21)	4,366,669	4,671,969
Other noncurrent assets (Notes 15, 20 and 23)	119,738,617	112,318,650
Total Noncurrent Assets	1,013,718,919	970,012,727
	P1,252,324,557	P1,224,523,735
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 16, 20 and 23)	P13,885,067	P24,126,000
Accounts payable and other current liabilities (Notes 17, 20 and 23)	132,972,417	149,231,108
Income tax payable	1,573,234	2,649,041
Current portion of long-term debt (Notes 18, 20, 23 and 24)	42,873,032	60,121,438
Dividends payable	2,792,510	3,829,207
Total Current Liabilities	194,096,260	239,956,794
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 18, 20, 23 and 24)	377,907,861	330,731,798
Lease liabilities - net of current portion (Note 22)	29,667,243	28,868,164
Deferred tax liabilities (Note 21)	14,422,533	12,614,979
Tenants' deposits and others (Notes 23 and 24)	48,701,680	47,624,102
Total Noncurrent Liabilities	470,699,317	419,839,043
Total Liabilities	664,795,577	659,795,837

(Forward)

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Equity Attributable to Owners of the Parent		
Capital stock (Note 19)	₱12,045,829	₱12,045,829
Additional paid-in capital	75,823,506	75,823,506
Equity adjustments from common control transactions	(5,424,455)	(5,424,455)
Cost of Parent common shares held by subsidiaries	(25,386)	(25,386)
Cumulative translation adjustment	1,283,592	895,922
Net fair value changes on cash flow hedges	(2,213,178)	(2,741,387)
Net unrealized gain on financial assets at FVOCI	14,914,507	16,506,435
Remeasurement loss on defined benefit asset/obligation	(5,969,210)	(6,066,075)
Retained earnings (Note 19):		
Appropriated	37,000,000	37,000,000
Unappropriated	290,789,397	275,818,556
Total Equity Attributable to Owners of the Parent	418,224,602	403,832,945
Non-controlling Interests	169,304,378	160,894,953
Total Equity	587,528,980	564,727,898
	₱1,252,324,557	₱1,224,523,735

See accompanying Notes to Interim Consolidated Financial Statements.

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

	Six-Month Periods Ended June 30	
	2021	2020
	(Unaudited)	(Unaudited)
REVENUES		
Sales:		
Merchandise	₱135,141,205	₱135,565,775
Real estate	24,093,246	23,505,632
Shipping, logistics and other services	761,387	–
Rent (Note 20)	13,419,590	15,705,904
Equity in net earnings of associate companies and joint ventures	13,408,976	3,526,264
Cinema ticket sales, amusement and others	143,511	964,704
Dividend, management fees and others (Note 20)	6,510,973	6,258,149
	193,478,888	185,526,428
COST AND EXPENSES		
Cost of sales:		
Merchandise (Note 10)	102,100,370	103,712,921
Real estate (Note 10)	10,394,204	10,685,986
Cost of services	839,439	–
Selling, general and administrative expenses	42,515,635	48,093,572
	155,849,648	162,492,479
OTHER INCOME (CHARGES)		
Interest expense (Note 20)	(8,015,012)	(8,274,303)
Interest income (Note 20)	1,034,893	1,468,597
Gain (loss) on fair value changes on derivatives - net (Note 24)	160,760	(714)
Foreign exchange gain (loss) - net and others (Note 23)	329,079	(74,920)
	(6,490,280)	(6,881,340)
INCOME BEFORE INCOME TAX	31,138,960	16,152,609
PROVISION FOR INCOME TAX (Note 21)		
Current	2,714,512	2,153,675
Deferred	850,164	1,385,591
	3,564,676	3,539,266
NET INCOME	₱27,574,284	₱12,613,343
Attributable to		
Owners of the Parent	₱20,089,690	₱7,092,581
Non-controlling interests	7,484,594	5,520,762
	₱27,574,284	₱12,613,343
Basic/Diluted Earnings Per Common Share		
Attributable to Owners of the Parent (Note 25)	₱16.68	₱5.89

See accompanying Notes to Interim Consolidated Financial Statements.

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

	Three-Month Periods Ended June 30	
	2021	2020
	(Unaudited)	(Unaudited)
REVENUES		
Sales:		
Merchandise	₱67,031,311	₱57,276,176
Real estate	12,343,837	12,211,667
Rent	761,387	4,629,756
Shipping, logistics and other services	6,047,638	–
Equity in net earnings of associate companies and joint ventures	7,263,924	(1,772,045)
Cinema ticket sales, amusement and others	41,213	9,064
Dividend, management fees and others	3,106,754	2,019,317
	96,596,064	74,373,935
COST AND EXPENSES		
Cost of sales:		
Merchandise	50,886,515	44,277,923
Real estate	5,261,810	5,721,950
Cost of services	839,439	–
Selling, general and administrative expenses	20,618,197	21,542,891
	77,605,961	71,542,764
OTHER INCOME (CHARGES)		
Interest expense (Note 20)	(4,088,934)	(4,081,587)
Interest income (Note 20)	532,704	703,971
Loss on fair value changes on derivatives - net	(648)	(1,186)
Foreign exchange gain (loss) - net and others	312,041	(64,823)
	(3,244,837)	(3,443,625)
INCOME BEFORE INCOME TAX	15,745,266	(612,454)
PROVISION FOR INCOME TAX		
Current	1,189,861	(573,725)
Deferred	434,085	1,124,821
	1,623,946	551,096
NET INCOME (LOSS)	₱14,121,320	(₱1,163,550)
Attributable to		
Owners of the Parent	₱10,619,477	(₱1,914,696)
Non-controlling interests	3,501,843	751,146
	₱14,121,320	(₱1,163,550)
Basic/Diluted Earnings Per Common Share		
Attributable to Owners of the Parent	₱8.82	(₱1.59)

See accompanying Notes to Interim Consolidated Financial Statements.

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

	Six-Month Periods Ended June 30	
	2021	2020
	(Unaudited)	(Unaudited)
NET INCOME	₱27,574,284	₱12,613,343
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will be reclassified to profit or loss in subsequent periods		
Share in unrealized gain (loss) on financial assets of associates at fair value through other comprehensive income (FVOCI)	(1,454,935)	1,045,817
Cumulative translation adjustment	627,742	(553,698)
Net fair value changes on cash flow hedges	651,327	(1,705,460)
	(175,866)	(1,213,341)
Items not to be reclassified to profit or loss in subsequent periods		
Remeasurement gain on defined benefit obligation	31,498	–
Net unrealized gain (loss) on financial assets	3,254,385	(766,569)
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	(3,572,938)	(193,812)
	(287,055)	(960,381)
TOTAL COMPREHENSIVE INCOME	₱27,111,363	₱10,439,621
Attributable to		
Owners of the Parent	₱19,510,506	₱5,444,200
Non-controlling interests	7,600,857	4,995,421
	₱27,111,363	₱10,439,621

See accompanying Notes to Interim Consolidated Financial Statements.

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

	Three-Month Periods Ended June 30	
	2021	2020
	(Unaudited)	(Unaudited)
NET INCOME	₱14,121,320	(₱1,163,550)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will be reclassified to profit or loss in subsequent periods		
Share in unrealized gain on available-for-sale investments of associates - net	713,740	3,906,000
Cumulative translation adjustment	409,246	(322,251)
Net fair value changes on cash flow hedges	(645,608)	(1,521,369)
	477,378	2,062,380
Items not to be reclassified to profit or loss in subsequent periods		
Remeasurement gain on defined benefit obligation	31,498	-
Net unrealized gain on financial assets	4,403,787	8,225,249
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	(2,117,950)	(64,194)
	2,317,335	8,161,055
TOTAL COMPREHENSIVE INCOME	₱16,916,033	₱9,059,885
Attributable to		
Owners of the Parent	₱13,310,721	₱7,066,686
Non-controlling interests	3,605,312	1,993,199
	₱16,916,033	₱9,059,885

See accompanying Notes to Interim Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020

(Amounts in Thousands Except Per Share Data)

	Equity Attributable to Owners of the Parent											Non-controlling Interests	Total Equity
	Capital Stock	Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment	Net Fair Value Changes on Cash Flow Hedges	Net Unrealized Gain (Loss) on Financial Assets at Fair Value through other Comprehensive Income (FVOCI)	Remeasurement loss on Defined Benefit Asset/Obligation	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total		
As at December 31, 2020	₱12,045,829	₱75,823,506	(₱5,424,455)	(₱25,386)	₱895,922	(₱2,741,387)	₱16,506,435	(₱6,066,075)	₱37,000,000	₱275,818,556	₱403,832,945	₱160,894,953	₱564,727,898
Net income	-	-	-	-	-	-	-	-	-	20,089,690	20,089,690	7,484,594	27,574,284
Other comprehensive income	-	-	-	-	387,670	528,209	(1,591,928)	96,865	-	-	(579,184)	116,263	(462,921)
Total comprehensive income	-	-	-	-	387,670	528,209	(1,591,928)	96,865	-	20,089,690	19,510,506	7,600,857	27,111,363
Cash dividends - ₱4.25 per share	-	-	-	-	-	-	-	-	-	(5,118,849)	(5,118,849)	-	(5,118,849)
Effect of business combination (Note 4)	-	-	-	-	-	-	-	-	-	-	-	2,352,991	2,352,991
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,338,663)	(1,338,663)
Decrease in previous year's non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(205,760)	(205,760)
As at June 30, 2021 (Unaudited)	₱12,045,829	₱75,823,506	(₱5,424,455)	(₱25,386)	₱1,283,592	(₱2,213,178)	₱14,914,507	(₱5,969,210)	₱37,000,000	₱290,789,397	₱418,224,602	₱169,304,378	₱587,528,980
As at December 31, 2019	₱12,045,829	₱75,815,923	(₱5,424,455)	(₱25,386)	₱1,308,228	(₱1,406,026)	₱14,399,640	(₱8,633,269)	₱37,000,000	₱257,546,591	₱382,627,075	₱153,524,403	₱536,151,478
Net income	-	-	-	-	-	-	-	-	-	7,092,581	7,092,581	5,520,762	12,613,343
Other comprehensive income	-	-	-	-	(350,973)	(1,430,055)	132,647	-	-	-	(1,648,381)	(525,341)	(2,173,722)
Total comprehensive income	-	-	-	-	(350,973)	(1,430,055)	132,647	-	-	7,092,581	5,444,200	4,995,421	10,439,621
Cash dividends - ₱4.25 per share	-	-	-	-	-	-	-	-	-	(5,119,477)	(5,119,477)	-	(5,119,477)
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,688,897)	(2,688,897)
Increase in previous year's non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	714,968	714,968
As at June 30, 2020 (Unaudited)	₱12,045,829	₱75,815,923	(₱5,424,455)	(₱25,386)	₱957,255	(₱2,836,081)	₱14,532,287	(₱8,633,269)	₱37,000,000	₱259,519,695	₱382,951,798	₱156,545,895	₱539,497,693

See accompanying Notes to Interim Consolidated Financial Statements.

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

	Six-Month Periods Ended June 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱31,138,960	₱16,152,609
Adjustments for:		
Equity in net earnings of associate companies and joint ventures	(13,408,976)	(3,526,264)
Depreciation and amortization (Notes 13, 14 and 15)	9,245,308	9,311,872
Interest expense	8,015,012	8,274,303
Interest income	(1,034,893)	(1,468,597)
Unrealized foreign exchange (gain) loss and others	(234,199)	218,456
Dividend, management fees and others	(176,583)	(186,914)
Loss (gain) on fair value changes on derivatives - net	(160,760)	714
Income before working capital changes	33,383,869	28,776,179
Decrease (increase) in:		
Receivables and contract assets	9,547,326	(15,011,063)
Inventories	(18,303,642)	(6,386,726)
Other current assets	(3,560,100)	(4,365,498)
Increase (decrease) in:		
Accounts payable and other current liabilities	(5,924,993)	(10,935,485)
Tenants' deposits and others	2,178,171	3,779,857
Net cash generated from (used in) operations	17,320,631	(4,142,736)
Income tax paid	(3,796,440)	(5,038,173)
Net cash provided by (used in) operating activities	13,524,191	(9,180,909)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Property and equipment	183,447	50,733
Investment properties	11,725	2,007
Additions to:		
Investment properties (Note 14)	(23,239,941)	(11,767,768)
Property and equipment (Note 13)	(2,708,396)	(2,416,657)
Financial assets at fair value through other comprehensive income (FVOCI)	(1,427)	(2,854,936)
Investments in associate companies and joint ventures	(100,620)	(37,500)
Decrease (increase) in:		
Time deposits	(788,325)	4,690
Other noncurrent assets	(7,112,012)	(8,548,834)
Purchase consideration, net of cash from acquisition of a subsidiary	(2,591,041)	-
Dividends received	2,781,066	2,250,222
Interest received	982,600	1,484,507
Net cash used in investing activities	(32,582,924)	(21,833,536)

(Forward)

	Six-Month Periods Ended June 30	
	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of:		
Long-term debt	₱84,663,985	₱25,800,412
Bank loans	15,263,052	49,628,112
Payments of:		
Long-term debt	(59,465,000)	(24,794,019)
Bank loans	(27,891,000)	(32,329,683)
Lease liabilities	(2,868,872)	(1,556,306)
Dividends	(7,494,209)	(223,392)
Interest	(7,698,313)	(10,496,470)
Net cash provided by (used in) financing activities	(5,490,357)	6,028,654
NET DECREASE IN CASH AND CASH EQUIVALENTS	(24,549,090)	(24,985,791)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	309,144	(569,534)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 6)	78,159,197	76,213,774
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)	₱53,919,251	₱50,658,449

See accompanying Notes to Interim Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

SM Investments Corporation (SMIC or Parent Company) was incorporated in the Philippines on January 15, 1960. On December 27, 2019, the Philippine Securities and Exchange Commission (SEC) approved the amendment of the Parent Company's articles of incorporation changing its corporate life to perpetual. Its registered office address is 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300.

SMIC is one of the largest publicly listed companies in the Philippines with interests in market leading businesses in retail, banking and property. It also invests in ventures that capture high growth opportunities in the emerging Philippine economy.

The accompanying interim consolidated financial statements were authorized for issue by the Board of Directors (BOD), as approved and recommended for approval by the Audit Committee on August 4, 2021.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The interim condensed consolidated financial statements of the Parent Company and its subsidiaries (the Group) are prepared on a historical cost basis, except for derivative financial instruments and financial assets at fair value through other comprehensive income (FVOCI) and liabilities which are measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRSs). All values are rounded to the nearest thousand Peso except when otherwise indicated.

The interim condensed consolidated financial statements have been prepared under the going concern assumption. The Group believes that its businesses would remain relevant despite the challenges posed by the COVID-19 pandemic. Despite the adverse impact of the COVID-19 pandemic on short-term business results, long-term prospects remain attractive.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as at December 31, 2020.

Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. As at June 30, 2021, there were no significant changes in the Parent Company's ownership interest in its subsidiaries except as discussed in Note 4.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Changes in these estimates and assumptions could result in outcomes that may require material adjustments to the carrying amounts of the affected assets or liabilities in the future.

Except as otherwise stated, there were no significant changes in accounting judgments, estimates, and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

3. **Summary of Significant Accounting Policies, Changes and Improvements**

The following new PFRSs became effective beginning January 1, 2021:

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments 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 following information shall also be disclosed:

- 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
- 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, with retroactive application and without restatement of prior period financial statements.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with retroactive application.

4. Business Combination

Acquisition

2GO Group, Inc. (2GO). In April and June 2021, the Parent Company acquired additional 551.4 million common shares of 2GO increasing its equity interest in 2GO to 52.9% from 30.5% previously. 2GO is the largest integrated supply chain operator in the Philippines offering shipping, freight forwarding, warehousing, and express delivery services.

Beginning June 1, 2021, 2GO became a subsidiary in accordance with PFRS3, *Business Combinations*. The transaction was accounted for as a step acquisition. The fair value of the identifiable assets and liabilities as at the date of acquisition follows:

	Fair Value
	<i>(in Thousands)</i>
Cash and cash equivalents	₱2,101,999
Receivables and contract assets	4,192,282
Merchandise inventories (Note 10)	516,155
Other current assets	2,699,758
Investments in associate companies and joint ventures (Note 12)	260,037
Property and equipment (Note 13)	9,919,064
Right-of-use assets	786,597
Other noncurrent assets	1,008,558
<u>Total identifiable assets</u>	<u>21,484,450</u>
Bank loans	3,036,500
Accrued payable and other current liabilities	7,206,250
Long-term debt - net of current portion	3,984,077
Deferred tax liabilities	1,257,749
Other noncurrent liabilities	1,071,851
<u>Total identifiable liabilities</u>	<u>16,556,427</u>
Net identifiable assets	4,928,023
Non-controlling interests	(2,352,991)
Fair value of previously held interest	(1,484,612)
<u>Goodwill arising from the acquisition (Note 15)</u>	<u>3,602,620</u>
<u>Purchase consideration transferred</u>	<u>₱4,693,040</u>

The cash flows from this acquisition follow:

Cash acquired	₱2,101,999
Purchase consideration transferred	(4,693,040)
<u>Net</u>	<u>(₱2,591,041)</u>

2GO's receivables comprise mainly of trade and nontrade receivables carried at cost. These are noninterest bearing with trade receivables generally on 30- to 60- day terms while nontrade receivables are collectible on demand.

The goodwill of ₱3,602.6 million represents the value of synergies expected to arise from the business combination.

From the date of acquisition, 2GO's revenues and net loss amounting to ₱1,292.0 million and ₱115.5 million, respectively formed part of the interim consolidated statements of income. If the combination had taken place at the beginning of the year, the Group's consolidated revenues and net income attributable to parent would have been ₱200,181.1 million and ₱19,981.0 million, respectively.

5. Segment Information

The Group has identified three reportable operating segments as follows: property, retail, and banking and others.

The property segment is involved in mall, residential and commercial development and hotel and convention center operations. The mall segment develops, conducts, operates and maintains the business of modern commercial shopping centers and all businesses related thereto such as the conduct, operation and maintenance of shopping center spaces for rent, amusement centers and cinemas within the compound of the shopping centers. The residential and commercial segments are involved in the development and transformation of major residential, commercial, entertainment and tourism districts through sustained capital investments in buildings and infrastructure. The hotels and convention centers segment engages in and carries on the business of hotels and convention centers and operates and maintains any and all services and facilities incident thereto.

The retail segment is engaged in the retail/wholesale trading of merchandise such as dry goods, wearing apparels, food and other merchandise.

The banking and others segment primarily includes the operations of the Parent Company which is engaged in asset management and capital investments as well as its associate companies which include the banks.

The BOD monitors the operating results of each of its business units for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the consolidated financial statements.

Operating Segment Financial Data

Six-Month Period Ended June 30, 2021 (Unaudited)					
	Property	Retail	Banking and Others	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Revenues:					
External customers	₱39,616,267	₱138,068,257	₱15,794,364	₱-	₱193,478,888
Inter-segment	4,432,515	81,909	1,018,315	(5,532,739)	-
	₱44,048,782	₱138,150,166	₱16,812,679	₱(5,532,739)	₱193,478,888
Segment results:					
Income before income tax	₱14,357,136	₱5,162,244	₱11,619,580	₱-	₱31,138,960
Provision for income tax	(2,844,664)	(1,171,336)	451,324	-	(3,564,676)
Net income	₱11,512,472	₱3,990,908	₱12,070,904	₱-	₱27,574,284
Net income attributable to:					
Owners of the Parent	₱5,381,864	₱2,842,775	₱11,865,051	₱-	₱20,089,690
Non-controlling interests	6,130,608	1,148,133	205,853	-	7,484,594

Six-Month Period Ended June 30, 2020 (Unaudited)					
	Property	Retail	Banking and Others	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Revenues:					
External customers	₱41,150,264	₱139,065,132	₱5,311,032	₱-	₱185,526,428
Inter-segment	5,045,086	-	1,118,343	(6,163,429)	-
	₱46,195,350	₱139,065,132	₱6,429,375	(₱6,163,429)	₱185,526,428
Segment results:					
Income before income tax	₱13,719,000	₱1,216,608	₱1,217,001	₱-	₱16,152,609
Provision for income tax	(2,757,830)	(644,615)	(136,821)	-	(3,539,266)
Net income	₱10,961,170	₱571,993	₱1,080,180	₱-	₱12,613,343
Net income attributable to:					
Owners of the Parent	₱5,593,336	₱470,570	₱1,028,675	₱-	₱7,092,581
Non-controlling interests	5,367,834	101,423	51,505	-	5,520,762

6. Cash and Cash Equivalents

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	<i>(In Thousands)</i>	
Cash on hand and in banks (Note 20)	₱22,429,762	₱26,603,364
Temporary investments (Note 20)	31,489,489	51,555,833
	₱53,919,251	₱78,159,197

Cash in banks earn interest at the respective bank deposit rates. Temporary investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group. These investments earn interest at prevailing rates.

7. Time Deposits

This account consists of time deposits as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	<i>(In Thousands)</i>	
Current	₱73,031	₱31,012
Noncurrent	2,102,747	1,356,442
	₱2,175,778	₱1,387,454

The time deposits bear interest ranging from 0.3% to 2.9% in 2021 and 0.5% to 1.6% in 2020.

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

8. Financial Assets at FVOCI

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	<i>(In Thousands)</i>	
Financial assets at FVOCI:		
Shares of stock		
Listed	₱25,852,259	₱26,133,219
Unlisted	1,705,112	1,701,227
Club shares	16,520	11,940
	27,573,891	27,846,386
Less current portion	562,627	568,146
Noncurrent portion	₱27,011,264	₱27,278,240

9. Receivables and Contract Assets

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	<i>(In Thousands)</i>	
Trade:		
Real estate buyers*	₱103,807,625	₱97,178,460
Third party tenants	5,533,241	5,868,337
Related party tenants (Note 20)	313,674	972,723
Shipping and logistics**	3,439,197	-
Others	19,648	38,512
Due from related parties (Note 20)	34,678	1,180,589
Management and service fees (Note 20)	2,517,717	2,437,479
Dividends (Note 20)	357,577	732,953
	116,023,357	108,409,053
Less allowance for expected credit loss (ECL)	1,683,635	1,066,130
	114,339,722	107,342,923
Less noncurrent portion of receivables from real estate buyers (Note 15)	54,082,430	46,816,693
Current portion	₱60,257,292	₱60,526,230

* Includes unbilled revenues from sale of real estate amounting to ₱90,625.6 million and ₱86,631.4 million as at June 30, 2021 and December 31, 2020, respectively.

** Includes contract assets from shipping and logistics amounting to ₱688.1 million as at June 30, 2021.

Allowance for ECL is provided for receivable from sales of real estate, receivable from tenants, shipping and logistics, and other receivables which were identified to be impaired based on specific assessment.

10. Inventories

This account consists of:

	June 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
<i>(In Thousands)</i>		
Merchandise inventories - at cost	₱30,014,116	₱28,352,564
Land and development - current	32,809,976	34,933,442
Condominium and residential units for sale	14,145,947	8,770,039
	₱76,970,039	₱72,056,045

Merchandise Inventories

The movements in this account follow:

	June 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
<i>(In Thousands)</i>		
Balance at beginning of year	₱28,352,564	₱33,157,622
Purchases	103,245,767	215,440,140
Effect of business combination (Note 4)	516,155	-
Total goods available for sale	132,114,486	248,597,762
Less cost of merchandise sales	102,100,370	220,245,198
Balance at end of period	₱30,014,116	₱28,352,564

The merchandise inventories are stated at cost as at June 30, 2021 and December 31, 2020.

Land and Development

The movements in "Land and development - current" accounted as real estate inventories follow:

	June 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
<i>(In Thousands)</i>		
Balance at beginning of year	₱34,933,442	₱37,935,968
Development cost incurred	11,352,074	18,139,432
Transfer from land and development - noncurrent (Note 14)	2,129,477	1,830,013
Cost of real estate sold	(9,551,045)	(18,447,226)
Transfer to condominium and residential units for sale	(6,164,606)	(4,850,262)
Reclassification and others	110,634	325,517
Balance at end of period	₱32,809,976	₱34,933,442

Land and development includes the cost of land as well as construction cost of ongoing residential projects.

Included in land and development accounted as real estate inventories are contract fulfillment assets amounting to ₱2,213.8 million and ₱1,745.0 million as at June 30, 2021 and December 31, 2020, respectively, representing the unamortized portion of land cost.

The estimated cost to complete the projects amounted to ₱106,918.9 million and ₱106,678.6 million as at June 30, 2021 and December 31, 2020, respectively.

Land and development is stated at cost. There is no allowance for inventory write-down as at June 30, 2021 and December 31, 2020.

Condominium and Residential Units for Sale

The movements in this account follow:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of year	₱8,770,039	₱6,026,426
Transfer from land and development	6,164,606	4,850,262
Cost of real estate sold	(843,159)	(2,136,756)
Repossessed inventories and others	54,461	30,107
Balance at end of period	₱14,145,947	₱8,770,039

The condominium and residential units for sale are stated at cost as at June 30, 2021 and December 31, 2020.

11. Other Current Assets

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	<i>(In Thousands)</i>	
Prepaid taxes and other prepayments	₱17,983,962	₱14,249,890
Bonds and deposits	10,825,978	9,983,733
Receivable from banks	3,299,414	5,537,179
Non-trade receivables	5,907,388	4,854,679
Input tax	4,756,095	5,113,251
Accrued interest receivable (Note 20)	240,979	188,685
Escrow fund (Note 20)	322,678	144,209
Uniform and supplies inventory	1,251,817	1,165,786
Derivative assets	-	2,747
Others	2,235,087	1,930,219
	₱46,823,398	₱43,170,378

12. Investments in Associate Companies and Joint Ventures

The movements in this account follow:

	2021	2020
	<i>(In Thousands)</i>	
Balance at beginning of year	₱296,265,722	₱280,971,638
Additions	100,620	390,350
Step acquisition (Note 4)	(6,402,270)	–
Effect of business combination (Note 4)	260,037	–
Reclassifications	(12,427)	32,934
Equity in net earnings	13,408,976	17,036,367
Dividends received and others	(2,232,182)	(4,443,565)
Share in other comprehensive gain (loss) of associate companies	(1,204,056)	3,262,981
Translation adjustment	34,280	15,017
Allowance for impairment loss	–	(1,000,000)
Balance at end of period	₱300,218,700	₱296,265,722

Investment in associate companies amounted to ₱291,329.1 million and ₱287,655.9 million as at June 30, 2021 and December 31, 2020, respectively.

13. Property and Equipment

The movements in this account follow:

	Buildings and Improvements	Store Equipment and Improvements	Data Processing Equipment	Furniture, Fixtures and Office Equipment	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Vessels in Operation	Containers and Reefer Vans	Construction in Progress	Total
<i>(In Thousands)</i>											
Cost											
As at December 31, 2019	₱14,326,958	₱4,010,449	₱8,588,993	₱9,884,981	₱10,337,665	₱20,599,451	₱1,047,794	–	–	₱2,718,921	₱71,515,212
Additions	659,964	197,056	464,927	527,832	907,077	787,008	14,012	–	–	2,538,278	6,096,154
Reclassifications	416,344	(24,817)	(45,252)	669,489	56,251	105,969	–	–	–	(737,665)	440,319
Disposals/retirements	(130)	(9,120)	(99,936)	(31,676)	(56,161)	(404,282)	(5,933)	–	–	(9,649)	(616,887)
As at December 31, 2020	15,403,136	4,173,568	8,908,732	11,050,626	11,244,832	21,088,146	1,055,873	–	–	4,509,885	77,434,798
Additions	264,255	71,871	290,059	307,540	382,124	502,976	18,330	308,533	24,502	538,206	2,708,396
Effect of business combination (Note 4)	857,803	–	–	863,345	928,979	784,527	427,091	17,855,531	1,855,231	7,151	23,579,658
Reclassifications	106,553	(1,956,974)	27,118	(87,099)	39,378	2,527,896	(21,290)	–	–	(456,179)	179,403
Disposals/retirements	(143)	(12,751)	(58,138)	(71,156)	(21,457)	(232,218)	(3,880)	(1,512,500)	–	(10,508)	(1,922,751)
As at June 30, 2021	₱16,631,604	₱2,275,714	₱9,167,771	₱12,063,256	₱12,573,856	₱24,671,327	₱1,476,124	₱16,651,564	₱1,879,733	₱4,588,555	₱101,979,504
Accumulated Depreciation and Amortization											
As at December 31, 2019	₱6,524,772	₱2,847,421	₱6,866,473	₱8,380,192	₱7,173,549	₱14,402,453	₱599,479	–	–	₱–	₱46,794,339
Depreciation and amortization	707,728	365,100	662,284	829,839	1,007,121	1,151,824	60,550	–	–	–	4,784,446
Reclassifications	(20,844)	(3,766)	(28,391)	445,821	16,330	(124,214)	549	–	–	–	285,485
Disposals/retirements	(32)	(7,065)	(70,007)	(25,515)	(39,421)	(368,990)	(5,890)	–	–	–	(516,920)
As at December 31, 2020	7,211,624	3,201,690	7,430,359	9,630,337	8,157,579	15,061,073	654,688	–	–	–	51,347,350
Depreciation and amortization	286,933	74,021	324,814	406,898	501,224	700,516	32,103	37,757	6,025	4,894	2,374,955
Effect of business combination (Note 4)	442,837	–	–	607,350	618,966	555,602	363,495	9,562,894	1,509,388	–	13,660,594
Reclassifications	(21,120)	(1,500,276)	5,294	(1,204,995)	3,614	2,908,062	(12,946)	–	–	–	177,633
Disposals/retirements	(14)	(11,834)	(57,028)	(65,851)	(16,580)	(218,290)	(3,880)	(1,392,260)	–	–	(1,765,737)
As at June 30, 2021	₱7,920,260	₱1,763,601	₱7,703,439	₱9,373,739	₱9,264,803	₱19,006,963	₱1,033,292	₱8,208,391	₱1,515,413	₱4,894	₱65,794,795
Net Book Value											
As at June 30, 2021	₱8,711,344	₱512,113	₱1,464,332	₱2,689,517	₱3,309,053	₱5,664,364	₱442,832	₱8,443,173	₱364,320	₱4,583,661	₱36,184,709
As at December 31, 2020	8,191,512	971,878	1,478,373	1,420,289	3,087,253	6,027,073	401,185	–	–	4,509,885	26,087,448

14. Investment Properties

The movements in this account follow:

	Land held for future development	Land and Improvements	Buildings and Leasehold Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
<i>(In Thousands)</i>						
Cost						
As at December 31, 2019	₱74,946,694	₱75,010,749	₱256,054,842	₱42,705,274	₱54,184,595	₱502,902,154
Additions	6,619,150	3,540,562	2,072,819	1,486,926	24,695,842	38,415,299
Reclassifications	(1,830,013)	(620,425)	7,509,703	862,027	(7,962,160)	(2,040,868)
Translation adjustment	–	15,655	469,724	37,418	42,657	565,454
Disposals	(4,113,632)	(44,242)	(80)	(121,218)	–	(4,279,172)
As at December 31, 2020	75,622,199	77,902,299	266,107,008	44,970,427	70,960,934	535,562,867
Additions	7,922,358	2,665,033	224,370	568,480	11,859,700	23,239,941
Reclassifications	(2,141,539)	(1,452,620)	5,014,549	570,918	(3,222,004)	(1,230,696)
Translation adjustment	–	44,340	1,090,562	85,705	180,979	1,401,586
Disposals	–	(26,089)	(223)	(55,659)	–	(81,971)
As at June 30, 2021	₱81,403,019	₱79,132,963	₱272,436,266	₱46,139,871	₱79,779,609	₱558,891,728
Accumulated Depreciation, Amortization and Impairment Loss						
As at December 31, 2019	₱–	₱2,366,460	₱60,326,773	₱27,186,924	₱–	₱89,880,157
Depreciation and amortization	–	251,543	7,589,858	2,358,514	–	10,199,915
Reclassifications	–	–	735	–	–	735
Translation adjustment	–	12,180	111,470	25,372	–	149,022
Disposals	–	(26,301)	(8)	(107,377)	–	(133,686)
As at December 31, 2020	–	2,603,882	68,028,828	29,463,433	–	100,096,143
Depreciation and amortization	–	139,502	3,737,150	1,296,004	–	5,172,656
Reclassifications	–	–	906,088	23,003	–	929,091
Translation adjustment	–	25,154	235,784	52,268	–	313,206
Disposals	–	(2,469)	–	(56,747)	–	(59,216)
As at June 30, 2021	₱–	₱2,766,069	₱72,907,850	₱30,777,961	₱–	₱106,451,880
Net Book Value						
As at June 30, 2021	₱81,403,019	₱76,366,894	₱199,528,416	₱15,361,910	₱79,779,609	₱452,439,848
As at December 31, 2020	75,622,199	75,298,417	198,078,180	15,506,994	70,960,934	435,466,724

Construction in progress includes construction costs incurred for new shopping malls, commercial building and redevelopment of existing malls amounting to ₱77,590.9 million and ₱70,277.9 million as at June 30, 2021 and December 31, 2020, respectively.

Portions of investment properties located in China amounting to ₱1,789.0 as at June 30, 2021 are mortgaged as collaterals to secure domestic short-term and long-term borrowings (see Note 16 and 18).

Interest capitalized to investment properties amounted to ₱2,900.9 million and ₱3,539.8 million as at June 30, 2021 and December 31, 2020, respectively. Capitalization rates used range from 2.7% to 5.0% in 2021 and 2.4% to 4.7% in 2020.

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

The fair value of substantially all investment properties amounting to ₱1,350.8 million was determined by accredited independent appraisers with appropriate qualifications and experience in the valuation of similar properties in the relevant locations. The fair value represents the price that would be received to sell the investment properties in an orderly transaction between market participants at the measurement date.

Management believes that the impact of COVID-19 on the fair value measurement of investment properties is short-term and temporary.

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

15. Intangibles and Other Noncurrent Assets

Intangible Assets

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	<i>(In Thousands)</i>	
Goodwill	₱21,745,684	₱17,456,385
Less accumulated impairment loss	91,620	91,620
Net book value	21,654,064	17,364,765
Trademarks and brand names	7,103,202	7,223,738
	₱28,757,266	₱24,588,503

Other Noncurrent Assets

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	<i>(In Thousands)</i>	
Bonds and deposits	₱55,984,320	₱56,259,937
Receivables from real estate buyers (Note 9)*	54,082,430	46,816,693
Long-term notes (Notes 20 and 24)	5,109,397	4,999,359
Deferred input VAT	2,008,269	1,804,670
Derivative assets (Note 24)	22,481	-
Escrow fund (Note 20)	132,460	132,460
Defined benefit asset	564,473	546,515
Others	1,834,787	1,759,016
	₱119,738,617	₱112,318,650

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

16. Bank Loans

This account consists of:

	2021	2020
	<i>(In Thousands)</i>	
Parent Company:		
Peso-denominated loans	₱500,000	₱—
Subsidiaries -		
U.S. dollar-denominated loans	439,200	—
China Yuan renminbi-denominated loans	1,398,367	—
Peso-denominated loans	11,547,500	24,126,000
	₱13,885,067	₱24,126,000

These loans bear interest ranging from 2.2% to 4.5% and 2.8% to 5.3% in 2021 and 2020, respectively.

These loans have maturities of less than one year.

17. Accounts Payable and Other Current Liabilities

This account consists of:

	June 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
	<i>(In Thousands)</i>	
Trade*	₱66,035,187	₱82,599,493
Tenants and customers' deposits**	12,947,740	12,411,589
Accrued expenses	19,048,922	12,713,644
Nontrade	9,754,791	14,474,774
Payable arising from acquisition of land	7,781,204	7,357,422
Payables to government agencies	4,601,585	4,722,145
Accrued interest (Note 20)	3,136,184	3,112,821
Subscriptions payable	2,021,790	2,021,790
Due to related parties (Note 20)	8,873	823,779
Lease liabilities (Note 22)	2,343,099	2,011,714
Gift checks redeemable and others	5,293,042	6,981,937
	₱132,972,417	₱149,231,108

* Includes unearned revenues from shipping and logistics amounting to ₱109.0 million as at June 30, 2021.

** Includes unearned revenues from sale of real estate amounting to ₱5,633.3 million and ₱7,615.0 million as at June 30, 2021 and December 31, 2020, respectively.

18. Long-term Debt

This account consists of:

	Availment	Maturity	Interest Rate/Term	Security	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
<i>(In Thousands)</i>						
Parent Company						
U.S. dollar-denominated	June 10, 2014 - July 16, 2019	March 28 2022 - June 28, 2024	Fixed 4.9%; Three- Month LIBOR + margin; semi-annual and quarterly	Unsecured	₱42,317,347	₱42,604,024
Peso-denominated	July 16, 2012 - June 21, 2021	January 17, 2021 - May 14, 2031	Fixed 2.9%-6.9%; Three-Month PHP BVAL + margin; semi-annual and quarterly	Unsecured	76,675,960	79,023,014
Subsidiaries						
U.S. dollar-denominated	March 21, 2016 - April 26, 2021	January 29, 2021 - April 26, 2028	LIBOR + spread; semi-annual and quarterly	Unsecured	55,423,790	49,754,404
China Yuan Renminbi-denominated*	October 16, 2017 - May 6, 2021	October 16, 2022 - April 20, 2026	Fixed - 5.9%; LIBOR + spread; annually	Secured	6,404,019	2,559,639
Peso-denominated	June 19, 2012 - June 23, 2021	February 8, 2021 - August 7, 2029	Fixed 2.5%-6.5%; BVAL + margin	Unsecured/ Secured	242,402,342	218,882,964
					423,223,458	392,824,045
Less debt issue cost					2,442,565	1,970,809
					420,780,893	390,853,236
Less current portion					42,873,032	60,121,438
					₱377,907,861	₱330,731,798

BVAL – Bloomberg Valuation

LIBOR – London Interbank Offered Rate

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

Repayment Schedule

The repayment schedule of long-term debt as at June 30, 2021 follows:

	Gross Debt	Debt Issue Cost	Net
<i>(In Thousands)</i>			
Within 1 year	₱43,525,078	₱652,046	₱42,873,032
Over 1 year to 5 years	344,785,920	1,676,094	343,109,826
Over 5 years	34,912,460	114,425	34,798,035
	₱423,223,458	₱2,442,565	₱420,780,893

Covenants

The long-term debt of the Group is covered with certain covenants including adherence to financial ratios. As at June 30, 2021 and December 31, 2020, the Group is in compliance with the terms of its debt covenants.

19. **Equity**

Capital Stock

a. Common stock

	Number of Shares	
	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Authorized - ₱10 par value per share	2,790,000,000	2,790,000,000
Issued and subscribed	1,204,582,867	1,204,582,867

As at June 30, 2021 and December 31, 2020, the Parent Company is compliant with the minimum public float as required by the PSE.

The total number of shareholders of the Parent Company is 1,258 and 1,256 as at June 30, 2021 and December 31, 2020, respectively.

b. Redeemable preferred shares

	Number of Shares	
	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Authorized - ₱10 par value per share	10,000,000	10,000,000

There are no issued and subscribed preferred shares as at June 30, 2021 and December 31, 2020.

Retained Earnings

- Appropriated

Retained earnings appropriated as at June 30, 2021 is intended for the payment of certain long-term debts and new investments as follows:

	Timeline	Amount
		<i>(In Thousands)</i>
Debt service	2021 - 2024	₱27,000,000
Investments	2021	10,000,000
		<u>₱37,000,000</u>

- Unappropriated

The Parent Company declared cash dividends in 2021 with details as follows:

Declaration Date	Record Date	Payment Date	Per Share	Total
				<i>(In Thousands)</i>
April 28, 2021	May 13, 2021	May 27, 2021	₱4.25	₱5,119,477

Unappropriated retained earnings include the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱267,732.1 million and ₱254,371.2 million as at June 30, 2021 and December 31, 2020, respectively, that is not available for distribution until such time that the Parent Company receives the dividends from the respective subsidiaries, associates and joint ventures.

20. **Related Party Disclosures**

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The significant transactions with related parties follow:

- Rent

The Group has existing lease agreements for office and commercial spaces with related companies (retail and banking group and other related parties under common stockholders).

- Royalty, Management and Service Fees

The Parent Company and SM Retail receive management and service fees from retail entities under common stockholders for management, consultancy, manpower and other services. In addition to management and service fees, the Parent Company also receives royalty fees from certain related parties.

- Dividend Income

The Group earns dividend income from certain related parties under common stockholders.

- Cash Placements and Loans

The Group has certain bank accounts and cash placements as well as bank loans and debts with BDO and China Bank. Such accounts earn interest at prevailing market rates.

- Notes Receivable

The Group has certain notes receivable from Carmen Copper Corporation (see Notes 15 and 23).

- Others

The Group, in the normal course of business, has outstanding receivables from and payables to related companies which are unsecured and normally settled in cash.

The related party transactions and outstanding balances follow:

	Transaction Amount Six-Month Periods Ended June 30		Outstanding Amount		Terms	Conditions
	2021 (Unaudited)	2020 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)		
<i>(In Thousands)</i>						
Banking Group						
Cash placement and investment in marketable securities			₱33,175,956	₱60,776,796	Interest-bearing at prevailing rates	Unsecured; no impairment
Interest receivable			58,281	54,407	–	–
Interest income	₱631,694	₱894,251			–	–
Interest-bearing debt			49,195,458	34,555,640	Interest-bearing	Unsecured
Interest payable			126,619	87,662	–	–
Interest expense	872,871	814,987			–	–
Rent receivable			126,866	60,454	Noninterest-bearing	Unsecured; no impairment
Rent income	330,998	237,253			–	–
Receivable financed	358,861	5,910,578	–	–	Without recourse	Unsecured
Dividends receivable			–	13,462	Noninterest-bearing	Unsecured; no impairment
Bonds and deposits			17,080,000	16,808,050	Interest-bearing 4.5%	Unsecured; no impairment
Royalty, management and service fee receivable			8,445	8,077	Noninterest-bearing	Unsecured; no impairment
Royalty, management and service fee income	22,703	97			–	–
Escrow fund			455,138	276,669	Interest-bearing at prevailing rates	Unsecured; no impairment
Retail and Other Entities						
Rent receivable			186,808	912,269	Noninterest-bearing	Unsecured; no impairment
Rent income	509,126	523,298			–	–
Royalty, management and service fee receivable			2,219,506	2,049,081	Noninterest-bearing	Unsecured; no impairment
Royalty, management and service fee income	769,962	603,077			–	–

(Forward)

	Transaction Amount Six-Month Periods Ended June 30		Outstanding Amount		Terms	Conditions
	2021 (Unaudited)	2020 (Unaudited)	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)		
			<i>(In Thousands)</i>			
Due from related parties			₱34,678	₱1,180,589	Noninterest-bearing	Unsecured; no impairment
Due to related parties			8,873	823,779	Noninterest-bearing	Unsecured
Interest receivable			7,100	7,763	–	–
Interest income	₱171,334	₱196,164			–	–
Dividends receivable			215,000	526,507	Noninterest-bearing	Unsecured; no impairment
Notes receivable			5,109,397	4,999,359	Interest-bearing 5.4% to 7.0%	Unsecured; no impairment

Terms and Conditions of Transactions with Related Parties

Outstanding balances at yearend are unsecured and are normally settled in cash. The Group did not make any provision for impairment loss relating to amounts owed by related parties.

21. Income Tax

Deferred tax assets of ₱4,366.7 million and ₱4,672.0 million as at June 30, 2021 and December 31, 2020, respectively, consist of the tax effects of unrealized gain on intercompany sale of investment properties, unamortized past service cost and defined benefit liability, provision for doubtful accounts and others, accrued leases, MCIT, deferred rent expense and NOLCO.

Deferred tax liabilities of ₱14,422.5 million and ₱12,615.0 million as at June 30, 2021 and December 31, 2020, respectively, consist of the tax effects of appraisal increment on investment property and property and equipment, trademarks and brand names, capitalized interest, unrealized gross profit on sale of real estate, accrued/deferred rent income and unamortized past service cost and defined benefit asset. The disproportionate relationship between income before income tax and the provision for income tax is due to various factors such as interest income already subjected to final tax, non-deductible interest expense, equity in net earnings of associates, and dividend income exempt from tax.

22. Lease Agreements

As Lessor. The Group's lease agreements with its tenants are generally granted for a term of one to twenty-five years. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is calculated with reference to a fixed sum per square meter of area leased except for a few tenants which pay either a fixed monthly rent or a percentage of gross sales, whichever is higher.

As Lessee. The Group leases certain parcels of land where some of its malls are situated as well as retail store, office spaces, warehouses, containers, reefer vans, isotanks, cargo handling equipment, transportation equipment and container yards. The terms of the lease are for periods ranging from one to fifty years, renewable for the same period under the same terms and conditions. Rental payments are generally computed based on a certain percentage of gross rental income or a certain fixed amount, whichever is higher.

There are also non-cancellable operating lease commitments with lease periods ranging from two to thirty years, mostly containing renewal options and those that provide for the payment of additional rental based on a certain percentage of sales of the sub-lessees.

The rollforward analysis of ROU assets follows:

	June 30, 2021 (Unaudited)		
	Land Use Rights	Retail Stores, Office Spaces, Warehouses and Others	Total
	<i>(In Thousands)</i>		
Cost			
As at beginning of year	P24,343,193	P23,428,730	P47,771,923
Additions	645,231	1,704,521	2,349,752
Effect of business combination (Note 4)	–	1,819,438	1,819,438
Translation adjustment	344,254	–	344,254
Disposals	–	(1,051,594)	(1,051,594)
As at end of period	25,332,678	25,901,095	51,233,773
Accumulated Depreciation and Amortization			
As at beginning of year	1,014,825	4,778,069	5,792,894
Depreciation and amortization	262,901	1,314,260	1,570,198
Effect of business combination (Note 4)	–	1,032,841	1,032,841
Translation adjustment	8,694	–	8,694
Disposals	–	(76,916)	(76,916)
As at end of period	1,286,420	7,048,254	8,334,674
Net Book Value	P24,046,258	P18,852,841	P42,899,099
	December 31, 2020 (Audited)		
	Land Use Rights	Retail Stores, Office Spaces and Warehouses	Total
	<i>(In Thousands)</i>		
Cost			
As at beginning of year	P20,955,223	P20,291,858	P41,247,081
Additions	3,276,229	4,175,989	7,452,218
Translation adjustment	111,741	–	111,741
Disposals	–	(1,039,117)	(1,039,117)
As at end of year	24,343,193	23,428,730	47,771,923
Accumulated Depreciation and Amortization			
As at beginning of year	505,171	3,077,734	3,582,905
Depreciation and amortization	504,613	2,566,999	3,071,612
Translation adjustment	5,041	–	5,041
Disposals	–	(866,664)	(866,664)
As at end of year	1,014,825	4,778,069	5,792,894
Net Book Value	P23,328,368	P18,650,661	P41,979,029

The rollforward analysis of lease liabilities follows:

	June 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
	<i>(In Thousands)</i>	
As at beginning of year	₱30,879,878	₱29,134,546
Additions	2,349,752	4,175,989
Effect of business combination	910,818	–
Interest expense	934,040	1,874,726
Rent concessions	(61,857)	(275,102)
Terminations	(133,417)	(192,237)
Payments	(2,868,872)	(3,838,044)
As at end of period	32,010,342	30,879,878
Less current portion (Note 17)	2,343,099	2,011,714
Noncurrent portion	₱29,667,243	₱28,868,164

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased assets portfolio. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised.

Tenants' deposits amounted to ₱22,801.2 million and ₱22,551.7 million as at June 30, 2021 and December 31, 2020, respectively.

23. Financial Risk Management Objectives and Policies

The main risks arising from the Group's financial instruments follow:

- *Interest rate risk.* Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Repricing of floating rate financial instruments is mostly done at intervals of three months or six months.
- *Foreign currency risk.* The Group's exposure to foreign currency risk arises as the Parent Company and SM Prime have investments and debt issuances which are denominated in U.S. Dollars and China Yuan Renminbi.
- *Liquidity risk.* Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.
- *Credit risk.* Refers to the risk that a borrower will default on any type of debt by failing to make the required payments.
- *Equity price risk.* The Group's exposure to equity price risk pertains to its investments in quoted equity shares which are classified as equity investments at FVOCI in the consolidated balance sheets. Equity price risk arises from changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

The BOD reviews and approves the policies for managing each of these risks.

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations (see Note 18).

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

As at June 30, 2021 and December 31, 2020, after taking into account the effect of the swaps, approximately 81.0% and 79.8%, respectively of the Group's borrowings, net of debt issue cost, is kept at fixed interest rates.

Foreign Currency Risk

The Group aims to reduce foreign currency risks by employing on-balance sheet hedges and derivatives such as foreign currency swap contracts, foreign cross-currency swaps, foreign currency call options and non-deliverable forwards.

As at June 30, 2021, the Group's foreign currency-denominated assets and liabilities amounted to ₱24,518.7 million (\$502.4 million) and ₱22,321.9 million (\$457.4 million), respectively.

As at December 31, 2020, the Group's foreign currency-denominated assets and liabilities amounted to ₱23,825.9 million (\$496.1 million) and ₱22,907.2 million (\$477.0 million), respectively.

As at June 30, 2021 and December 31, 2020, approximately 24.2% and 22.8%, respectively, of the Group's borrowings, net of debt issue cost, are denominated in foreign currency.

The following exchange rates were used in translating foreign currency-denominated assets and liabilities into Pesos.

	June 30, 2021	December 31, 2020
Philippine Peso to U.S. Dollar	₱48.80	₱48.02

Liquidity Risk

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

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

Credit Risk

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

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

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

As at June 30, 2021 and December 31, 2020, the financial assets, except for some receivables, are generally viewed by the management as good and collectible considering the credit history of the counterparties. Past due or impaired financial assets are very minimal in relation to the Group's total financial assets.

Equity Price Risk

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

Capital Management

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

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

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

The Group's gearing ratios follow:

	June 30, 2021	December 31, 2020
Gross	43%	42%
Net	39%	37%

24. Financial Instruments

The Group's financial assets and liabilities by category and by class, except for those with carrying amounts that are reasonable approximations of fair values, follow:

	June 30, 2021				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	P25,852,259	P25,852,259	P25,852,259	P-	P-
Unlisted shares of stock	1,705,112	1,705,112	-	-	1,705,112
Club shares	16,520	16,520	-	16,520	-
Derivative assets	22,481	22,481	-	22,481	-
	27,596,372	27,596,372	25,852,259	39,001	1,705,112
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	2,102,747	2,102,747	-	2,102,747	-
Other noncurrent assets:					
Bonds and deposits	17,080,000	19,063,699	-	-	19,063,699
Long-term notes	5,109,397	6,001,734	-	-	6,001,734
	24,292,144	27,168,180	-	2,102,747	25,065,433
	P51,888,516	P54,764,552	P25,852,259	P2,141,748	P26,770,545
Liabilities Measured at Fair Value					
Derivative liabilities	P4,919,373	P4,919,373	P-	P4,919,373	P-
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	377,907,861	386,063,715	-	-	386,063,715
Lease liabilities - noncurrent portion	29,667,243	31,838,842	-	-	31,838,842
Tenants' deposits and others*	32,481,251	30,462,458	-	-	30,462,458
	440,056,355	448,365,015	-	-	448,365,015
	P444,975,728	P453,284,388	P-	P4,919,373	P448,365,015

*Excluding nonfinancial liabilities amounting to P9,395.3 million.

	December 31, 2020				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	P26,133,219	P26,133,219	P26,133,219	P-	P-
Unlisted shares of stock	1,701,227	1,701,227	-	-	1,701,227
Club shares	11,940	11,940	-	11,940	-
Derivative assets	2,747	2,747	-	2,747	-
	27,849,133	27,849,133	26,133,219	14,687	1,701,227
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	1,356,442	1,356,442	-	1,356,442	-
Other noncurrent assets:					
Bonds and deposits	16,808,050	19,271,918	-	-	19,271,918
Long-term notes	4,999,359	6,068,924	-	-	6,068,924
	23,163,851	26,697,284	-	1,356,442	25,340,842
	P51,012,984	P54,546,417	P26,133,219	P1,371,129	P27,042,069
Liabilities Measured at Fair Value					
Derivative liabilities	P6,125,125	P6,125,125	P-	P6,125,125	P-
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	330,731,798	332,475,152	-	-	332,475,152
Lease liabilities - noncurrent portion	28,868,164	30,776,929	-	-	30,776,929
Tenants' deposits and others*	30,947,183	28,784,888	-	-	28,784,888
	390,547,145	392,036,969	-	-	392,036,969
	P396,672,270	P398,162,094	P-	P6,125,125	P392,036,969

*Excluding nonfinancial liabilities amounting to P8,806.2 million.

There were no transfers into and out of Levels 1, 2 and 3 fair value measurements as at June 30, 2021 and December 31, 2020.

Derivative Instruments Accounted for as Cash Flow Hedges

As at June 30, 2021, the Parent Company and SM Prime have outstanding arrangements to hedge both foreign currency and interest rate exposure on its foreign currency-denominated debt. Details follow:

Cross-currency swaps:

	Notional Amount			Principal	Fair Value	Receive	Pay	US\$:PhP	US\$:CN¥	Maturity
	(In US\$)	(In PhP)	(In CN¥)							
	(In Thousands)									
Parent:										
	\$53,000	₱2,761,300		₱2,586,400	(₱307,140)	LIBOR + spread	5.3%	₱52.10		March 6, 2023
	100,000	5,210,000		4,880,000	(695,495)	LIBOR + spread	5.9%	52.10		April 16, 2023
	56,159	3,000,000		2,740,547	(507,332)	LIBOR + spread	6.1%	53.42		July 26, 2023
	100,000	5,140,000		4,880,000	(603,046)	LIBOR + spread	5.5%	51.40		June 28, 2024
	100,000	5,115,000		4,880,000	(569,697)	LIBOR + spread	5.4%	51.15		June 28, 2024
SM Prime:										
	50,000	2,666,500		2,440,000	(428,904)	LIBOR + spread	6.4%	53.33		June 14, 2023
	60,000	3,199,200		2,928,000	(516,321)	LIBOR + spread	6.4%	53.32		June 14, 2023
	100,000	4,827,000		4,880,000	22,481	LIBOR + spread	3.3%	48.27		September 30, 2022
	75,000	3,639,000		3,660,000	(29,191)	LIBOR + spread	3.6% - 3.7%	48.52		April 5, 2024
	75,000	3,637,500		3,660,000	(27,796)	LIBOR + spread	3.6% - 3.7%	48.50		April 5, 2024
	25,000		¥172,100	1,220,000	(105,205)	LIBOR + spread	5.4%		¥6.884	March 27, 2022
	25,000		172,300	1,220,000	(104,063)	LIBOR + spread	5.4%		6.892	March 27, 2022
	50,000		327,315	2,440,000	(82,845)	LIBOR + spread	5.0%		6.546	June 30, 2022
	50,000		335,940	2,440,000	(135,418)	LIBOR + spread	4.0%		6.719	February 28, 2024
	50,000		335,725	2,440,000	(123,732)	LIBOR + spread	3.9%		6.715	February 28, 2024
	50,000		335,750	2,440,000	(136,373)	LIBOR + spread	3.9%		6.715	February 28, 2024
	50,000		334,400	2,440,000	(143,213)	LIBOR + spread	3.9%		6.688	February 28, 2024
	50,000		335,750	2,440,000	(134,019)	LIBOR + spread	3.9%		6.715	February 28, 2024
	36,000		241,643	1,756,800	(95,085)	LIBOR + spread	3.9%		6.712	February 28, 2024

Principal only swap:

	Notional Amount	Principal	Fair Value	Rate	US\$:CN¥	Maturity
	(In Thousands)					
SM Prime	\$270,000	₱13,176,041	(₱170,663)	4.6%	¥6.459	January 23, 2026

Interest rate swap

	Notional Amount	Principal	Fair Value	Rate	Maturity
	(In Thousands)				
SM Prime	\$100,000	₱4,880,000	(₱3,835)	1.6%	March 29, 2026

As the terms of the swaps have been negotiated to match the terms of the hedged loans and advances, the hedges are assessed to be highly effective.

25. **EPS Computation**

	June 30, 2021	June 30, 2020
	(Unaudited)	(Unaudited)
	<i>(In Thousands Except Per Share Data)</i>	
Net income attributable to owners of the Parent (a)	₱20,089,690	₱7,092,581
Weighted average number of common shares outstanding (b)	1,204,583	1,204,583
EPS (a/b)	₱16.68	₱5.89

26. **Event after the Reporting Period**

On August 4, 2021, the Group acquired additional shares in Goldilocks Bakeshop, Inc., gaining majority interest at approximately 74%.

PART 1 FINANCIAL INFORMATION

Management's Discussion and Analysis or Plan of Operation

Results of Operation

For the Six Months Ended June 30, 2021 and 2020

(amounts in billion pesos)

	Ytd June 2021 (Unaudited)	Ytd June 2020 (Unaudited)	% Change
Revenues	P 193.5	P 185.5	4.3%
Cost and Expenses	155.8	162.5	-4.1%
Income from Operations	37.7	23.0	63%
Other Charges	6.5	6.9	-5.7%
Provision for Income Tax	3.6	3.5	0.7%
Net Income After Tax	27.6	12.6	119%
Non-controlling Interests	7.5	5.5	35.6%
Net Income Attributable to Owners of the Parent	P 20.1	P 7.1	183%

For Ytd June 2021, SM Investments Corporation and Subsidiaries (the Group) reported higher *Net Income Attributable to Owners of the Parent* at P20.1 billion and *Revenues* at P193.5 billion, compared to the same period in 2020.

Banking accounted for 58% of net income from core businesses, followed by Property at 28% and Retail at 14%.

Retail

For Ytd June 2021, SM Retail reported *Revenues* of P138.2 billion, 0.7% lower compared to the same period in 2020 which is considered to be a pre-pandemic period. Ytd June 2020 revenues of the Food stores reflect the effect of pantry loading when customers were buying in advance of the anticipated lockdown. The non-Food stores reported a 17.8% growth in *Revenues*.

Despite the drop in revenues, SM Retail generated P3.6 billion of net income for Ytd June 2021, 7x higher than Ytd June 2020. This is attributable to the following:

- Improved gross margins resulting from better mix of products sold, lesser sales promotions and higher level of support from partner suppliers.
- Intensive cost management initiatives and streamlining of operations implemented across all formats.
- Rent concessions received from various lessors.

Property

For Ytd June 2021, SM Prime reported *Revenues* of P41.1 billion and *Net income* of P11.6 billion, 6% lower and 12% higher compared to the same period in 2020, respectively.

SM Prime's Philippine malls business reported *Revenues* of P4.8 billion in the second quarter of 2021, 55% higher than in the second quarter 2020. The malls business reported P10.7 billion revenues for Ytd June 2021, 26% lower than the P14.4 billion reported for Ytd June 2020. The ECQ implementation in the NCR Plus from March to May 2021 affected the malls business recovery momentum in those areas. SM Prime continued to grant rent concessions to its tenants in the first half of 2021.

SM Prime's residential business, led by SM Development Corporation (SMDC), reported a 3% growth in *Revenues* for Ytd June 2021 to P24.5 billion and 30% growth in reservation sales to P55.1 billion from P42.4 billion in the same period last year.

Banking

For Ytd June 2021, BDO reported a *Net income* of P21.4 billion, 5x higher compared to the same period in 2020 on the back of sustainable earnings and normalized provisions.

In the same period, China Bank reported a Net income of P7.3 billion at 39% growth. Net revenues increased 18% to P24.8 billion, reflecting strong growth in net interest income and fee-based income. China Bank continued to build its loan loss provisions with a P5.4 billion in pandemic-related credit buffers, up 13% compared to the same period in 2020.

Profit & Loss Statement - Account Analysis

Merchandise Sales, which decreased by 0.3% to P135.1 billion from P135.6 billion in 2020, accounted for 70% of total revenues in 2021. Ytd June 2020 *Revenues* reflect the abnormally high customer purchase volumes starting from the last two weeks of March to Q2 2020 relative to the scheduled community lockdowns in the succeeding months whereas Ytd June 2021 revenues reflect normal pandemic purchase volumes as the customers have already adjusted to the norms of a pandemic environment.

As of June 30, 2021, *SM Retail* had 3,093 stores in operation. Its stores portfolio include 66 *SM Stores*, 59 *SM Supermarkets*, 213 *Savemore* stores, 53 *SM Hypermarkets*, 71 *WalterMart* stores, 1,097 *Alfamart* stores, and 1,534 *Specialty* stores.

Real Estate Sales increased by 2.5% to P24.1 billion from P23.5 billion in 2020. The increase is attributable to sales take-up and construction accomplishments of ongoing projects including *Shore 3*, *Bloom*, *Fame*, *Style*, *Green 2*, *Glam and Lane* as well as various Ready-For-Occupancy (RFO) projects, particularly those located in Mandaluyong and Pasay City. Revenues are recognized based on percentage of completion.

Rent Revenues, derived mainly from the mall operations of SM Prime, decreased by 14.6% to P13.4 billion from P15.7 billion in 2020. The decrease is due to lesser mall tenants in operation in 2021 than in 2020 which was for the most part of Q1 2020, operating on pre-pandemic terms.

As of June 30, 2021, *SM Prime* had 76 malls in the Philippines with total GFA of 8.6 million square meters and 7 malls in China with total GFA of 1.3 million square meters.

Equity in Net Earnings of Associate Companies and Joint Ventures increased by 280% to P13.4 billion from P3.5 billion in 2020 mainly representing the increase in net income of bank associates.

Cinema Ticket Sales, Amusement and Others decreased by 85% to P0.1 billion from P1.0 billion in 2020. This is attributable to the strict restrictions in the operation of cinemas and other leisure areas as mandated by the government throughout Ytd June 2021 whereas Ytd June 2020 was for the most part of Q1 2020, operating on pre-pandemic terms.

Dividends, Management Fees and Others increased 4.0% to P6.5 billion from P6.3 billion in 2020. This is attributable to the decrease in royalty, management and service fees and other revenues due to relative reduction in sales of the retail stores. Other revenues comprise mainly of promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues, food and beverage income of the Hotel Group.

Selling, General and Administrative Expenses decreased by 11.6% to P42.5 billion from P48.1 billion in 2020 due mainly to the scaled-down operation of certain retail stores and malls and efforts to control costs through rationalization of operations.

Income from Operations increased by 63% to P37.6 billion from P23.0 billion in 2020. *Operating Margin* and *Net Margin* is at 19.4% and 14.3%, respectively.

Other Charges (net) decreased by 5.7% to P6.5 billion from P6.9 billion in 2020. *Interest Expense* decreased by 3.1% to P8.0 billion from P8.3 billion in 2020 due mainly to lower interest rates and lower average outstanding balance of interest-bearing debt. *Interest Income* decreased by 30% to P1.0 billion from P1.5 billion in 2020 due mainly to lower average balance of cash and time deposits.

Provision for Income Tax slightly increased by 0.7% P3.6 billion from P3.5 billion 2020 due mainly to the adoption of Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) that was signed into law by the President of the Republic of the Philippines on March 26, 2021, which provides for the retroactive application to July 01, 2020 of the lower corporate income tax rate. The approximate effective income tax rate based on net income excluding equity in net earnings of associate companies and joint ventures, dividend income and interest income, is 22% in 2021 compared to 32% in 2020.

Non-controlling interests increased by 36% to P7.5 billion from P5.5 billion in 2020 due mainly to the improved net income of partly-owned subsidiaries.

Financial Position

As at June 30, 2021 and December 31, 2020

(amounts in billion pesos)

	06 / 30 / 2021 (Unaudited)	12 / 31 / 2020 (Audited)	% Change
Current Assets	P 238.6	P 254.5	-6.2%
Noncurrent Assets	1,013.7	970.0	4.5%
Total Assets	P 1,252.3	P 1,224.5	2.3%
Current Liabilities	P 194.1	P 240.0	-19.1%
Noncurrent Liabilities	470.7	419.8	12.1%
Total Liabilities	664.8	659.8	0.8%
Total Equity	587.5	564.7	4.0%
Total Liabilities and Equity	P 1,252.3	P 1,224.5	2.3%

Total Assets increased by 2.3% to P1,252.3 billion from P1,224.5 billion in 2020. Likewise, total Liabilities increased by 0.8% to P664.8 billion from P659.8 billion in 2020.

Current Assets

Current Assets decreased by 6.2% to P238.6 billion from P254.5 billion in 2020.

Cash and Cash Equivalents decreased by 31.0% to P53.9 billion from P78.2 billion in 2020 due mainly to payments for trade, investments, capital expenditures and debt servicing.

Inventories increased by 6.8% to P77.0 billion from P72.1 billion resulting from the P1.7 billion increase in merchandise inventory and P5.4 billion increase in condominium and residential units for sale partly offset by the P2.1 billion decrease in land and development - current. The net increase in real estate inventories is attributable to construction accomplishments during the period, net of cost of sold units.

Other Current Assets increased by 8.5% to P46.8 billion from P43.2 billion in 2020 due mainly to higher prepaid taxes.

Noncurrent Assets

Noncurrent Assets increased by 4.5% to P1,013.7 billion from P970.0 billion in 2020.

Investments in Associate Companies and Joint Ventures increased by 1.3% to P300.2 billion from P296.3 billion in 2020. The increase mainly represents the equity in net earnings of the Group's associate companies of P13.4 billion, particularly from banking, partly offset by P2.2 billion dividends, P1.2 billion share in the comprehensive income of its associate companies, and reclassification due to the business combination discussed in Note 4 of the interim condensed consolidated financial statements.

Property and Equipment increased by 39% to P36.2 billion from P26.1 billion. The increase resulted from the business combination discussed in Note 4 of the interim condensed consolidated financial statements.

Investment Properties increased by 3.9% to P452.4 billion from P435.5 billion in 2020 due mainly to land banking and ongoing new mall projects and commercial building construction as well as the redevelopment of *SM Mall of Asia* and other existing malls.

Other Noncurrent Assets increased by 6.6% to P119.7 billion from P112.3 billion in 2020 due mainly to the increase in receivable from real estate buyers.

Liabilities

Interest-bearing debt increased by 4.7% to P434.7 billion from P415.0 billion in 2020 due mainly to net loan availments during the period.

Accounts Payable and Other Current Liabilities decreased by 10.9% to P133.0 billion from P149.2 billion in 2020 due mainly to settlement of trade payables.

Dividends Payable decreased by 27.1% to P2.8 billion from P3.8 billion in 2020. This represents dividends due to minority stockholders of certain subsidiaries.

Deferred tax liabilities increased by 14.3% to P14.4 billion from P12.6 billion in 2020 due mainly to unrealized gross profit on sale of real estate for income tax purposes and the appraisal increment resulting from the business combination discussed in Note 4 of the interim condensed consolidated financial statements.

Equity

Total *Equity* increased by 4.0% to P587.5 billion from P564.7 billion in 2020.

Equity Attributable to Owners of the Parent increased by 3.6% to P418.2 billion from P403.8 billion in 2020. This increase resulted mainly from the P20.1 billion net income less P5.1 billion dividends declared in the first half of 2021 that is reflected in *Retained earnings*, *Net Fair value Changes on Cash Flow Hedges* which decreased to P2.2 billion from P2.7 billion in 2020 and *Cumulative Translation Adjustment* which increased to P1.3 billion from P0.9 billion in 2020. These were partly offset by the 9.6% decrease in *Net Unrealized Gain on Financial Assets* to P14.9 billion from P16.5 billion in 2020 due to lower market valuation of certain investments.

Non-controlling Interests increased by 5.2% to P169.3 billion from P160.9 billion in 2020 due mainly to the increase in net assets of subsidiaries that are not wholly owned.

Impact of COVID-19 to the Group's operations

Ytd June 2021 is a full half year reflecting pandemic business conditions whereas Ytd June 2020 is considered to be a pre-pandemic period considering that the first community quarantine was imposed in the 2nd half of March 2020.

Malls in the Philippines and China continue to show recovery particularly in the second quarter of 2021 although disrupted again with the imposition of stricter ECQ for the NCR Plus areas in the March to May period.

COVID-19 did not have any significant impact on SM Prime's offices business since its primary tenants are business process outsourcing (BPO) offices which were allowed by the Philippine's Inter-Agency Task Force (IATF) to continue to have normal operations throughout the quarantine period.

SM Prime's residential business has made adjustments to its construction and sales operations to align with the pandemic related restrictions that allowed it to report higher real estate sales and reservation sales in 2021. The credit quality of receivables is maintained and remain within reasonable levels.

The operations of SM Prime's hotel business continue to be at reduced levels.

SM Prime continues with its expansion projects including the launch of two new residential projects and the opening of the south wing of Park Inn by Radisson Clark which added 100 new rooms to the Group's hotel portfolio.

BDO and China Bank both reported growth in earnings in Ytd June 2021 which is for the most part attributable to lower interest expense and higher income from fee-based services, despite further provisioning for possible loan losses.

The SM Retail stores demonstrated resilience and high adaptability to the COVID times. The Group continues to strengthen its digital channels, with sales from these new channels comprising 13.1% of total non-Food revenues in the first half of 2021.

Key Performance Indicators
As at June 30, 2021 and 2020 and December 31, 2020

The key financial ratios of the Group follow:

	06 / 30 / 2021 (Unaudited)	12 / 31 / 2020 (Audited)
Current Ratio	1.2	1.1
Acid Test Ratio	0.6	0.6
Solvency Ratio	10.2%	8.0%
Asset to Equity	2.1	2.2
Debt - Equity Ratios:		
On Gross Basis	43 : 57	42 : 58
On Net Basis	39 : 61	37 : 63
Return on Equity	9.0%	6.0%
Return on Assets	4.1%	2.9%

	Ytd June 2021 (Unaudited)	Ytd June 2020 (Unaudited)
Revenue Growth	4.3%	-21%
Net Margin	14.3%	6.8%
Net Income Growth	183%	-69%
EBITDA (<i>In Billions of Pesos</i>)	46.9B	32.3B
Interest Cover	5.8x	3.9x

Current Ratio increased to 1.2 from 1.1 in 2020 due mainly to the 6.2% decrease in *Current Assets* vs. 19.1% decrease in *Current Liabilities*.

Solvency Ratio increased to 10.2% from 8.0% in 2020 due mainly to the 28% increase in annualized *Net income after tax* and depreciation vs. 0.8% increase in *Total Liabilities*.

Asset to Equity Ratio decreased to 2.1 from 2.2 in 2020 due mainly to the 2.3% increase in *Total Assets* compared to 4.0% increase in *Total Equity*.

Net Debt - Equity Ratio increased to 39:61 from 37:63 in 2020 due mainly to the 4.7% increase in gross debt with only 30% decrease in cash and cash equivalents.

Revenue Growth increased to 4.3% from -21% in 2020 due mainly to the 280% increase in *Equity in Net Earnings*.

Net Margin and *Net Income Growth* increased to 14.3% and 183% from 6.8% and -69%, respectively. Profitability improved in 2021 due to intensive cost management and streamlining of operations for efficiency.

EBITDA increased by 45% due mainly to the P14.6 billion increase in income from operations and P0.1 billion decrease in depreciation.

Interest Cover increased to 5.8x from 3.9x in 2020 due to the 45% increase in EBITDA vs. 3.1% decrease in interest expense.

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

1. Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Acid Test Ratio	$\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$
3. Solvency Ratio	$\frac{\text{Net Income After Tax + Depreciation and Amortization}}{\text{Total Liabilities}}$
4. Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$
5. Debt – Equity Ratio	
a. Gross Basis	$\frac{\text{Total Interest-Bearing Debt}}{\text{Total Equity + Total Interest-Bearing Debt}}$
b. Net Basis	$\frac{\text{Total Interest-Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investment in Bonds}}{\text{Total Equity + Total Interest-Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investments in Bonds}}$
6. Revenue Growth	$\frac{\text{Total Revenues (Current Period)} - 1}{\text{Total Revenues (Prior Period)}}$
7. Net Margin	$\frac{\text{Net Income After Tax}}{\text{Total Revenues}}$
8. Net Income Growth	$\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - 1}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
9. Return on Equity	$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to Owners of the Parent}}$
10. Return on Assets	$\frac{\text{Net Income after Tax}}{\text{Total Assets}}$
11. EBITDA	Income from Operations + Depreciation & Amortization
12. Interest Cover	$\frac{\text{EBITDA}}{\text{Interest Expense}}$

Expansion Plans / Prospects in 2021

For the rest of 2021, expansion and construction of malls, residential and commercial properties, as well as the opening of new retail stores across the various formats, mainly in the Food Group, and selectively in the Non-Food Group, will continue.

On August 4, 2021, the SM Group acquired additional shares in Goldilocks Bakeshop, Inc., gaining majority interest at approximately 74%.

The Group will continue to pursue investments in new business ventures as opportunities arise.

PART I FINANCIAL INFORMATION

Item 3. Aging of Accounts Receivable - Trade

As of June 30, 2021

(in Thousands)

Receivable from tenants		
Third party	₱	5,533,241
Related party		313,674
Receivable from real estate buyers		
- net of noncurrent portion		49,725,195
Shipping and logistics		3,439,197
Other trade receivables		19,648
Total	₱	<u>59,030,955</u>

Aging:

Neither past due nor impaired	₱	50,096,851
31-90 days		2,177,760
91-120 days		829,811
Over 120 days		4,242,898
Impaired		1,683,635
Total	₱	<u>59,030,955</u>

PART II - SIGNATURE

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

Registrant: **SM INVESTMENTS CORPORATION**

A handwritten signature in black ink, appearing to read 'Franklin C. Gomez', is written over a horizontal line.

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

Date: 08-13-2021