

COVER SHEET

SEC Registration Number

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COMPANY NAME

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

Form Type

1	7	-	Q	
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

Company's Telephone Number

8857-0100

Mobile Number

No. of Stockholders

1,261

Annual Meeting (Month / Day)

	9	9

Fiscal Year (Month / Day)

09/30

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Franklin C. Gomez

Email Address

Telephone Number/s

8857-0100

Mobile Number

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
3rd Quarter Report**

Form Type

Amendment Designation (If applicable)

September 30, 2020

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2020**
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. **857-0100**
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 ☐

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PART II – SIGNATURE

PART I FINANCIAL INFORMATION

Item 1. Interim Condensed Consolidated Financial Statements

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

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

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET
September 30, 2020
With Comparative Audited Figures as at December 31, 2019
(Amounts in Thousands)

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 19 and 22)	P48,788,757	P76,213,774
Time deposits (Notes 6, 19 and 22)	136,447	30,488
Financial assets (Notes 7, 22 and 23)	550,378	659,077
Receivables and contract assets (Notes 8, 19 and 22)	76,389,752	53,617,200
Merchandise inventories - at cost (Note 20)	30,473,997	33,157,622
Other current assets (Notes 9, 19 and 22)	83,029,077	84,678,819
Total Current Assets	239,368,408	248,356,980
Noncurrent Assets		
Financial assets - net of current portion (Notes 7, 22 and 23)	23,680,733	24,229,560
Investments in associate companies and joint ventures (Note 10)	289,450,138	280,971,638
Time deposits - net of current portion (Notes 6, 19, 22 and 23)	1,831,263	2,412,972
Property and equipment (Note 11)	25,150,851	24,720,873
Investment properties (Note 12)	351,152,772	338,075,303
Right-of-use assets	41,028,323	37,664,176
Land and development - net of current portion (Note 13)	80,176,694	74,946,694
Intangibles (Note 14)	25,106,542	25,289,609
Deferred tax assets (Note 21)	4,070,907	3,121,117
Other noncurrent assets (Notes 14, 19, 22 and 23)	87,006,162	84,375,645
Total Noncurrent Assets	928,654,385	895,807,587
	P1,168,022,793	P1,144,164,567
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 15, 19 and 22)	P26,626,391	P18,710,465
Accounts payable and other current liabilities (Notes 16 and 22)	127,804,333	141,451,764
Income tax payable	1,670,204	3,273,872
Current portion of long-term debt (Notes 17, 19 and 22)	60,640,842	29,077,719
Dividends payable	4,217,392	4,204,962
Total Current Liabilities	220,959,162	196,718,782
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 17, 19, 22 and 23)	304,826,135	327,358,208
Lease liabilities - net of current portion (Note 23)	28,490,533	27,600,392
Deferred tax liabilities (Note 21)	12,473,401	9,604,043
Tenants' deposits and others (Notes 22 and 23)	52,522,691	46,731,664
Total Noncurrent Liabilities	398,312,760	411,294,307
Total Liabilities	619,271,922	608,013,089

(Forward)

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Equity Attributable to Owners of the Parent		
Capital stock (Note 18)	P12,045,829	P12,045,829
Additional paid-in capital	75,815,923	75,815,923
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	1,154,111	1,308,228
Net fair value changes on cash flow hedges	(2,405,741)	(1,406,026)
Net unrealized gain on financial assets	12,684,140	14,399,640
Remeasurement loss on defined benefit asset/obligation	(8,633,269)	(8,633,269)
Retained earnings (Note 18):		
Appropriated	37,000,000	37,000,000
Unappropriated	267,646,291	257,546,591
Total Equity Attributable to Owners of the Parent	389,857,443	382,627,075
Non-controlling Interests	158,893,428	153,524,403
Total Equity	548,750,871	536,151,478
	P1,168,022,793	P1,144,164,567

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Nine-Month Periods Ended September 30	
	2020	2019
	(Unaudited)	(Unaudited)
REVENUES		
Sales:		
Merchandise	P211,282,577	P244,992,124
Real estate	33,907,864	31,386,202
Rent (Note 19)	20,911,442	37,771,102
Equity in net earnings of associate companies and joint ventures	10,333,338	18,510,960
Cinema ticket sales, amusement and others	995,039	5,694,578
Dividend, management fees and others	9,236,686	12,379,356
	286,666,946	350,734,322
COST AND EXPENSES		
Cost of sales:		
Merchandise (Note 20)	162,841,297	180,672,435
Real estate (Note 13)	15,333,363	14,670,902
Selling, general and administrative expenses	68,988,011	82,510,751
	247,162,671	277,854,088
OTHER INCOME (CHARGES)		
Interest expense (Note 19)	(12,791,281)	(13,520,544)
Interest income (Note 19)	2,074,926	3,172,362
Gain (loss) on fair value changes on derivatives - net (Note 23)	(63,222)	111,215
Foreign exchange gain - net and others (Note 22)	40,878	496,390
	(10,738,699)	(9,740,577)
INCOME BEFORE INCOME TAX	28,765,576	63,139,657
PROVISION FOR INCOME TAX (Note 21)		
Current	3,723,013	11,056,822
Deferred	1,660,215	1,361,218
	5,383,228	12,418,040
NET INCOME	P23,382,348	P50,721,617
Attributable to		
Owners of the Parent	P15,218,549	P33,060,296
Non-controlling interests	8,163,799	17,661,321
	P23,382,348	P50,721,617
Basic/Diluted Earnings Per Common Share Attributable to Owners of the Parent (Note 24)	P12.63	P27.45

See accompanying Notes to Interim Condensed 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 September 30	
	2020	2019
	(Unaudited)	(Unaudited)
REVENUES		
Sales:		
Merchandise	P75,716,802	P81,217,855
Real estate	10,402,232	10,353,751
Rent (Note 19)	5,205,538	12,604,397
Equity in net earnings of associate companies and joint ventures	6,807,074	6,753,351
Cinema ticket sales, amusement and others	30,335	1,770,852
Dividend, management fees and others	2,978,537	4,313,382
	101,140,518	117,013,588
COST AND EXPENSES		
Cost of sales:		
Merchandise (Note 20)	59,128,376	59,855,838
Real estate (Note 13)	4,647,377	4,665,493
Selling, general and administrative expenses	20,894,439	29,616,147
	84,670,192	94,137,478
OTHER INCOME (CHARGES)		
Interest expense (Note 19)	(4,516,978)	(4,647,126)
Interest income (Note 19)	606,329	1,122,902
Gain (loss) on fair value changes on derivatives - net (Note 23)	(62,508)	10,039
Foreign exchange gain (loss) - net and others (Note 22)	115,798	(65,824)
	(3,857,359)	(3,580,009)
INCOME BEFORE INCOME TAX	12,612,967	19,296,101
PROVISION FOR INCOME TAX (Note 21)		
Current	1,569,338	3,415,234
Deferred	274,624	678,085
	1,843,962	4,093,319
NET INCOME	P10,769,005	P15,202,782
Attributable to		
Owners of the Parent	P8,125,968	P10,016,405
Non-controlling interests	2,643,037	5,186,377
	P10,769,005	P15,202,782
Basic/Diluted Earnings Per Common Share		
Attributable to Owners of the Parent (Note 24)	P6.74	P8.32

See accompanying notes to Interim Consolidated Financial Statements.

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

	Nine-Month Periods Ended September 30	
	2020	2019
	(Unaudited)	(Unaudited)
NET INCOME	P23,382,348	P50,721,617
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will be reclassified to profit or loss in subsequent periods		
Share in unrealized gain on financial assets of associates	1,376,844	4,141,217
Cumulative translation adjustment	(288,620)	(974,244)
Net fair value changes on cash flow hedges	(1,021,476)	(1,739,078)
	66,748	1,427,895
Items not to be reclassified to profit or loss in subsequent periods		
Net unrealized gain (loss) on financial assets	(3,213,166)	848,975
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	(259,352)	411,506
	(3,472,518)	1,260,481
TOTAL COMPREHENSIVE INCOME	P19,976,578	P53,409,993
Attributable to		
Owners of the Parent	P12,349,217	P36,766,874
Non-controlling interests	7,627,361	16,643,119
	P19,976,578	P53,409,993

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Three-Month Periods Ended September 30	
	2020	2019
	(Unaudited)	(Unaudited)
NET INCOME	₱10,769,005	₱15,202,782
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	331,027	670,440
Cumulative translation adjustment	265,078	(651,099)
Net fair value changes on cash flow hedges	683,984	(577,748)
	1,280,089	(558,407)
Items not to be reclassified to profit or loss in subsequent periods		
Net unrealized loss on financial assets	(2,446,597)	(264,819)
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	(65,540)	27,667
	(2,512,137)	(237,152)
TOTAL COMPREHENSIVE INCOME	₱9,536,957	₱14,407,223
Attributable to		
Owners of the Parent	₱6,905,017	₱9,865,175
Non-controlling interests	2,631,940	4,542,048
	₱9,536,957	₱14,407,223

See accompanying Notes to Interim Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

(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	Remeasurement Loss on Defined Benefit Asset/ Obligation	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total		
As at December 31, 2019 (Audited)	₱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	—	—	—	—	—	—	—	—	—	15,218,549	15,218,549	8,163,799	23,382,348
Other comprehensive income	—	—	—	—	(154,117)	(999,715)	(1,715,500)	—	—	—	(2,869,332)	(536,438)	(3,405,770)
Total comprehensive income	—	—	—	—	(154,117)	(999,715)	(1,715,500)	—	—	15,218,549	12,349,217	7,627,361	19,976,578
Cash dividends - ₱4.25 per share	—	—	—	—	—	—	—	—	—	(5,118,849)	(5,118,849)	—	(5,118,849)
Cash dividends received by non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(2,976,307)	(2,976,307)
Increase in previous year's non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	717,971	717,971
As at September 30, 2020 (Unaudited)	₱12,045,829	₱75,815,923	(₱5,424,455)	(₱25,386)	₱1,154,111	(2,405,741)	₱12,684,140	(₱8,633,269)	₱37,000,000	₱267,646,291	₱389,857,443	₱158,893,428	₱548,750,871
As at December 31, 2018 (Audited)	₱12,045,829	₱75,815,520	(₱5,424,455)	(₱25,386)	₱2,014,573	₱62,444	₱11,748,980	(₱2,063,358)	₱37,000,000	₱222,213,054	₱353,387,201	₱138,902,811	₱492,290,012
Net income	—	—	—	—	—	—	—	—	—	33,060,296	33,060,296	17,661,321	50,721,617
Other comprehensive income	—	—	—	—	(568,342)	(1,448,504)	5,723,424	—	—	—	3,706,578	(1,018,202)	2,688,376
Total comprehensive income	—	—	—	—	(568,342)	(1,448,504)	5,723,424	—	—	33,060,296	36,766,874	16,643,119	53,409,993
Realized gain on sale of financial assets at FVOCI	—	—	—	—	—	—	(1,749,741)	—	—	1,749,741	—	—	—
Sale of non-controlling interests	—	403	—	—	—	—	—	—	—	—	403	(81,462)	(81,059)
Cash dividends - ₱9.12 per share	—	—	—	—	—	—	—	—	—	(10,984,448)	(10,984,448)	—	(10,984,448)
Cash dividends received by non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(6,098,955)	(6,098,955)
Increase in previous year's non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	278,633	278,633
As at September 30, 2019 (Unaudited)	₱12,045,829	₱75,815,923	(₱5,424,455)	(₱25,386)	₱1,446,231	(₱1,386,060)	₱15,722,663	(₱2,063,358)	₱37,000,000	₱246,038,643	₱379,170,030	₱149,644,146	₱528,814,176

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Nine-Month Periods Ended September 30	
	2020	2019
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P28,765,576	P63,139,657
Adjustments for:		
Depreciation and amortization (Notes 11, 12 and 14)	13,559,884	13,526,731
Interest expense	12,791,281	13,520,544
Equity in net earnings of associate companies and joint ventures	(10,333,338)	(18,510,960)
Interest income	(2,074,926)	(3,172,362)
Dividend, management fees and others	(284,464)	(316,862)
Unrealized foreign exchange (gain) loss and others	142,184	(125,854)
Gain (loss) on fair value changes on derivatives - net	63,222	(111,215)
Income before working capital changes	42,629,419	67,949,679
Decrease (increase) in:		
Receivables and contract assets	(23,495,518)	(6,948,906)
Merchandise inventories	2,683,625	(4,159,338)
Other current assets	78,688	181,064
Land and development	(17,962,007)	(18,046,820)
Increase (decrease) in:		
Accounts payable and other current liabilities	(680,773)	2,465,001
Tenants' deposits and others	3,461,110	3,894,142
Net cash generated from operations	6,714,544	45,334,822
Income tax paid	(5,320,774)	(11,889,225)
Net cash provided by operating activities	1,393,770	33,445,597
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Investment properties	2,007	5,875
Financial assets	—	3,771,616
Property and equipment	51,831	13,680
Additions to:		
Investment properties (Note 12)	(17,841,495)	(23,870,904)
Property and equipment (Note 11)	(3,955,934)	(4,535,158)
Financial assets	(2,854,936)	—
Investments in associate companies and joint ventures	(37,500)	(6,889,704)
Decrease (increase) in:		
Time deposits	475,219	5,901,818
Other noncurrent assets	(4,322,766)	1,948,593
Dividends received	3,774,649	3,594,457
Interest received	1,954,085	2,799,119
Net cash used in investing activities	(22,754,840)	(17,260,608)

(Forward)

	Nine-Month Periods Ended September 30	
	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of:		
Bank loans	P63,803,520	P11,664,500
Long-term debt	43,826,912	24,870,330
Payments of:		
Bank loans	(55,887,594)	(14,151,574)
Long-term debt	(31,193,096)	(15,872,882)
Interest	(15,562,212)	(15,981,949)
Dividends	(8,082,726)	(19,424,618)
Lease liabilities	(2,585,169)	(1,596,715)
Net cash used in financing activities	(5,680,365)	(30,492,908)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,041,435)	(14,307,919)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(383,582)	(657,627)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD (Note 5)	76,213,774	79,313,215
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	P48,788,757	P64,347,669

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

SM Investments Corporation (SMIC or Parent Company) was incorporated in the Philippines on January 15, 1960. 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 the largest publicly listed company in the Philippines that is invested 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 unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors (BOD), as approved and recommended for approval by the Audit Committee on November 4, 2020.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The interim condensed consolidated financial statements of the Parent Company and its subsidiaries (collectively referred to as the Group) are prepared on a historical cost basis, except for derivative financial instruments and financial assets and liabilities which are measured at fair value.

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

The accompanying 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 Group maintains a conservative Balance Sheet and is confident it would be able to navigate through these challenges and take on opportunities as these arise.

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

Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. As at September 30, 2020, there were no significant changes in the Parent Company's ownership interest 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 amounts reported in the interim condensed consolidated financial statements and accompanying notes. Changes in these estimates and assumptions could result in outcomes that may require material adjustments to the carrying amounts of the affected assets or liabilities in the future.

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

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for new standards that became effective as at January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective as at January 1, 2020 except for the amendments to PFRS 16, *Leases*.

Unless otherwise indicated, adoption of these new standards did not have an impact on the interim condensed consolidated financial statements of the Group.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

The amendments to PFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output; that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs which apply to all hedging relationships that are directly affected by the interest rate benchmark reform in case the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of "material" that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements."

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

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

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

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

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before September 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

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

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

The Group adopted the amendments beginning January 1, 2020. These amendments have no significant impact on the interim consolidated financial statements as at September 30, 2020.

4. 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

Nine-Month Period Ended September 30, 2020 (Unaudited)					
	Property	Retail	Banking and Others	Eliminations	Consolidated
<i>(In Thousands)</i>					
Revenues:					
External customers	P57,495,606	P216,088,117	P13,083,223	P-	P286,666,946
Inter-segment	7,011,487	98,469	1,703,198	(8,813,154)	-
	P64,507,093	P216,186,586	P14,786,421	(P8,813,154)	P286,666,946
Segment results:					
Income before income tax	P18,546,827	P3,964,855	P6,253,894	P-	P28,765,576
Provision for income tax	(3,623,918)	(1,561,605)	(197,705)	-	(5,383,228)
Net income	P14,922,909	P2,403,250	P6,056,189	P-	P23,382,348
Net income attributable to:					
Owners of the Parent	P7,525,169	P1,765,409	P5,927,971	P-	P15,218,549
Non-controlling interests	7,397,740	637,840	128,219	-	8,163,799

Nine-Month Period Ended September 30, 2019 (Unaudited)					
	Property	Retail	Banking and Others	Eliminations	Consolidated
<i>(In Thousands)</i>					
Revenues:					
External customers	P77,548,986	P253,361,111	P19,824,225	P-	P350,734,322
Inter-segment	10,764,583	151,692	2,264,421	(13,180,696)	-
	P88,313,569	P253,512,803	P22,088,646	(P13,180,696)	P350,734,322
Segment results:					
Income before income tax	P36,345,188	P13,454,499	P13,339,970	P-	P63,139,657
Provision for income tax	(7,877,165)	(4,315,524)	(225,351)	-	(12,418,040)
Net income	P28,468,023	P9,138,975	P13,114,619	P-	P50,721,617
Net income attributable to:					
Owners of the Parent	P13,866,842	P6,288,371	P12,905,083	P-	P33,060,296
Non-controlling interests	14,601,181	2,850,604	209,536	-	17,661,321

Disaggregated revenue is consistent with the business segment revenues presented above.

Seasonality

Sales of the retail segment are cyclical and driven by seasonality. Historically, sales peak in December for the Christmas period and in May, prior to the opening of schools in June. Except for the impact of COVID-19 pandemic to the Group's operations starting March 2020, there were no trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations.

5. Cash and Cash Equivalents

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Cash on hand and in banks (Note 19)	P11,627,487	P19,218,912
Temporary investments (Note 19)	37,161,270	56,994,862
	P48,788,757	P76,213,774

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.

6. Time Deposits

This account consists of time deposits as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Current (Note 19)	P136,447	P30,488
Noncurrent (Note 19)	1,831,263	2,412,972
	P1,967,710	P2,443,460

The time deposits bear interest ranging from 0.3% to 3.2% in 2020 and 2019.

7. Financial Assets

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Financial assets at fair value through other comprehensive income (FVOCI):		
Shares of stock		
Listed	P21,548,697	P22,240,653
Unlisted	2,667,584	2,635,484
Club shares	14,830	12,500
	24,231,111	24,888,637
Less current portion	550,378	659,077
Noncurrent portion	P23,680,733	P24,229,560

8. Receivables and Contract Assets

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	(In Thousands)	
Trade:		
Real estate buyers*	P90,797,332	P66,679,220
Third party tenants	7,219,698	8,469,829
Related party tenants (Note 19)	200,640	432,513
Others	21,132	66,747
Due from related parties (Note 19)	1,417,766	1,079,944
Management and service fees (Note 19)	2,632,008	2,212,623
Dividends (Note 19)	365,163	610,649
	102,653,739	79,551,525
Less allowance for expected credit loss (ECL)	1,094,194	1,053,549
	101,559,545	78,497,976
Less noncurrent portion of receivables from real estate buyers (Note 14)	25,169,793	24,880,776
Current portion	P76,389,752	P53,617,200

* Includes unbilled revenue from sales of real estate amounting to P82,251.3 million and P59,903.2 million as at September 30, 2020 and December 31, 2019, respectively.

The increase in receivables from real estate buyers is due mainly to the 8.0% increase in real estate sales and some delay in the collection of certain receivables relative to the Group's adoption and implementation of the government-mandated Bayanihan Act extending the grace period for the payment of loan amortizations due on or before December 31, 2020 and the circular issued by the Department of Human Settlement and Urban Development (DHSUD), extending the grace period for the payment of loan amortizations that matured during the ECQ period.

Allowance for ECL pertains to receivables from tenants which were identified to be impaired based on specific assessment. Receivables other than those identified as impaired, are assessed as good and collectible.

9. Other Current Assets

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Land and development (Note 13)	P36,291,604	P37,935,968
Prepaid taxes and other prepayments	14,877,370	13,985,109
Bonds and deposits	10,310,649	9,519,229
Condominium and residential units for sale (Note 13)	5,081,446	6,026,426
Non-trade receivables	5,249,718	4,362,489
Input tax	4,334,578	4,261,278
Receivable from banks	2,937,495	5,497,587
Accrued interest receivable (Note 19)	313,340	192,499
Escrow fund (Note 19)	144,015	117,985
Others	3,488,862	2,780,249
	P83,029,077	P84,678,819

10. Investments in Associate Companies and Joint Ventures

The P8.5 billion increase in this account pertains mainly to equity in earnings and share in net comprehensive income, net of dividends of associate companies and joint ventures.

11. 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	Construction in Progress	Total
<i>(In Thousands)</i>									
Cost									
As at December 31, 2018	P13,655,272	P3,662,606	P7,836,767	P9,563,662	P9,422,640	P18,812,117	P964,311	P1,514,504	P65,431,879
Additions	356,889	144,070	681,626	1,284,065	864,377	1,347,570	90,239	2,677,577	7,446,413
Effect of business combination	–	–	750	86,517	14,443	–	1,562	–	103,272
Reclassifications	544,069	237,227	98,281	(974,418)	82,394	533,433	311	(1,459,977)	(938,680)
Disposals/retirements	(229,272)	(33,454)	(28,431)	(74,845)	(46,189)	(93,669)	(8,629)	(13,183)	(527,672)
As at December 31, 2019 (Audited)	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	521,146	46,221	296,487	378,177	609,771	426,655	7,498	1,669,979	3,955,934
Reclassifications	377,936	(5,541)	(58,430)	680,208	78,774	(57,809)	–	(560,176)	454,962
Disposals/retirements	(130)	(102,113)	(108,865)	(90,630)	(50,476)	(361,201)	(300)	(4,439)	(718,154)
As at September 30, 2020 (Unaudited)	P15,225,910	P3,949,016	P8,718,185	P10,852,736	P10,975,734	P20,607,096	P1,054,992	P3,824,285	P75,207,954
Accumulated Depreciation and Amortization									
As at December 31, 2018	P5,873,280	P2,562,697	P6,199,111	P6,955,402	P6,218,401	P13,867,319	P554,002	P–	P42,230,212
Depreciation and amortization	773,894	380,986	695,475	554,216	1,003,150	1,467,314	59,215	–	4,934,250
Effect of business combination	–	–	205	33,216	2,643	–	1,157	–	37,221
Reclassifications	(31,628)	(80,706)	(6,405)	861,310	(7,303)	(840,944)	(6,294)	–	(111,970)
Disposals/retirements	(90,774)	(15,556)	(21,913)	(23,952)	(43,342)	(91,236)	(8,601)	–	(295,374)
As at December 31, 2019 (Audited)	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	532,191	127,663	498,116	623,343	753,730	1,014,416	45,324	–	3,594,783
Reclassifications	(22,329)	(3,829)	(28,380)	464,537	16,330	(140,522)	549	–	286,356
Disposals/retirements	(32)	(86,404)	(77,987)	(80,740)	(34,717)	(338,195)	(300)	–	(618,375)
As at September 30, 2020 (Unaudited)	P7,034,602	P2,884,851	P7,258,222	P9,387,332	P7,908,892	P14,938,152	P645,052	P–	P50,057,103
Net Book Value									
As at September 30, 2020 (Unaudited)	P8,191,308	P1,064,165	P1,459,963	P1,465,404	P3,066,842	P5,668,944	P409,940	P3,824,285	P25,150,851
As at December 31, 2019 (Audited)	7,802,186	1,163,028	1,722,520	1,504,789	3,164,116	6,196,998	448,315	2,718,921	24,720,873

12. Investment Properties

The movements in this account follow:

	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, 2018	₱71,129,919	₱239,322,133	₱39,878,182	₱38,753,649	₱389,083,883
Additions	3,563,225	2,334,200	1,883,218	29,121,761	36,902,404
Reclassifications	(120,439)	12,621,438	1,261,397	(14,002,546)	(240,150)
Effect of common control business combination	510,586	3,771,736	—	382,207	4,664,529
Translation adjustment	(67,417)	(1,976,026)	(157,843)	(69,323)	(2,270,609)
Disposals	(5,125)	(18,639)	(159,680)	(1,153)	(184,597)
As at December 31, 2019 (Audited)	75,010,749	256,054,842	42,705,274	54,184,595	427,955,460
Additions	851,690	849,562	553,567	15,586,676	17,841,495
Reclassifications	(946,970)	5,020,255	627,768	(1,107,120)	3,593,933
Translation adjustment	(27,671)	(830,249)	(66,137)	(75,398)	(999,455)
Disposals	(42,268)	(77)	(30,591)	—	(72,936)
As at September 30, 2020 (Unaudited)	₱74,845,530	₱261,094,333	₱43,789,881	₱68,588,753	₱448,318,497
Accumulated Depreciation and Amortization					
As at December 31, 2018	₱2,153,121	₱53,349,433	₱24,317,055	₱—	₱79,819,609
Depreciation and amortization	244,454	7,297,151	3,064,236	—	10,605,841
Reclassifications	7,563	(11,523)	—	—	(3,960)
Effect of common control business combination	—	57,712	—	—	57,712
Translation adjustment	(35,052)	(355,546)	(88,474)	—	(479,072)
Disposals	(3,626)	(10,454)	(105,893)	—	(119,973)
As at December 31, 2019 (Audited)	2,366,460	60,326,773	27,186,924	—	89,880,157
Depreciation and amortization	180,060	5,647,544	1,729,323	—	7,556,927
Translation adjustment	(16,621)	(158,297)	(38,187)	—	(213,105)
Disposals	(25,070)	(7)	(33,177)	—	(58,254)
As at September 30, 2020 (Unaudited)	₱2,504,829	₱65,816,013	₱28,844,883	₱—	₱97,165,725
Net Book Value					
As at September 30, 2020 (Unaudited)	₱72,340,701	₱195,278,320	₱14,944,998	₱68,588,753	₱351,152,772
As at December 31, 2019 (Audited)	72,644,289	195,728,069	15,518,350	54,184,595	338,075,303

Investment properties are stated at cost.

Construction in progress pertains to construction costs incurred for new shopping malls, commercial buildings and redevelopment of existing malls.

Interest capitalized to investment properties amounted to ₱3,380.9 million and ₱3,143.3 million as at September 30, 2020 and December 31, 2019, respectively. Capitalization rates used range from 2.4% to 4.6% in 2020 and 2.4% to 5.1% in 2019.

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 ₱1,350,307.2 million as at December 31, 2019 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.

The Company has 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.

13. Land and Development and Condominium and Residential Units for Sale

Land and Development

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

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of year	₱37,935,968	₱29,486,964
Reclassification to land and development - noncurrent, accounted as investment property	637,970	(7,227)
Development cost incurred	12,094,037	22,277,052
Transfer from land and development – noncurrent	–	1,810,966
Cost of real estate sold	(13,803,599)	(14,638,083)
Transfer to condominium and residential units for sale	(563,353)	(4,089,397)
Translation adjustment and others	(9,419)	3,095,693
Balance at end of period (Note 9)	₱36,291,604	₱37,935,968

The movements in “Land and development - noncurrent” accounted as investment property follow:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of year	₱74,946,694	₱53,928,447
Reclassification from land and development - current, accounted as real estate inventories	(637,970)	7,227
Land acquisitions	5,867,970	23,254,266
Reclassification to investment property	–	(432,280)
Transfer to land and development - current	–	(1,810,966)
Balance at end of period	₱80,176,694	₱74,946,694

Land and development is stated at cost. There is no allowance for inventory writedown as at September 30, 2020 and December 31, 2019.

Contract fulfillment assets, included under land and development - current, pertain mainly to the unamortized portion of land cost totaling ₱1,457.6 million and ₱719.8 million as at September 30, 2020 and December 31, 2019, respectively.

Condominium and Residential Units for Sale

The movements in this account follow:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of year	P6,026,426	P8,110,504
Transfer from land and development	563,353	4,089,397
Cost of real estate sold	(1,529,764)	(6,168,529)
Repossessioned inventories and others	21,431	(4,946)
Balance at end of period (Note 9)	P5,081,446	P6,026,426

The condominium and residential units for sale are stated at cost.

14. Intangibles and Other Noncurrent Assets

Intangible Assets

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Goodwill	P17,456,168	P17,458,431
Less accumulated impairment loss	91,620	91,620
Net book value	17,364,548	17,366,811
Trademarks and brand names	7,741,994	7,922,798
	P25,106,542	P25,289,609

Other Noncurrent Assets

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Bonds and deposits	P52,283,941	P48,643,102
Receivables from real estate buyers (Note 8)	25,169,793	24,880,776
Long-term notes (Notes 19 and 23)	5,255,254	5,942,878
Deferred input value-added tax	1,946,868	1,410,699
Derivative assets (Note 23)	27,902	826,315
Escrow fund (Note 19)	132,460	132,460
Defined benefit asset	164,962	95,057
Others	2,024,982	2,444,358
	P87,006,162	P84,375,645

15. Bank Loans

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Parent Company:		
Peso-denominated	P7,500,000	P8,829,900
Subsidiaries:		
Peso-denominated	19,126,391	9,880,565
	P26,626,391	P18,710,465

These loans bear interest ranging from 2.8% to 5.3% in 2020 and 3.8% to 7.9% in 2019.

16. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	<i>(In Thousands)</i>	
Trade	P64,150,069	P85,996,862
Tenants and customers' deposits*	16,853,571	12,868,406
Accrued expenses	14,084,195	11,324,572
Nontrade	12,264,477	9,790,527
Payable arising from acquisition of land	3,326,816	4,769,349
Payables to government agencies	3,692,077	6,331,940
Accrued interest (Note 19)	3,018,826	2,833,930
Subscriptions payable	2,021,790	2,021,790
Due to related parties (Note 19)	216,336	1,031,812
Lease liabilities	1,835,772	1,534,154
Liability from assigned receivables	1,919,313	1,986,010
Gift checks redeemable and others	4,421,091	962,412
	P127,804,333	P141,451,764

* Includes unearned revenue from sales of real estate amounting to P8,412.8 million and P6,022.6 million as at September 30, 2020 and December 31, 2019, respectively.

17. Long-term Debt

This account consists of:

	Availment	Maturity	Interest Rate/Term	Security	September 30, 2020 (Unaudited)	December 31, 2019 (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%-6.1%; three-month LIBOR + margin; semi-annual and quarterly	Unsecured	P43,022,763	P44,921,283
Peso-denominated	July 16, 2012 - July 22, 2020	August 7, 2020 - August 8, 2025	Fixed 2.9%-6.9%; three-month PHP BVAL + margin; semi-annual and quarterly	Unsecured	69,023,014	68,498,010
Subsidiaries						
U.S. dollar-denominated	March 21, 2016 - September 23, 2020	January 29, 2021 - April 5, 2024	LIBOR + spread; semi-annual and quarterly	Unsecured	45,384,230	39,749,299
China Yuan Renminbi- denominated	January 14, 2016 - October 16, 2017	June 1, 2020 - October 16, 2022	Fixed 5.9%; CBC rate less 10.0%; quarterly	Unsecured /Secured*	2,477,222	2,670,803
Peso-denominated	January 12, 2012 - September 18, 2020	March 1, 2020 - August 7, 2029	Fixed 3.6%-6.7%; BVAL + margin	Unsecured	207,248,563	202,247,332
					367,155,792	358,086,727
Less debt issue cost					1,688,815	1,650,800
					365,466,977	356,435,927
Less current portion					60,640,842	29,077,719
					P304,826,135	P327,358,208

BVAL – Bloomberg Valuation

LIBOR – London Interbank Offered Rate

CBC – Central Bank of China

*Long-term debt secured by portions of investment properties located in China matured in June 2020

Repayment Schedule

The repayment schedule of long-term debt as at September 30, 2020 follows:

	Gross Debt	Debt Issue Cost	Net
<i>(In Thousands)</i>			
Within 1 year	P61,071,303	P430,461	P60,640,842
Over 1 year to 5 years	291,165,949	1,234,792	289,931,157
Over 5 years	14,918,540	23,562	14,894,978
	P367,155,792	P1,688,815	P365,466,977

Covenants

The long-term debt of the Group is covered with certain covenants including adherence to financial ratios. The Parent Company's loan covenants include adherence to certain financial ratios namely: (1) debt-to-equity ratio not to exceed 80:20, and, (2) current ratio at a minimum of 0.30, and, certain restrictions with respect to material change in ownership or control. SM Prime Holdings, Inc. (SM Prime's) loan covenants also include adherence to certain financial ratios namely: (1) current ratio of not less than 1:1, (2) debt to equity ratio of not more than 70:30 to 75:25, and (3) interest coverage ratio of not less than 2.5x; and, certain restrictions with respect to material change in ownership or control. As at September 30, 2020 and December 31, 2019, the Group is in compliance with the terms of its debt covenants.

18. Equity

Capital Stock

a. Common stock

	Number of Shares	
	September 30, 2020 (Unaudited)	December 31, 2019 (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 September 30, 2020 and December 31, 2019, 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 1,261 as at September 30, 2020 and December 31, 2019.

b. Redeemable preferred shares

	Number of Shares	
	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Authorized - ₱10 par value per share	10,000,000	10,000,000

There are no issued and subscribed preferred shares as at September 30, 2020 and December 31, 2019.

Retained Earnings

▪ Appropriated

Retained earnings appropriated as at September 30, 2020 is intended for the payment of certain long-term debts and new investments as follows:

	Timeline	Amount (In Thousands)
Debt service	2020 - 2023	₱27,000,000
Investments	2020 - 2021	10,000,000
		₱37,000,000

- Unappropriated

The Parent Company's cash dividend declaration follows:

Declaration Date	Record Date	Payment Date	Per Share	Total
<i>(In Thousands)</i>				
June 24, 2020	July 9, 2020	July 23, 2020	P4.25	P5,119,477
April 24, 2019	May 9, 2019	May 23, 2019	9.12	10,985,796

Unappropriated retained earnings include the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to P250,490.3 million and P237,286.0 million as at September 30, 2020 and December 31, 2019, 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.

19. 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.

Transactions with related parties are generally unsecured and normally settled in cash unless otherwise indicated in the table below.

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).

- Management and Service Fees

The Parent Company and SM Retail Inc. receive management and service fees from retail entities under common stockholders for management, consultancy, manpower and other services.

- 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 Unibank, Inc. and China Banking Corporation. Such accounts earn interest at prevailing market rates.

- Notes Receivable

The Group has certain notes receivable from Carmen Copper Corporation (see Notes 14 and 22).

- Others

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

The related party transactions and outstanding balances follow:

	Transaction Amount		Outstanding Amount		Terms	Conditions
	September 30, 2020	September 30, 2019	September 30, 2020	December 31, 2019		
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)		
<i>(In Thousands)</i>						
Banking Group						
Cash placement and investment in marketable securities			₱35,094,648	₱60,819,475	Interest-bearing at prevailing rates	Unsecured; no impairment
Interest receivable			224,153	96,400	—	—
Interest income	₱1,302,542	₱2,229,540			—	—
Interest-bearing debt			29,625,787	25,787,720	Interest-bearing	Unsecured
Interest payable			106,784	85,185	—	—
Interest expense	1,379,059	1,321,330			—	—
Rent receivable			68,766	130,907	Noninterest-bearing	Unsecured; no impairment
Rent income	366,804	761,542			—	—
Dividends receivable			317	13,462	Noninterest-bearing	Unsecured; no impairment
Bonds and deposits			16,973,250	17,722,250	Interest-bearing 4.5%	Unsecured; no impairment
Management and service fee receivable			8,441	16,882	Noninterest-bearing	Unsecured; no impairment
Management and service fee income	10,390	2,442			—	—
Escrow fund			276,475	250,445	Interest-bearing at prevailing rates	Unsecured; no impairment
Retail and Other Entities						
Rent receivable			131,874	301,606	Noninterest-bearing	Unsecured; no impairment
Rent income	774,778	1,477,919			—	—
Management and service fee receivable			2,353,593	1,938,102	Noninterest-bearing	Unsecured; no impairment
Management and service fee income	944,875	700,275			—	—
Due from related parties			1,417,766	1,079,944	Noninterest-bearing	Unsecured; no impairment
Due to related parties			216,336	1,031,812	Noninterest-bearing	Unsecured
Interest receivable			7,055	9,905	—	—
Interest income	290,743	288,719			—	—
Dividends receivable			356,506	369,988	Noninterest-bearing	Unsecured; no impairment
Notes receivable			5,255,254	5,942,878	Interest-bearing 5.0% to 10.0%	Unsecured; no impairment

Terms and Conditions of Transactions with Related Parties

The Group did not make any provision for impairment loss relating to amounts owed by related parties.

20. Cost of Merchandise Sales

This account consists of:

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
	(In Thousands)	
Merchandise inventories at beginning of year	P33,157,622	P31,836,333
Purchases	160,157,672	184,831,772
Total goods available for sale	193,315,294	216,668,105
Less merchandise inventories at end of period	30,473,997	35,995,670
	P162,841,297	P180,672,435

21. Income Tax

Deferred tax assets of P4,070.9 million and P3,121.1 million as at September 30, 2020 and December 31, 2019, respectively, consist of the tax effects of unrealized gain on intercompany sale of investment properties, unamortized past service cost and defined benefit liability, provision for doubtful accounts and others, accrued leases, minimum corporate income tax, lease liabilities and net operating loss carry over.

Deferred tax liabilities of P12,473.4 million and P9,604.0 million as at September 30, 2020 and December 31, 2019, respectively, consist of the tax effects of appraisal increment on investment property, right-of-use assets, 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. 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 17).

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 September 30, 2020 and December 31, 2019, after taking into account the effect of the swaps, approximately 78.6% and 79.0%, 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 September 30, 2020, the Group's foreign currency-denominated assets and liabilities amounted to ₱24,681.4 million (\$508.9 million) and ₱23,349.7 million (\$481.5 million), respectively.

As at December 31, 2019, the Group's foreign currency-denominated assets and liabilities amounted to ₱25,817.4 million (\$509.9 million) and ₱24,115.0 million (\$476.3 million), respectively.

As at September 30, 2020 and December 31, 2019, approximately 23.1% of the Group's borrowings, net of debt issue cost, are denominated in foreign currency.

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

	September 30, 2020	December 31, 2019
Philippine Peso to U.S. Dollar	₱48.50	₱50.64

Liquidity Risk

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

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

Credit Risk

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

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

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

As at September 30, 2020 and December 31, 2019, the financial assets, except for some receivables, are generally viewed by the management as good and collectible considering the credit history of the counterparties. Past due or impaired financial assets are very minimal in relation to the Group's total financial assets.

Equity Price Risk

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

Capital Management

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

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

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

The Group's gearing ratios follow:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Gross	42%	41%
Net	38%	36%

23. Financial Instruments

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

		September 30, 2020 (Unaudited)			
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	P21,548,697	P21,548,697	P21,548,697	P-	P-
Unlisted shares of stock	2,667,584	2,667,584	-	-	2,667,584
Club shares	14,830	14,830	-	14,830	-
Derivative assets	478,190	478,190	-	478,190	-
	24,709,301	24,709,301	21,548,697	493,020	2,667,584
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	1,831,263	1,831,263	-	-	1,831,263
Other noncurrent assets:					
Bonds and deposits	17,440,500	19,649,326	-	-	19,649,326
Long-term notes	5,255,254	6,196,547	-	-	6,196,547
	24,527,017	27,677,136	-	-	27,677,136
	P49,236,318	P52,386,437	P21,548,697	P493,020	P30,344,720
Liabilities Measured at Fair Value					
Derivative liabilities	P4,504,144	P4,504,144	P-	P4,504,144	P-
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion, net of debt issue cost)	304,826,135	311,380,535	-	-	311,380,535
Lease liabilities - noncurrent portion	28,490,533	34,274,191	-	-	34,274,191
Tenants' deposits and others*	36,432,777	34,364,290	-	-	34,364,290
	369,749,445	380,019,016	-	-	380,019,016
	P374,253,589	P384,523,160	P-	P4,504,144	P380,019,016

*Excluding nonfinancial liabilities amounting to P7,951.8 million.

		December 31, 2019 (Audited)			
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	P22,240,653	P22,240,653	P22,240,653	P-	P-
Unlisted shares of stock	2,635,484	2,635,484	-	-	2,635,484
Club shares	12,500	12,500	-	12,500	-
Derivative assets	826,315	826,315	-	826,315	-
	25,714,952	25,714,952	22,240,653	838,815	2,635,484
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	2,412,972	2,386,637	-	-	2,386,637
Other noncurrent assets:					
Bonds and deposits	17,722,250	19,763,982	-	-	19,763,982
Long-term notes	5,942,878	7,577,904	-	-	7,577,904
	26,078,100	29,728,523	-	-	29,728,523
	P51,793,052	P55,443,475	P22,240,653	P838,815	P32,364,007
Liabilities Measured at Fair Value					
Derivative liabilities	P1,966,090	P1,966,090	P-	P1,966,090	P-
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	327,358,208	331,463,306	-	-	331,463,306
Lease liabilities - noncurrent portion	27,600,392	38,144,838	-	-	38,144,838
Tenants' deposits and others*	35,607,059	32,355,186	-	-	32,355,186
	390,565,659	401,963,330	-	-	401,963,330
	P392,531,749	P403,929,420	P-	P1,966,090	P401,963,330

*Excluding nonfinancial liabilities amounting to P5,086.4 million.

There were no transfers into and out of Levels 1, 2 and 3 fair value measurements as at September 30, 2020 and December 31, 2019.

The estimated fair value of the following financial instruments is based on the discounted value of future cash flows using the prevailing interest rates. Discount rates used follow:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Noncurrent portion of time deposits	3.2% - 5.5%	4.4% - 4.7%
Long-term notes included under “Other noncurrent assets” account	0.2% - 0.3%	1.7% - 1.9%
Tenants’ deposits	1.0% - 5.5%	3.1% - 4.7%

Long-term Debt. The fair value of long-term debt is estimated based on the following assumptions:

Debt	Fair Value Assumptions
Fixed Rate	Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 0.2% to 4.9% and 1.7% to 6.5% as at September 30, 2020 and December 31, 2019, respectively.
Variable Rate	For variable rate loans that re-price every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For variable rate loans that re-price every six months, the fair value is determined by discounting the principal amount plus the next interest payment amount using the prevailing market rate for the period up to the next repricing date. Discount rates used were 1.2% to 4.7% and 3.0% to 7.0% as at September 30, 2020 and December 31, 2019, respectively.

Derivative Instruments Accounted for as Cash Flow Hedges

As at September 30, 2020, 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		₱2,570,235	(₱351,903)	LIBOR + spread	5.3%	₱52.10		March 6, 2023
	100,000	5,210,000		4,849,500	(805,438)	LIBOR + spread	5.9%	52.10		April 16, 2023
	56,159	3,000,000		2,723,418	(576,379)	LIBOR + spread	6.1%	53.42		July 26, 2023
	100,000	5,140,000		4,849,500	(704,616)	LIBOR + spread	5.5%	51.40		June 28, 2024
	100,000	5,115,000		4,849,500	(669,371)	LIBOR + spread	5.4%	51.15		June 28, 2024
SM Prime:										
	50,000	2,666,500		2,424,750	(471,937)	LIBOR + spread	6.4%	53.33		June 14, 2023
	60,000	3,199,200		2,909,700	(569,136)	LIBOR + spread	6.4%	53.32		June 14, 2023
	25,000		¥172,100	1,212,375	(54,349)	LIBOR + spread	5.4%		¥6.884	March 27, 2022
	25,000		172,300	1,212,375	(51,395)	LIBOR + spread	5.4%		6.892	March 27, 2022
	50,000		327,315	2,424,750	27,393	LIBOR + spread	5.0%		6.546	June 30, 2022
	50,000		335,940	2,424,750	(13,595)	LIBOR + spread	4.0%		6.719	February 28, 2024
	50,000		335,725	2,424,750	508	LIBOR + spread	3.9%		6.715	February 28, 2024
	50,000		335,750	2,424,750	(13,211)	LIBOR + spread	3.9%		6.715	February 28, 2024
	50,000		334,400	2,424,750	(13,481)	LIBOR + spread	3.9%		6.688	February 28, 2024
	50,000		335,750	2,424,750	(10,417)	LIBOR + spread	3.9%		6.715	February 28, 2024
	36,000		241,643	1,745,820	(5,762)	LIBOR + spread	3.9%		6.712	February 28, 2024
	75,000	3,639,000		3,637,125	(56,957)	LIBOR + spread	3.6% - 3.70%	48.52		April 5, 2024
	75,000	3,637,500		3,637,125	(26,003)	LIBOR + spread	3.6% - 3.70%	48.50		April 5, 2024

Principal only and interest rate swaps:

	Notional Amount	Fair Value		Interest Rate	US\$:CN¥	Maturity	
		Principal	Principal				Interest
			Only Swap				Rate Swap
(In Thousands)							
SM Prime	US\$270,000	₱13,093,617	₱396,358	(₱55,721)	6.2%	¥6.458-¥6.889	January 29, 2021

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.

Other Derivative Instruments Not Designated as Accounting Hedges

Non-deliverable Forwards and Swaps. The net fair value changes from the settled currency forward and swap contracts recognized in the interim consolidated statements of income amounted to nil in 2020 and ₱22.0 million gain in 2019.

24. **EPS Computation**

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
	<i>(In Thousands Except Per Share Data)</i>	
Net income attributable to owners of the Parent (a)	₱15,218,549	₱33,060,296
Weighted average number of common shares outstanding (b)	1,204,583	1,204,583
EPS (a/b)	₱12.63	₱27.45

25. Other Matters

COVID-19 Outbreak

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020. The ECQ shifted to modified enhanced community quarantine (MECQ) until May 31, 2020 and to general community quarantine until September 30, 2020 for NCR and certain provinces. Subsequently, MECQ was once again imposed on select areas including Metro Manila and a few other provinces in the National Capital Region from August 4 to 18, 2020.

The COVID-19 pandemic has caused disruptions in the Group's business activities. As this global problem evolves, the Group would continually adapt and adjust its business model according to the business environment in the areas where the Group operates, in full cooperation with the national and local government units.

Management's Discussion and Analysis or Plan of Operation

Results of Operation

For the Nine Months Ended September 30, 2020 and 2019

(amounts in billion pesos)

	Ytd September 2020 (Unaudited)	Ytd September 2019 (Unaudited)	% Change
Revenues	P 286.7	P 350.7	-18.3%
Cost and Expenses	247.2	277.8	-11.0%
Income from Operations	39.5	72.9	-45.8%
Other Charges	10.7	9.7	-10.2%
Provision for Income Tax	5.4	12.4	-56.6%
Net Income After Tax	23.4	50.8	-53.9%
Non-controlling Interests	8.2	17.7	-53.8%
Net Income Attributable to Owners of the Parent	P 15.2	P 33.1	-54.0%

SM Investments Corporation and Subsidiaries (the Group) reported a *Net Income Attributable to Owners of the Parent* of P15.2 billion, 54.0% lower than 2019, and *Revenues* of P286.7 billion, 18.3% lower than 2019. These results reflect the continuing adverse impact of COVID-19.

With the steady easing of community quarantine measures in the major business areas in the country and the consumers adjusting to the new normal living conditions, there is marked recovery in economic activity and business volumes. In the 3rd quarter, the operating results of the Group's core businesses, Retail, Property and Banking, showed significant improvements from the previous quarter.

Retail

SM Retail reported a net income of P2.2 billion, 72.5% lower than 2019 and revenues of P216.3 billion, 14.8% lower than 2019. Notable is the revenue growth of Food Retail at 10.7% to P145.7 billion.

With intensive efforts to generate sales and rationalize operations for cost efficiency, remarkable growth was reported quarter on quarter (Q3 vs. Q2 2020). SM Retail reported a 32.6% revenue growth and 3.4x net income growth.

- The SM Stores reported a 109.0% increase in revenues and 60.4% increase in net income.
- The Food Group reported a 64.1% increase in net income.
- The Specialty Stores reported a 93.3% increase in revenues and 3.7x increase in net income.

Property

SM Prime reported a net income of P14.4 billion, 48% lower than 2019 and revenues of P60.7 billion, 29% lower than 2019.

SM Prime's core businesses, primarily its malls, showed slight recovery as the government started to reopen more industries to help the economy going in to the second half of the year. Quarter on quarter (Q3 vs. Q2 2020), mall revenues increased by 23% and net result by 63%. This is the result of major reduction in operating expenses through tighter cost controls and rationalization of operating activities.

Banking

BDO reported a net income of P16.6 billion, 48% lower than 2019. This is primarily due to the P23.8 billion provision for impairment losses, bulk of which was taken up in the 2nd Quarter. This huge provision was taken up in anticipation of a possible increase in non-performing loans as a result of the COVID-19 pandemic. Quarter on quarter (Q3 vs. Q2 2020), net income increased by 3.8 times.

China Bank reported a net income of P8.2 billion, 23% higher than 2019. The Bank hiked its provisions for probable credit losses to P6.3 billion, 12x bigger than 2019.

For the nine-month period ended September 2020, Banking accounted for 50% of net income from core businesses, followed by Property at 41% and Retail at 9%.

Profit & Loss Statement - Account Analysis

Merchandise Sales, which decreased by 13.8% to P211.3 billion from P245.0 billion in 2019, accounts for 74% of total revenues in 2020. The decrease is attributable mainly to the temporary closure of certain retail stores during the enhanced community quarantine (ECQ) and modified ECQ (MECQ) periods particularly in the 2nd quarter.

Real Estate Sales increased by 8.0% to P33.9 billion from P31.4 billion in 2019. The increase is attributable to sales of launched projects including *Shore 3*, *Bloom*, *Vine*, *Fame* and *Lane* as well as various Ready-For-Occupancy (RFO) projects, particularly those located in Mandaluyong, Pasay and Taguig. Actual construction of projects usually starts within twelve to eighteen months from launch date and revenues are recognized based on percentage of completion. *SM Residences* continued its sales momentum by using various digital sales platforms and offering flexible payment terms to its buyers.

Rent Revenue, derived mainly from the mall operations of SM Prime, decreased by 44.6% to P20.9 billion from P37.8 billion in 2019. The decrease is due to the temporary closure of malls as well as other businesses during the ECQ and MECQ periods. As at end September 2020, SM Prime has waived P17.3 billion in rentals and other charges.

Equity in Net Earnings of Associate Companies and Joint Ventures decreased by 44.2% to P10.3 billion from P18.5 billion in 2019 mainly representing the decrease in net income of BDO.

Cinema Ticket Sales, Amusement and Others decreased by 82.5% to P1.0 billion from P5.7 billion in 2019. This is attributable to the suspension of operations of the cinemas starting March 15, 2020 relative to the closure of malls during the ECQ and MECQ periods. Starting October 2020, the cinemas have started to reopen.

Dividend, Management Fees and Others decreased by 25.4% to P9.2 billion from P12.4 billion in 2019 relative to the closure of certain retail stores and malls during the ECQ and MECQ periods.

Selling, General and Administrative Expenses decreased by 16.4% to P69.0 billion from P82.5 billion in 2019 due mainly to the scaled-down operation of certain retail stores and malls during the ECQ period and efforts to control costs through rationalization of operations.

Income from Operations decreased by 45.8% to P39.5 billion from P72.9 billion in 2019. *Operating Margin* and *Net Margin* is at 13.8% and 8.2%, respectively.

Other Charges (net) increased by 10.2% to P10.7 billion from P9.7 billion in 2019. *Interest Expense* decreased by 5.4% to P12.8 billion from P13.5 billion in 2019 while *Interest Income* decreased by 34.6% to P2.1 billion from P3.2 billion in 2019 as a result of lower cash from operations.

Provision for Income Tax decreased by 56.6% to P5.4 billion from P12.4 billion in 2019 due mainly to lower taxable income. The effective income tax rate is 18.7% in 2020 and 19.7% in 2019.

Non-controlling interests decreased by 53.8% to P8.2 billion from P17.7 billion in 2019 due mainly to the decrease in net income of partly-owned subsidiaries.

Financial Position

As at September 30, 2020 and December 31, 2019

(amounts in billion pesos)

	09 / 30 / 2020 (Unaudited)	12 / 31 / 2019 (Audited)	% Change
Current Assets	P 239.4	P 248.4	-3.6%
Noncurrent Assets	928.6	895.8	3.7%
Total Assets	P 1,168.0	P 1,144.2	2.1%
Current Liabilities	P 221.0	P 196.7	12.3%
Noncurrent Liabilities	398.3	411.3	-3.2%
Total Liabilities	619.3	608.0	1.9%
Total Equity	548.7	536.2	2.3%
Total Liabilities and Equity	P 1,168.0	P 1,144.2	2.1%

Total *Assets* increased by 2.1% to P1,168.0 billion from P1,144.2 billion in 2019. Likewise, total *Liabilities* increased by 1.9% to P619.3 billion from P608.0 billion in 2019.

Current Assets

Current Assets decreased by 3.6% to P239.4 billion from P248.4 billion in 2019.

Cash and Cash Equivalents decreased by 36.0% to P48.8 billion from P76.2 billion in 2019 due mainly to payments for trade, investments, capital expenditures and debt servicing. The net cash flow from operations decreased by P32.1 billion or 95.8% as a result of the significant drop in net income depicting the extensive impact of COVID-19 to the Group's operations.

Receivables and Contract Assets increased by 42.5% to P76.4 billion from P53.6 billion in 2019 due mainly to the 8.0% increase in real estate sales and some delay in the collection of certain receivables relative to the Group's adoption and implementation of the government-mandated Bayanihan Act extending the grace period for the payment of loan amortizations due on or before December 31, 2020 and the circular issued by the Department of Human Settlement and Urban Development (DHSUD), extending the grace period for the payment of loan amortizations that matured during the ECQ period.

Noncurrent Assets

Noncurrent Assets increased by 3.7% to P928.6 billion from P895.8 billion in 2019.

Investments in Associate Companies and Joint Ventures increased by 3.0% to P285.5 billion from P281.0 billion in 2019. The increase mainly represents the 9-month period equity in net earnings of the Group's associate companies of P10.3 billion, partly offset by P3.2 billion dividends and share in the comprehensive income of its associate companies.

Investment Properties increased by 3.9% to P351.2 billion from P338.1 billion in 2019 due mainly to ongoing new mall projects and commercial building construction as well as the redevelopment of *SM Mall of Asia* and other existing malls.

Land and Development increased by 7.0% to P80.2 billion from P74.9 billion in 2019 due mainly to land banking activities.

Other Noncurrent Assets increased by 3.1% to P87.0 billion from P84.4 billion in 2019 due mainly to additional bonds and deposits for real estate acquisitions and construction for the period.

Current Liabilities

Current Liabilities increased by 12.3% to P221.0 billion from P196.7 billion in 2019.

Bank Loans increased by 42.3% to P26.6 billion from P18.7 billion in 2019 due to new loan availments, partly offset by payments.

Accounts Payable and Other Current Liabilities decreased by 9.6% to P127.8 billion from P141.5 billion in 2019 due mainly to the settlement of trade payables, partly offset by the increase in payable to contractors and suppliers related to ongoing projects and customers' deposits.

Current Portion of Long-term Debt increased by 108.5% to P60.6 billion from P29.1 billion in 2019 due mainly to the reclassification of maturing loans from noncurrent.

Noncurrent Liabilities

Noncurrent Liabilities decreased by 3.2% to P398.3 billion from P411.3 billion in 2019.

Long-term Debt - Net of Current Portion decreased by 6.9% to P304.8 billion from P327.4 billion in 2019 due mainly to the reclassification of maturing debts to current, partly offset by new debt availments.

Deferred tax liabilities increased by 29.9% to P12.5 billion from P9.6 billion due mainly to unrealized gross profit on sale of real estate for income tax purposes.

Tenants' Deposits and Others increased by 12.4% to P52.5 billion from P46.7 billion in 2019. This account includes deferred output VAT related to sale of residential projects and deposits from residential buyers and tenants in new malls and office buildings.

Equity

Total *Equity* increased by 2.3% to P528.8 billion from P536.2 billion in 2019.

Equity Attributable to Owners of the Parent increased by 1.9% to P379.2 billion from P382.6 billion in 2019 representing the P15.2 billion nine-month period net income offset by P5.1 billion dividend declaration and share in the comprehensive income of its associate companies.

Non-controlling Interests increased by 3.5% to P149.6 billion from P153.5 billion in 2019 due mainly to the increase in net assets of subsidiaries that are not wholly owned.

Impact of COVID-19 to the Group's operations

The impact of Covid-19 to the Group's businesses is manifested in the operating results for Ytd September 2020. The most diverse impact was reflected in the first half results with 20.6% drop in consolidated revenues and 69.2% drop in consolidated net income. In the 3rd quarter, promising recovery was reported with consolidated revenues growing 36.0% and consolidated net income growing 5 times more than the 2nd quarter.

Since it became a publicly-listed company in 2005, 2020 is the first year that SMIC reported a double-digit drop in both consolidated revenues and consolidated net income.

During the quarantine period, certain stores and malls of the Group had to temporarily stop operations. This resulted to the negative 13.8% in Merchandise sales and negative 44.6% in Rent revenues in the nine-month period ended September 2020. To assist its mall tenants, SM Prime granted waivers on rent and/or extended rental discounts amounting to P17.3 billion as of end-September 2020. The retail stores and the malls have started to show signs of recovery in the 3rd quarter. In the 3rd quarter, the retail stores have gone back to full operations.

The Group's residential business led by SMDC, registered P66.7 billion of reservation sales slightly higher than P66.4 billion in 2019. Construction works on SM Prime's new and latest residential projects have resumed, pursuant to the national government's safety protocols. SM Prime cushions the effect of these safety protocols on construction completion with its inventory of completed and construction-in-progress residential units.

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 operate throughout the quarantine period.

Select hotels of the Group, Conrad Manila, Park Inn Clark, Park Inn North EDSA and Park Inn Iloilo remained operational during the quarantine period as these hotels catered to BPO employees and returning overseas Filipino workers/seafarers. The Group's biggest events center, the Mall of Asia Arena, was converted into a Mega Swabbing Facility in partnership with various government agencies. With the easing of quarantine measures throughout the country, SM Prime's hotels have started to commence operations.

In anticipation of potential delinquencies on receivables due to COVID-19, the Group's banks recorded significant impairment provisions. BDO and China Bank booked total provisions of P23.8 billion and P6.3 billion, respectively.

The Group's receivables increased by P22.8 billion or 42.5% from yearend 2019. This is the result of the adoption and implementation of the government-mandated Bayanihan Act extending the grace period for the payment of loan amortizations due on or before December 31, 2020 and the DHSUD circular extending the grace period for the payment of loan amortizations that matured during the ECQ period. Efforts to collect these receivables are continuing. The Group believes that the credit quality of its Receivables as of end September 2020 is within reasonable levels.

The net cash flow from operations decreased by P32.1 billion or 95.8% to P1.4 billion as a result of the significant drop in net income depicting the extensive impact of Covid-19 to the Group's operations.

To support the Group's operational and capital expenditure requirements, (1) the Group availed an additional P20.5 billion of debt, net availment, and, (2), SMIC Parent and SM Prime lowered their dividend payout in 2020 to P5.1 billion from P11.0 billion and P5.3 billion from P10.5 billion in 2019, respectively.

The Group's cash and cash equivalents was reduced by P27.4 billion from yearend 2019. This is evident in the Group's net gearing ratio of 38:62 as at end September from 36:64 as at yearend 2019.

As at September 30, 2020, the Group has more than adequate unused credit lines that can be tapped to meet its current maturing obligations, if necessary. The Group also has access to the domestic corporate bond market, which the Group intends to tap to refinance, in whole or in part, its bond maturities in the first half of 2021. Management continues to monitor cash flow progress and will make the necessary adjustments if needed.

As at September 30, 2020, the Group expended around P39.8 billion for capital investments in investment properties, land and development and property and equipment.

The Group considers the COVID-19 pandemic as a near-term setback and expects its businesses will be back to pre-pandemic level of operations in the next 2 to 3 years.

Key Performance Indicators**As at September 30, 2020 and 2019 and December 31, 2019**

The key financial ratios of the Group follow:

	09/30/2020 (Unaudited)	12/31/2019 (Audited)
Current Ratio	1.1	1.3
Acid Test Ratio	0.9	1.0
Solvency Ratio	10.0%	14.6%
Asset to Equity Ratio	2.1	2.1
Debt – Equity Ratios:		
On Gross Basis	42 : 58	41 : 59
On Net Basis	38 : 62	36 : 64
Return on Equity	7.0%	11.9%
Return on Assets	3.6%	6.2%

	Ytd Sept. 2020 (Unaudited)	Ytd Sept. 2019 (Unaudited)
Revenue Growth	-18.3%	14.1%
Net Margin	8.2%	14.5%
Net Income Growth	-54.0%	26.3%
EBITDA <i>(In Billions of Pesos)</i>	53.1B	86.4B
Interest Cover	4.2x	6.4x

Current Ratio decreased to 1.1 from 1.3 in 2019 due mainly to the 3.6% decrease in *Current Assets* vs. 12.3% increase in *Current Liabilities*.

Acid Test Ratio decreased to 0.9 from 1.0 in 2019 due mainly to the 4.0% increase in quick assets vs 12.3% increase in *Current Liabilities*.

Solvency Ratio decreased to 10.0% from 14.6% in 2019 due mainly to the 30.7% decrease in *Net income* and depreciation vs 1.9% increase in *Total Liabilities*.

Gross Debt - Equity Ratio increased to 42:58 in 2020 due mainly to the increase in gross debt of P16.9 billion.

Net Debt - Equity Ratio increased to 38:62 from 36:64 in 2019 due mainly to the decrease in cash and cash equivalents of P27.3 billion.

Return on equity decreased to 7.0% from 11.9% in 2019 due mainly to the 40.0% drop in annualized net income.

Return on assets decreased to 3.6% from 6.2% in 2019 due mainly to the 39.4% drop in annualized net income after tax.

Revenue Growth decreased to 18.3% from 14.1% in 2019 due mainly to the significant drop of merchandise sales, rental revenues and equity in net earnings of associates and joint ventures.

The negative *Net Income Growth* of -54.0% in 2020 reflects the effect of Covid-19 on the Group results.

The -38.6% drop in EBITDA reflects the significant drop in revenues.

Interest Cover decreased to 4.2x from 6.4x in 2019 due to the 38.6% decrease in EBITDA and 5.4% decrease in interest expense.

Expansion Plans / Prospects in 2020

As of September 30, 2020, SM Prime's retained earnings appropriation for land banking activities and construction projects amounted to P42.2 billion.

In the last quarter of the year, Alfamart is on track to open over 60 new stores.

The Group has no known direct or contingent financial obligation that is material to the Group operations, including any default or acceleration of an obligation. The Group has no off-balance sheet transactions, arrangements, obligations during the reporting year and as of the balance sheet date.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the Group's continuing operations other than those mentioned above.

The financial indicators are computed as follows:

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

PART I FINANCIAL INFORMATION

Item 3. Aging of Accounts Receivable – Trade (Current)

As of September 30, 2020

(in Thousands)

Receivable from tenants		
Third party	P	7,219,698
Related party		200,640
Receivable from real estate buyers		
- net of noncurrent portion		65,627,539
Other trade receivables		21,132
Total	P	<u><u>73,069,009</u></u>

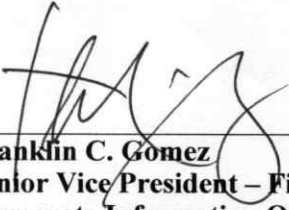
Aging:

Neither past due nor impaired	P	64,438,297
31-90 days		1,367,590
91-120 days		1,242,503
Over 120 days		4,926,425
Impaired		1,094,194
Total	P	<u><u>73,069,009</u></u>

PART II - SIGNATURE

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

Registrant: **SM INVESTMENTS CORPORATION**


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

Date: 11-11-20