C O V E R   S H E E T

SEC Registration Number

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C O M P A N Y   N A M E

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

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

10th Floor, Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City 1300

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

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
	8831-1000	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
2,404		September 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. John Nai Peng C. Ong		8831-1000	

CONTACT PERSON's ADDRESS

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

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2019**

2. SEC Identification Number **AS0940000-88** 3. BIR Tax Identification No. **003-058-789**

4. Exact name of registrant as specified in its charter **SM PRIME HOLDINGS, INC.**

5. **PHILIPPINES** 6. (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization
Industry Classification Code:

7. **10th Floor, Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City** **1300**
Address of principal office Postal Code

8. **(632) 8831-1000**
Registrant's telephone number, including area code

9. ______________________________
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 4 and 8 of the SRC

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

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

(b) has been subject to such filing requirements for the past 90 days.
Yes [**X**] No [ ]

SM Prime Holdings, Inc.
and Subsidiaries

Unaudited Interim Condensed Consolidated
Financial Statements
As at September 30, 2019
and for the Three-Month and Nine-Month
Periods Ended September 30, 2019 and 2018
(with Comparative Audited Consolidated
Balance Sheet as at December 31, 2018)

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEET

September 30, 2019
(With Comparative Audited Figures as at December 31, 2018)
(Amounts in Thousands)

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 18 and 22)	**₱41,970,265**	₱38,766,467
Receivables and contract assets (Notes 7, 18, 22 and 23)	**42,471,300**	35,229,450
Real estate inventories (Note 8)	**40,132,192**	37,575,103
Equity instruments at fair value through other comprehensive income (Notes 9, 18, 22 and 23)	**670,928**	639,316
Derivative assets (Notes 22 and 23)	**–**	432,898
Prepaid expenses and other current assets (Notes 10 and 18)	**18,576,684**	15,147,029
Total Current Assets	**143,821,369**	127,790,263
Noncurrent Assets		
Investments in associates and joint ventures (Note 12)	**26,842,763**	26,199,380
Equity instruments at fair value through other comprehensive income - net of current portion (Notes 9, 18, 22 and 23)	**19,821,497**	22,892,937
Investment properties - net (Note 11)	**380,531,637**	343,418,862
Derivative assets - net of current portion (Notes 22 and 23)	**1,468,286**	420,035
Deferred tax assets - net	**1,048,061**	1,083,670
Other noncurrent assets - net (Notes 13, 18, 22 and 23)	**83,257,014**	82,329,171
Total Noncurrent Assets	**512,969,258**	476,344,055
	₱656,790,627	₱604,134,318
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Notes 14, 18, 22 and 23)	**₱480,000**	₱39,400
Accounts payable and other current liabilities (Notes 3, 15, 18, 22 and 23)	**75,915,158**	61,767,086
Current portion of long-term debt (Notes 16, 18, 22 and 23)	**28,417,673**	25,089,624
Income tax payable	**1,363,543**	1,383,742
Total Current Liabilities	**106,176,374**	88,279,852
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 16, 18, 22 and 23)	**206,067,861**	197,682,262
Tenants' and customers' deposits - net of current portion (Notes 15, 22 and 23)	**20,625,865**	18,676,022
Liability for purchased land - net of current portion (Notes 15, 22 and 23)	**4,285,574**	6,044,220
Deferred tax liabilities - net	**4,865,325**	3,527,501
Derivative liabilities (Notes 22 and 23)	**563,017**	335,008
Other noncurrent liabilities (Notes 3, 15, 22 and 23)	**22,450,293**	10,511,491
Total Noncurrent Liabilities	**258,857,935**	236,776,504
Total Liabilities (*Carried Forward*)	**₱365,034,309**	₱325,056,356

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Total Liabilities *(Brought Forward)*	**₱365,034,309**	₱325,056,356
Equity Attributable to Equity Holders of the Parent		
Capital stock (Notes 17 and 24)	**33,166,300**	33,166,300
Additional paid-in capital - net	**38,007,668**	39,953,218
Cumulative translation adjustment	**1,272,553**	1,955,999
Net fair value changes of equity instruments at fair value through other comprehensive income (Note 9)	**17,251,754**	19,084,597
Net fair value changes on cash flow hedges	**(1,544,494)**	(842,098)
Remeasurement loss on defined benefit obligation	**(348,480)**	(348,480)
Retained earnings (Note 17):		
Appropriated	**42,200,000**	42,200,000
Unappropriated	**163,092,635**	143,118,153
Treasury stock (Notes 17 and 24)	**(2,984,695)**	(2,984,695)
Total Equity Attributable to Equity Holders of the Parent	**290,113,241**	275,302,994
Non-controlling Interests	**1,643,077**	3,774,968
Total Equity	**291,756,318**	279,077,962
	₱656,790,627	₱604,134,318

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

	Nine-Month Periods Ended September 30	
	2019	2018
REVENUE		
Rent (Note 18)	**₱44,910,701**	₱41,719,270
Sales:		
Real estate	**31,354,327**	24,838,114
Cinema and event ticket	**4,140,305**	3,924,337
Others (Notes 18 and 19)	**4,627,784**	4,078,369
	85,033,117	74,560,090
COSTS AND EXPENSES (Note 20)	**44,032,584**	39,650,634
INCOME FROM OPERATIONS	**41,000,533**	34,909,456
OTHER INCOME (CHARGES)		
Interest expense (Notes 18 and 21)	**(5,687,780)**	(4,961,202)
Interest and dividend income (Notes 6, 7, 9, 13, 18 and 21)	**1,465,620**	1,357,819
Others - net (Note 18)	**(802,559)**	(651,537)
	(5,024,719)	(4,254,920)
INCOME BEFORE INCOME TAX	**35,975,814**	30,654,536
PROVISION FOR INCOME TAX		
Current	**6,450,437**	6,657,263
Deferred	**1,408,819**	34,019
	7,859,256	6,691,282
NET INCOME	**₱28,116,558**	₱23,963,254
Attributable to		
Equity holders of the Parent (Notes 17 and 24)	**₱27,595,045**	₱23,439,290
Non-controlling interests (Note 17)	**521,513**	523,964
	₱28,116,558	₱23,963,254
Basic/Diluted earnings per share (Note 24)	**₱0.956**	₱0.812

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Nine-Month Periods Ended September 30	
	2019	2018
NET INCOME	**₱28,116,558**	₱23,963,254
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) that will not to be reclassified to profit or loss in subsequent periods:		
Unrealized gain (loss) due to changes in fair value of financial assets at fair value through other comprehensive income (Note 9)	**1,046,339**	(5,821,028)
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:		
Net fair value changes on cash flow hedges	**(702,396)**	27,522
Cumulative translation adjustment	**(683,446)**	196,260
	(339,503)	(5,597,246)
TOTAL COMPREHENSIVE INCOME	**₱27,777,055**	₱18,366,008
Attributable to		
Equity holders of the Parent (Notes 17 and 24)	**₱27,255,542**	₱17,842,044
Non-controlling interests (Note 17)	**521,513**	523,964
	₱27,777,055	₱18,366,008

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

	Three-Month Periods Ended September 30	
	2019	2018
REVENUE		
Rent (Note 18)	**₱14,970,813**	₱14,031,407
Sales:		
Real estate	**10,352,270**	8,070,824
Cinema and event ticket	**1,327,113**	1,339,088
Others (Notes 18 and 19)	**1,334,293**	1,347,859
	27,984,489	24,789,178
COSTS AND EXPENSES (Note 20)	**14,416,969**	13,241,753
INCOME FROM OPERATIONS	**13,567,520**	11,547,425
OTHER INCOME (CHARGES)		
Interest expense (Notes 18 and 21)	**(1,877,262)**	(1,891,157)
Interest and dividend income (Notes 6, 7, 9, 13, 18 and 21)	**474,527**	422,321
Others - net (Note 18)	**(1,067,470)**	(998,360)
	(2,470,205)	(2,467,196)
INCOME BEFORE INCOME TAX	**11,097,315**	9,080,229
PROVISION FOR INCOME TAX		
Current	**1,997,420**	2,242,312
Deferred	**688,470**	(168,696)
	2,685,890	2,073,616
NET INCOME	**₱8,411,425**	₱7,006,613
Attributable to		
Equity holders of the Parent (Notes 17 and 24)	**₱8,295,759**	₱6,816,567
Non-controlling interests (Note 17)	**115,666**	190,046
	₱8,411,425	₱7,006,613
Basic/Diluted earnings per share (Note 24)	**₱0.287**	₱0.236

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Three-Month Periods Ended September 30	
	2019	2018
NET INCOME	**₱8,411,425**	₱7,006,613
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) that will not to be reclassified to profit or loss in subsequent periods:		
Unrealized gain (loss) due to changes in fair value of financial assets at fair value through other comprehensive income (Note 9)	**249,821**	(1,037,472)
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:		
Net fair value changes on cash flow hedges	**(142,219)**	139,110
Cumulative translation adjustment	**(370,230)**	(300,067)
	(262,628)	(1,198,429)
TOTAL COMPREHENSIVE INCOME	**₱8,148,797**	₱5,808,184
Attributable to		
Equity holders of the Parent (Notes 17 and 24)	**₱8,033,131**	₱5,618,138
Non-controlling interests (Note 17)	**115,666**	190,046
	₱8,148,797	₱5,808,184

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent (Notes 17 and 24)											
	Capital Stock (Notes 17 and 24)	Additional Paid-in Capital - Net	Cumulative Translation Adjustment	Net fair value changes of equity instruments at FVOCI (Note 9)	Net Fair Value Changes on Cash Flow Hedges	Remeasurement Loss on Defined Benefit Obligation	Retained Earnings (Note 17) Appropriated	Retained Earnings (Note 17) Unappropriated	Treasury Stock (Notes 17 and 24)	Total	Non-controlling Interests	Total Equity
At December 31, 2018 (Audited)	**₱33,166,300**	**₱39,953,218**	**₱1,955,999**	**₱19,084,597**	**(₱842,098)**	**(₱348,480)**	**₱42,200,000**	**₱143,118,153**	**(₱2,984,695)**	**₱275,302,994**	**₱3,774,968**	**₱279,077,962**
Net income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**27,595,045**	**–**	**27,595,045**	**521,513**	**28,116,558**
Transfer of unrealized gain on equity instruments at fair value through other comprehensive income	**–**	**–**	**–**	**(2,879,182)**	**–**	**–**	**–**	**2,879,182**	**–**	**–**	**–**	**–**
Other comprehensive income (loss)	**–**	**–**	**(683,446)**	**1,046,339**	**(702,396)**	**–**	**–**	**–**	**–**	**(339,503)**	**–**	**(339,503)**
Total comprehensive income (loss) for the period	**–**	**–**	**(683,446)**	**(1,832,843)**	**(702,396)**	**–**	**–**	**30,474,227**	**–**	**27,255,542**	**521,513**	**27,777,055**
Cash dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10,507,731)**	**–**	**(10,507,731)**	**–**	**(10,507,731)**
Cash dividends received by a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,986**	**–**	**7,986**	**–**	**7,986**
Cash dividends received by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(551,200)**	**(551,200)**
Sale (acquisition) of non-controlling interest	**–**	**(1,945,550)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,945,550)**	**(2,241,355)**	**(4,186,905)**
Increase in non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**139,151**	**139,151**
At September 30, 2019 (Unaudited)	**₱33,166,300**	**₱38,007,668**	**₱1,272,553**	**₱17,251,754**	**(₱1,544,494)**	**(₱348,480)**	**₱42,200,000**	**₱163,092,635**	**(₱2,984,695)**	**₱290,113,241**	**₱1,643,077**	**₱291,756,318**
At December 31, 2017 (Audited)	₱33,166,300	₱39,662,168	₱2,110,745	₱25,489,705	(₱311,429)	(₱199,126)	₱42,200,000	₱120,125,945	(₱3,287,087)	₱258,957,221	₱3,916,693	₱262,873,914
Net income for the period	–	–	–	–	–	–	–	23,439,290	–	23,439,290	523,964	23,963,254
Other comprehensive income (loss)	–	–	196,260	(5,821,028)	27,522	–	–	–	–	(5,597,246)	–	(5,597,246)
Total comprehensive income (loss) for the period	–	–	196,260	(5,821,028)	27,522	–	–	23,439,290	–	17,842,044	523,964	18,366,008
Cash dividends	–	–	–	–	–	–	–	(10,307,731)	–	(10,307,731)	–	(10,307,731)
Cash dividends received by a subsidiary	–	–	–	–	–	–	–	9,154	–	9,154	–	9,154
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	(541,200)	(541,200)
Sale of treasury shares held by subsidiary	–	288,701	–	–	–	–	–	–	302,392	591,093	–	591,093
Sale (acquisition) of non-controlling interest	–	4,499	–	–	–	–	–	–	–	4,499	(340,809)	(336,310)
At September 30, 2018 (Unaudited)	₱33,166,300	₱39,955,368	₱2,307,005	₱19,668,677	(₱283,907)	(₱199,126)	₱42,200,000	₱133,266,658	(₱2,984,695)	₱267,096,280	₱3,558,648	₱270,654,928

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Nine-Month Periods Ended September 30	
	2019	2018
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱35,975,814**	₱30,654,536
Adjustments for:		
Depreciation and amortization (Notes 11, 13 and 20)	**8,013,116**	7,152,266
Interest expense (Note 21)	**5,687,780**	4,961,202
Interest and dividend income (Notes 9 and 21)	**(1,465,620)**	(1,357,819)
Equity in net earnings of associates and joint ventures (Note 12)	**(902,355)**	(781,798)
Loss (gain) on:		
Unrealized foreign exchange and fair value changes on derivatives – net	**247,992**	283,111
Disposal of investments held for trading	**(27,553)**	3,859
Operating income before working capital changes	**47,529,174**	40,915,357
Decrease (increase) in:		
Receivables and contract assets	**(14,540,350)**	(6,365,871)
Real estate inventories (Note 8)	**(1,068,243)**	(5,525,073)
Prepaid expenses and other current assets	**(3,440,279)**	111,225
Increase in:		
Accounts payable and other current liabilities	**19,100,984**	9,845,782
Tenants' and customers' deposits	**2,225,391**	1,642,449
Cash generated from operations	**49,806,677**	40,623,869
Income tax paid	**(6,460,462)**	(6,599,499)
Cash provided by operating activities	**43,346,215**	34,024,370
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of :		
Equity instruments at fair value through other comprehensive income (Note 9)	**4,107,135**	3,023,585
Interest received	**1,123,106**	967,160
Dividends received	**489,684**	370,990
Additions to:		
Investment properties – net (Note 11)	**(33,906,146)**	(43,269,974)
Equity instruments at fair value through other comprehensive income (Note 9)	**–**	(1,326)
Increase in investments in associates and joint ventures (Note 12)	**(26,418)**	(509,282)
Acquisition of non-controlling interest (Note 5)	**(4,186,904)**	–
Increase in other noncurrent assets	**(3,796,125)**	(6,757,197)
Net cash used in investing activities	**(36,195,668)**	(46,176,044)

(Forward)

	Nine-Month Periods Ended September 30	
	2019	2018
	(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of bank loans and long-term debt (Notes 14 and 16)	**₱15,030,330**	₱53,825,835
Payments of:		
Dividends (Note 17)	**(11,050,944)**	(10,839,777)
Interest (Notes 15 and 21)	**(5,783,781)**	(5,113,240)
Long-term debt (Note 16)	**(2,476,847)**	(26,238,321)
Lease liabilities (Notes 3 and 15)	**(57,142)**	–
Bank loans (Note 14)	**(39,400)**	(185,000)
Proceeds from:		
Maturity of derivatives	**394,574**	3,212,542
Reissuance of treasury shares (Note 17)	**–**	591,092
Net cash provided by (used in) financing activities	**(3,983,210)**	15,253,131
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**36,461**	95,219
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3,203,798**	3,196,676
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**38,766,467**	44,371,534
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱41,970,265**	₱47,568,210

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

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

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

As at September 30, 2019, SMPH is 49.70% and 21.90% directly-owned by SM Investments Corporation (SMIC) and the Sy Family, respectively. SMIC, the ultimate parent company, is a Philippine corporation which listed its common shares with the PSE in 2005. SMIC and all its subsidiaries are herein referred to as the "SM Group".

The registered office and principal place of business of the Parent Company is at 10th Floor, Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City 1300.

2. **Basis of Preparation**

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

Statement of Compliance

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual audited consolidated financial statements as at December 31, 2018.

Basis of Consolidation
The interim condensed consolidated financial statements include the accounts of the Parent Company and all of its subsidiaries. As at September 30, 2019, there were no significant changes in the composition of the Company and in the Parent Company's ownership interests in its subsidiaries except for Prime Metroestate, Inc. (PMI) (see Note 5).

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

Except as otherwise stated, there were no significant changes in the significant accounting judgments, estimates, and assumptions used by the Company for the nine-month period ended September 30, 2019.

3. Summary of Significant Accounting and Financial Reporting Policies

Changes in Accounting Policies and Disclosures
The accounting policies and method of computation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2018, except for the following amendments which the Company has adopted starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*, allow debt instrument to be measured at amortized cost or at FVOCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

- PFRS 16, *Leases*, sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Company applied PFRS 16 using modified retrospective approach with an initial application date of January 1, 2019. The Company also elected to use the recognition exemptions for low-value assets and short-term leases.

The Company has various lease contracts, as lessee, for parcels of land which were accounted for as operating leases under PAS 17. Upon adoption of PFRS 16, the Company applied a single recognition and measurement approach for all these leases.

The effect of adopting PFRS 16 follows:

- Right-of-use assets (ROUA) amounting to ₱19,615 million, including land use rights of ₱9,976 million previously presented as part of "Other noncurrent assets" were recognized under "Investment properties - net" in the unaudited interim consolidated balance sheet as at January 1, 2019. The right-of-use assets are initially measured at an amount equal to the lease liabilities and subsequently depreciated over the lease term.

- Lease liabilities amounting to ₱79 million and ₱11,185 million were recognized and presented under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" in the unaudited interim consolidated balance sheet as at January 1, 2019. The lease liabilities are initially measured at the present value of future lease payments using the Company's incremental borrowing rate of 4.95% to 5.18% and are subsequently measured at amortized cost using the effective interest method.

- Accrued and prepaid rent expense pertaining to land lease previously accounted for as operating leases under PAS 17, amounting to ₱1,772 million and ₱146 million, respectively, as of December 31, 2018, were adjusted to ROUA as at January 1, 2019.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement,* address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*, clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit losses (ECL) model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*, addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Annual Improvements to PFRSs 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation,* clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*, clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Company because dividends declared by the Company do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization,* clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

4. Segment Information

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

Mall segment develops, conducts, operates and maintains the business of modern commercial shopping centers and all businesses related thereto such as the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, or cinema theaters within the compound of the shopping centers.

Residential and commercial segments are involved in the development and transformation of major residential, commercial, entertainment and tourism districts through sustained capital investments in buildings and infrastructure.

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

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

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

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

Business Segment Data

	Nine-month period ended September 30, 2019 (Unaudited)					
	Mall	**Residential**	**Commercial**	**Hotels and Convention Centers**	**Eliminations/ Adjustments**	**Consolidated Balances**
				(In Thousands)		
Revenue:						
External customers	**₱46,341,852**	**₱31,924,914**	**₱3,246,250**	**₱3,520,101**	**₱–**	**₱85,033,117**
Inter-segment	**84,566**	**–**	**53,607**	**9,859**	**(148,032)**	**–**
	₱46,426,418	**₱31,924,914**	**₱3,299,857**	**₱3,529,960**	**(₱148,032)**	**₱85,033,117**
Segment results:						
Income before income tax	**₱22,717,753**	**₱10,898,597**	**₱2,613,472**	**₱615,139**	**(₱869,147)**	**₱35,975,814**
Provision for income tax	**(5,351,351)**	**(1,849,233)**	**(492,467)**	**(166,205)**	**–**	**(7,859,256)**
Net income	**₱17,366,402**	**₱9,049,364**	**₱2,121,005**	**₱448,934**	**(₱869,147)**	**₱28,116,558**
Net income attributable to:						
Equity holders of the Parent	**₱16,850,565**	**₱9,043,688**	**₱2,121,005**	**₱448,934**	**(₱869,147)**	**₱27,595,045**
Non-controlling interests	**515,837**	**5,676**	**–**	**–**	**–**	**521,513**
Other information:						
Capital expenditures	**₱22,182,131**	**₱18,297,389**	**₱3,585,712**	**₱1,296,470**	**₱–**	**₱45,361,702**
Depreciation and amortization	**7,051,354**	**113,811**	**433,510**	**414,441**	**–**	**8,013,116**

	Nine-month period ended September 30, 2018 (Unaudited)					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations/ Adjustments	Consolidated Balances
				(In Thousands)		
Revenue:						
External customers	₱43,191,286	₱25,264,716	₱2,525,264	₱3,578,824	₱–	₱74,560,090
Inter-segment	66,343	–	57,164	6,817	(130,324)	–
	₱43,257,629	₱25,264,716	₱2,582,428	₱3,585,641	(₱130,324)	₱74,560,090
Segment results:						
Income before income tax	₱20,334,440	₱7,446,247	₱2,131,778	₱792,900	(₱50,829)	₱30,654,536
Provision for income tax	(5,112,242)	(1,002,890)	(385,056)	(191,094)	–	(6,691,282)
Net income	₱15,222,198	₱6,443,357	₱1,746,722	₱601,806	(50,829)	₱23,963,254
Net income attributable to:						
Equity holders of the Parent	₱14,701,512	₱6,440,079	₱1,746,722	₱601,806	(₱50,829)	₱23,439,290
Non-controlling interests	520,686	3,278	–	–	–	523,964
Other information:						
Capital expenditures	₱19,026,938	₱44,456,984	₱3,234,277	₱390,038	₱–	₱67,108,237
Depreciation and amortization	6,294,374	126,247	320,758	410,887	–	7,152,266

	September 30, 2019 (Unaudited)					
	Mall	**Residential**	**Commercial**	**Hotels and Convention Centers**	**Eliminations**	**Consolidated Balances**
			(In Thousands)			
Segment assets	**₱389,082,919**	**₱213,006,368**	**₱42,976,158**	**₱13,405,211**	**(₱1,680,029)**	**₱656,790,627**
Segment liabilities	**₱233,801,757**	**₱126,541,471**	**₱5,421,776**	**₱949,334**	**(₱1,680,029)**	**₱365,034,309**

	December 31, 2018 (Audited)					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
			(In Thousands)			
Segment assets	₱366,324,387	₱186,098,844	₱40,308,522	₱12,278,302	(₱875,737)	₱604,134,318
Segment liabilities	₱212,781,100	₱108,996,681	₱3,163,510	₱990,802	(₱875,737)	₱325,056,356

For the nine-month periods ended September 30, 2019 and 2018, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

Seasonality
The Company’s operations has no significant seasonality.

5. Business Combination

In August 2019, the Parent Company acquired the remaining 40% of the outstanding common stock of PMI from SMIC for a total consideration of ₱4,106 million. The valuation of the non-controlling interest was based on the appraised values of the real estate assets of PMI as at January 25, 2019. The acquisition resulted to equity adjustment from common control business combination, included under “Additional paid-in capital” account amounting to ₱1,946 million.

6. Cash and Cash Equivalents

Cash and cash equivalents comprised the following:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	(In Thousands)	
Cash on hand and in banks (see Note 18)	**₱6,732,185**	₱3,887,600
Temporary investments (see Note 18)	**35,238,080**	34,878,867
	₱41,970,265	₱38,766,467

Interest income earned from cash in banks and temporary investments amounted to ₱1,094 million and ₱884 million for the nine-month periods ended September 30, 2019 and 2018, respectively (see Note 21).

7. Receivables and Contract Assets

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	(In Thousands)	
Trade (billed and unbilled):		
Sale of real estate	**₱66,078,144**	₱50,748,255
Rent:		
Third parties	**5,356,696**	5,544,270
Related parties (see Note 18)	**2,852,023**	3,024,750
Others (see Note 18)	**17,283**	124,530
Nontrade	**311,400**	252,196
Accrued interest (see Note 18)	**204,585**	134,801
Others (see Note 18)	**2,253,081**	2,666,855
	77,073,212	62,495,657
Less allowance for impairment	**1,043,254**	1,034,040
	76,029,958	61,461,617
Less noncurrent portion of receivables from sale of real estate (see Note 13)	**33,558,658**	26,232,167
	₱42,471,300	₱35,229,450

Interest income earned from receivables amounted to ₱68 million and ₱55 million for the nine-month periods ended September 30, 2019 and 2018, respectively (see Note 21).

There is no allowance for ECLs on unbilled revenue from sale of real estate. The movements in the allowance for ECLs related to receivables from sale of real estate and other receivables are as follows:

	September 30, 2019 (Nine Months) (Unaudited)	December 31, 2018 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱1,034,040**	₱1,053,582
Provision (write-off) - net	**9,214**	(19,542)
At end of the period	**₱1,043,254**	₱1,034,040

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	(In Thousands)	
Neither past due nor impaired	**₱69,972,130**	₱55,907,949
Past due but not impaired:		
Less than 30 days	**2,006,882**	2,124,715
31–90 days	**1,847,196**	1,340,889
91–120 days	**772,887**	687,725
Over 120 days	**1,430,863**	1,400,339
Impaired	**1,043,254**	1,034,040
	₱77,073,212	₱62,495,657

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

8. Real Estate Inventories

This account consists of the following:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	(In Thousands)	
Condominium units for sale	**₱7,797,170**	₱7,939,941
Residential units and subdivision lots	**97,620**	148,198
Land and development	**32,237,402**	29,486,964
	₱40,132,192	₱37,575,103

Condominium units for sale pertain to the completed projects of SM Development Corporation (SMDC), Highlands Prime, Inc. and Costa Del Hamilo, Inc. These are stated at cost as at September 30, 2019 and December 31, 2018.

The movements in "Condominium units for sale" account are as follows:

	September 30, 2019 (Nine Months) (Unaudited)	December 31, 2018 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱7,939,941**	₱8,566,351
Transfer from land and development	**2,625,909**	1,550,984
Cost of real estate sold (see Note 20)	**(2,768,680)**	(2,177,394)
At end of the period	**₱7,797,170**	₱7,939,941

Residential units and subdivision lots for sale are stated at cost as at September 30, 2019 and December 31, 2018.

The movements in "Residential units and subdivision lots" account are as follows:

	September 30, 2019 (Nine Months) (Unaudited)	December 31, 2018 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱148,198**	₱166,948
Transfer from land and development	**16,691**	182,727
Cost of real estate sold (see Note 20)	**(67,269)**	(201,477)
At end of the period	**₱97,620**	₱148,198

Land and development pertains to the Company's on-going residential units and condominium projects. Estimated cost to complete the projects amounted to ₱79,819 million and ₱51,097 million as at September 30, 2019 and December 31, 2018, respectively.

The average rates used to determine the amount of borrowing costs eligible for capitalization is 3.88% to 5.52% in 2019 and 4.60% to 5.10% in 2018.

The movements in "Land and development" account are as follows:

	September 30, 2019 (Nine Months) (Unaudited)	December 31, 2018 (One Year) (Audited)
	(In Thousands)	
At beginning of the year	**₱29,486,964**	₱58,666,174
Development cost incurred	**15,684,665**	20,320,803
Reclassifications and transfers from (to) land held for future development (see Note 11)	**1,389,436**	(32,400,724)
Reclassifications from investment properties (see Note 11)	**274,190**	–
Capitalized borrowing cost	**8,900**	4,047
Cost of real estate sold (see Note 20)	**(11,804,020)**	(15,390,337)
Transfer to condominium and residential units for sale	**(2,642,600)**	(1,733,711)
Translation adjustment and others	**(160,133)**	20,712
At end of the year	**₱32,237,402**	₱29,486,964

9. Equity Instruments at FVOCI

This account consists of investments in:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	(In Thousands)	
Shares of stock:		
Listed (see Note 18)	**₱20,489,044**	₱23,508,022
Unlisted	**3,381**	24,231
	20,492,425	23,532,253
Less noncurrent portion	**19,821,497**	22,892,937
	₱670,928	₱639,316

In August 2019, the Parent Company sold a portion of its listed shares to SMIC based on 30-day volume-weighted average price as of July 26, 2019 resulting to a realized gain amounting to ₱2,879 million directly recognized in retained earnings.

Dividend income from investments in listed and unlisted shares of stock amounted to ₱273 million and ₱366 million for the nine-month periods ended September 30, 2019 and 2018, respectively.

Unrealized gain on changes in fair value amounting to ₱1,046 million for the nine-month period ended September 30, 2019 and unrealized loss amounting to ₱5,821 million for the nine-month period ended September 30, 2018 were included under other comprehensive income.

10. Prepaid Expenses and Other Current Assets

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	(In Thousands)	
Advances and deposits	**₱8,189,635**	₱6,108,850
Input and creditable withholding taxes	**7,122,048**	5,658,232
Prepaid taxes and other prepayments	**2,777,134**	2,845,331
Supplies and inventories	**370,303**	362,833
Cash in escrow and others (see Note 18)	**117,564**	171,783
	₱18,576,684	₱15,147,029

11. Investment Properties

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	(In Thousands)	
Investment properties - net	**₱330,116,188**	₱293,574,616
Land held for future development	**50,415,449**	49,844,246
	₱380,531,637	₱343,418,862

The movements in "Investment properties" are as follows:

	Land and Improvements	Buildings and Improvements	Building Equipment, Furniture and Others	Right-of-use Assets	Construction in Progress	Total
				(In Thousands)		
Cost						
Balance as at December 31, 2017	₱64,067,484	₱207,454,220	₱36,077,251	₱–	₱33,182,636	₱340,781,591
Additions	4,331,600	8,480,962	3,016,764	–	14,318,076	30,147,402
Reclassifications	(1,450,592)	9,070,215	1,112,147	–	(8,731,468)	302
Translation adjustment	(5,531)	(166,451)	(12,678)	–	(4,949)	(189,609)
Disposals	(65,250)	(63,044)	(413,314)	–	(24,124)	(565,732)
Balance as at December 31, 2018	66,877,711	224,775,902	39,780,170	–	38,740,171	370,173,954
Additions	4,557,121	1,234,568	1,143,326	–	20,306,852	27,241,867
Effect of PFRS 16 adoption (see Notes 3 and 13)	–	–	–	19,469,655	–	19,469,655
Reclassifications	(134,050)	10,380,632	987,529	145,995	(11,274,695)	105,411
Translation adjustment	(71,272)	(2,089,018)	(166,869)	(487,951)	(73,287)	(2,888,397)
Disposals	(71)	(16,463)	(145,142)	–	–	(161,676)
Balance as at September 30, 2019	₱71,229,439	₱234,285,621	₱41,599,014	₱19,127,699	₱47,699,041	₱413,940,814
Accumulated Depreciation and Amortization						
Balance as at December 31, 2017	₱1,920,473	₱43,981,769	₱21,795,203	₱–	₱–	₱67,697,445
Depreciation and amortization (see Note 20)	212,082	6,182,725	3,060,234	–	–	9,455,041
Reclassifications	(26,656)	179,884	(153,212)	–	–	16
Translation adjustment	(9,243)	(68,853)	(14,860)	–	–	(92,956)
Disposals	(25,807)	(61,055)	(373,346)	–	–	(460,208)
Balance as at December 31, 2018	2,070,849	50,214,470	24,314,019	–	–	76,599,338
Depreciation and amortization (see Note 20)	163,300	4,997,560	2,257,998	448,304	–	7,867,162
Reclassifications	7,563	(7,563)	–	–	–	–
Translation adjustment	(37,452)	(376,713)	(94,482)	(5,813)	–	(514,460)
Disposals	63	(8,576)	(118,901)	–	–	(127,414)
Balance as at September 30, 2019	₱2,204,323	₱54,819,178	₱26,358,634	₱442,491	₱–	₱83,824,626
Net Book Value						
As at December 31, 2018	₱64,806,862	₱174,561,432	₱15,466,151	₱–	₱38,740,171	₱293,574,616
As at September 30, 2019	**69,025,116**	**179,466,443**	**15,240,380**	**18,685,208**	**47,699,041**	**330,116,188**

Consolidated rent income from investment properties amounted to ₱44,911 million and ₱41,719 million for the nine-month periods ended September 30, 2019 and 2018, respectively. Consolidated costs and expenses from investment properties amounted to ₱24,636 million and ₱22,795 million for the nine-month periods ended September 30, 2019 and 2018, respectively.

In 2019, shopping mall complex under construction mainly pertains to cost incurred for the development of new malls and ongoing redevelopment of existing malls as well as commercial building construction.

Construction contracts with various contractors related to the construction of the on-going projects amounted to ₱52,536 million and ₱40,953 million as at September 30, 2019 and December 31, 2018, respectively, inclusive of overhead, cost of labor and materials and all other costs necessary for the proper execution of the works. The outstanding contracts are valued at ₱23,294 million and ₱16,230 million as at September 30, 2019 and December 31, 2018, respectively.

Interest capitalized to the construction of investment properties amounted to ₱3,427 million and ₱2,681 million and capitalization rates used range from 2.35% to 5.89% and from 2.35% to 5.04%, for the periods ended September 30, 2019 and December 31, 2018, respectively.

The fair value of investment properties, excluding ROUA, amounted to ₱800,445 million as at December 31, 2015 as determined by an independent appraiser who holds a recognized and relevant professional qualification. The valuation of investment properties was based on market values using income approach. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards as set out by the International Valuation Standards Committee.

Below are the significant assumptions used in the valuation:

Discount rate	8.00%–11.00%
Capitalization rate	5.75%–8.50%
Average growth rate	2.34%–12.08%

Investment properties, except ROUA, are categorized under Level 3 fair value measurement.

The Company's management believes that there were no conditions present in 2019 that would significantly reduce the fair value of the investment properties from that determined on December 31, 2015.

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

The movements in "Land held for future development" account are as follows:

	September 30, 2019 (Nine Months) (Unaudited)	December 31, 2018 (One Year) (Audited)
	(In Thousands)	
At beginning of the year	**₱49,844,246**	₱–
Land acquisitions	**2,340,240**	17,443,522
Reclassifications and transfers from (to) land and development (see Note 8)	**(1,389,436)**	32,400,724
Reclassifications to investment properties	**(379,601)**	–
At end of year	**₱50,415,449**	₱49,844,246

12. **Investments in Associates and Joint Ventures**

Investments in Associates

This pertains mainly to investments in the following companies:

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

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

As at September 30, 2019, OHI's total assets, total liabilities and total equity amounted to ₱39,802 million, ₱30,850 million and ₱8,952 million, respectively, and the carrying value of investment in OHI amounted to ₱17,191 million, which consists of its proportionate share in the net assets of OHI amounting to ₱3,419 million and fair value adjustments and others totaling ₱13,772 million. The share in profit and total comprehensive income amounted to ₱271 million and ₱406 million for the nine-month periods ended September 30, 2019 and 2018, respectively.

The carrying value of investment in FHREC amounted to ₱1,272 million and ₱1,340 million as at September 30, 2019 and December 31, 2018, respectively, with cumulative equity in net earnings amounting to ₱994 million and ₱1,048 million as at September 30, 2019 and December 31, 2018, respectively.

Investment in Joint Ventures

This significantly pertains to the 51% ownership interest of the Company in Waltermart. Waltermart is involved in shopping mall operations and currently owns 29 malls across Metro Manila and Luzon.

The aggregate carrying values of investments in Waltermart amounted to ₱6,673 million and ₱6,304 million as at September 30, 2019 and December 31, 2018, respectively. These consist of the acquisition costs totaling ₱5,145 million and cumulative equity in net earnings and dividend totaling ₱1,528 million and ₱1,159 million as at September 30, 2019 and December 31, 2018, respectively. The aggregate share in profit and total comprehensive income, net of dividend received, amounted to ₱369 million and ₱325 million for the nine-month periods ended September 30, 2019 and 2018, respectively.

In June 2016, SMDC entered into a shareholder's agreement through ST 6747 Resources Corporation (STRC) for the development of "The Estate", a high-end luxury residential project along Ayala Avenue, Makati City. Under the provisions of the agreement, each party shall have 50% ownership interest and is required to maintain each party's equal equity interest in STRC. The carrying value of investment in STRC amounted ₱1,500 million as at September 30, 2019 and December 31, 2018. The investment in STRC is accounted as joint venture using equity method of accounting because the contractual arrangement between the parties establishes joint control The project was launched in 2019.

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

The Company has no outstanding contingent liabilities or capital commitments related to its investments in associates and joint ventures as at September 30, 2019 and December 31, 2018.

13. Other Noncurrent Assets

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	(In Thousands)	
Bonds and deposits	**₱42,869,647**	₱39,594,024
Receivables from sale of real estate - net of current portion (see Note 7)	**33,558,658**	26,232,167
Time deposits (see Note 18)	**2,540,941**	2,392,622
Property and equipment - net of accumulated depreciation of ₱1,884 million and ₱1,746 million, respectively (see Note 20)	**1,366,473**	1,419,111
Deferred input tax	**1,397,357**	1,171,185
Land use rights (see Note 11)	**–**	9,976,393
Others	**1,523,938**	1,543,669
	₱83,257,014	₱82,329,171

Interest income earned from time deposits amounted to ₱26 million and ₱33 million for the nine-month periods ended September 30, 2019 and 2018, respectively (see Note 21).

14. Loans Payable

This account consists of unsecured Philippine peso-denominated loans obtained from local banks amounting to ₱480 million and ₱39 million as at September 30, 2019 and December 31, 2018, with due dates of less than one year. These loans bear interest rate of 5.00% in 2019 and 6.00% in 2018.

Interest expense incurred from loans payable amounted to ₱20 million and ₱8 million for the nine-month periods ended September 30, 2019 and 2018, respectively (see Note 21).

15. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	(In Thousands)	
Trade:		
Third parties	**₱26,991,964**	₱25,987,678
Related parties (see Note 18)	**206,293**	282,337
Tenants' and customers' deposits	**42,999,926**	31,375,908
Lease liabilities (see Note 3)	**11,224,988**	–
Accrued operating expenses:		
Third parties	**11,858,918**	9,338,262
Related parties (see Note 18)	**468,407**	455,954
Liability for purchased land	**9,660,676**	14,019,013

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Deferred output VAT	**4,655,264**	3,087,528
Accrued interest (see Note 18)	**1,779,546**	1,881,165
Payable to government agencies	**1,284,499**	1,170,561
Nontrade	**301,547**	286,841
Others	**3,980,064**	1,458,027
	115,412,092	89,343,274
Less noncurrent portion	**39,496,934**	27,576,188
	₱75,915,158	₱61,767,086

Lease liabilities included in "Other noncurrent liabilities" amounted to ₱11,126 million as at September 30, 2019. Interest on lease liabilities included under “Others - net” in the interim consolidated statements of income amounted to ₱254 million for the nine-month period ended September 30, 2019.

The payments of lease liabilities are scheduled as follows:

Within 1 year	₱99,094
More than 1 year to 5 years	365,674
More than 5 years	10,760,220
	₱11,224,988

Accrued operating expenses - third parties consist of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	(In Thousands)	
Utilities	**₱5,021,743**	₱4,484,483
Marketing and advertising	**1,434,931**	1,092,560
Payable to contractors and others	**5,402,244**	3,761,219
	₱11,858,918	₱9,338,262

16. Long-term Debt

This account consists of:

	Availment Date	Maturity Date	Interest Rate	Condition	Outstanding Balance September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
					(In Thousands)	
Parent Company						
Philippine peso-denominated loans and bonds	January 12, 2012 – May 17, 2019	March 1, 2020 - July 26, 2026	Floating PDST-R2 + margin; 4.20% – 6.74%	Unsecured	**₱122,148,400**	₱112,323,200
U.S. dollar-denominated loans	July 30, 2018	June 14, 2023	LIBOR + spread; semi-annual	Unsecured	**5,701,300**	5,783,800
Subsidiaries						
Philippine peso-denominated loans	June 3, 2013 – September 7, 2019	January 28, 2019 – August 7, 2029	Floating PDST-R2 + margin; 3.84% – 7.55%	Unsecured	**69,862,469**	66,490,939
U.S. dollar-denominated loans	April 23, 2014 – April 15, 2019	April 14, 2019 - February 28, 2024	LIBOR + spread; semi-annual	Unsecured	**34,963,488**	36,191,602
China yuan renminbi-denominated loans	July 28, 2015 – October 16, 2017	December 31, 2019 – October 16, 2022	CBC rate less 10%; quarterly	Secured*	**2,943,397**	3,118,514
					235,619,054	223,908,055
Less debt issue cost					**1,133,520**	1,136,169
					234,485,534	222,771,886
Less current portion					**28,417,673**	25,089,624
					₱206,067,861	₱197,682,262

LIBOR – London Interbank Offered Rate
PDST-R2 – Philippine Treasury Reference Rates – PM
CBC – Central Bank of China
**Secured by portions of investment properties located in China.*

Debt issue cost pertaining to the loan availments amounted to ₱300 million. Amortization of debt issue cost (included under "Others - net" in the interim consolidated statements of income) for the nine-month periods ended September 30, 2019 and 2018 amounted to ₱288 million and ₱277 million, respectively.

The loan agreements of the Company provide certain restrictions and requirements principally with respect to maintenance of required financial ratios (i.e., current ratio of not less than 1.00:1.00, debt to equity ratio of not more than 0.70:0.30 to 0.75:0.25 and interest coverage ratio of not less than 2.50:1.00) and material change in ownership or control. As at September 30, 2019 and December 31, 2018, the Company is in compliance with the terms of its loan covenants.

Repayment Schedule

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

	Gross Loan	Debt Issue Cost	Net
		(In Thousands)	
Within 1 year	₱28,417,673	(₱90,930)	₱28,326,743
More than 1 year to 5 years	128,947,819	(961,062)	127,986,757
More than 5 years	78,253,562	(81,528)	78,172,034
	₱235,619,054	(₱1,133,520)	₱234,485,534

Interest expense incurred from long-term debt amounted to ₱5,643 million and ₱4,873 million for the nine-month periods ended September 30, 2019 and 2018, respectively (see Note 21).

17. **Equity**

Capital Stock

As at September 30, 2019 and December 31, 2018, the Company has an authorized capital stock of 40,000 million with a par value of ₱1 a share, of which 33,166 million shares were issued.

As at September 30, 2019 and December 31, 2018, the Company has 28,879 million outstanding shares.

Retained Earnings

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

In 2018, the BOD approved the declaration of cash dividend of ₱0.35 per share or ₱10,108 million to stockholders of record as of May 9, 2018, ₱9 million of which was received by SMDC. This was paid on May 23, 2018.

As at September 30, 2019 and December 31, 2018, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42,200 million. This represents a continuing appropriation for land banking activities and planned construction projects. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company.

The retained earnings account is restricted for the payment of dividends to the extent of ₱89,445 million and ₱75,721 million as at September 30, 2019 and December 31, 2018, respectively, representing the cost of shares held in treasury amounting to ₱2,985 million as at September 30, 2019 and December 31, 2018 and accumulated equity in net earnings of SMPH subsidiaries, associates and joint ventures totaling ₱86,460 million and ₱72,736 million as at September 30, 2019 and December 31, 2018, respectively. The accumulated equity in net earnings of subsidiaries, associates and joint ventures is not available for dividend distribution until such time that the Parent Company receives the dividends from its subsidiaries, associates and joint ventures.

Treasury Stock

This includes reacquired capital stock and shares held by a subsidiary, stated at acquisition cost of ₱2,985 million as at September 30, 2019 and December 31, 2018. The movement of the treasury stock of the Company are as follows:

	September 30, 2019 (Nine Months) (Unaudited)	December 31, 2018 (One Year) (Audited)
	(In Thousands)	
Balance at beginning of year	**4,309,888**	4,328,486
Sale of treasury shares	**–**	(18,598)
Balance at end of year	**4,309,888**	4,309,888

18. Related Party Transactions

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

	Amount of Transactions		Outstanding Amount [Asset (Liability)]			
	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	**September 30, 2019 (Unaudited)**	December 31, 2018 (Audited)	Terms	Conditions
	(In Thousands)					
Ultimate Parent						
Rent income	**₱37,917**	₱33,902	**₱–**	₱–		
Rent receivable	**–**	–	**22,914**	4,967	Noninterest-bearing	Unsecured; not impaired
Service income	**36,000**	36,000	**–**	–		
Service fee receivable	**–**	–	**–**	14,000	Noninterest-bearing	Unsecured; not impaired
Rent expense	**83,794**	75,647	**–**	–		
Accrued rent payable	**–**	–	**(13,251)**	(808)	Noninterest-bearing	Unsecured
Trade payable	**–**	–	**(14,990)**	(16,805)	Noninterest-bearing	Unsecured
Equity instruments at FVOCI	**–**	–	**136,461**	134,050	Noninterest-bearing	Unsecured; not impaired
Dividend income	**1,332**	1,198	–	–		
Banking and Retail Group						
Cash and cash equivalents	**128,761,151**	130,619,652	**23,791,463**	24,890,200	Interest bearing based on prevailing rates	Unsecured; not impaired
Rent income	**12,112,612**	11,433,711	**–**	–		
Rent receivable	**–**	–	**2,814,192**	3,006,209	Noninterest-bearing	Unsecured; not impaired
Service income	**19,253**	20,221	**–**	–		
Service fee receivable	**–**	–	**–**	–	Noninterest-bearing	Unsecured; not impaired
Management fee income	**256**	75	**–**	–		
Management fee receivable	**–**	–	**8,441**	14,469	Noninterest-bearing	Unsecured; not impaired
Deferred rent income	**–**	–	**(895)**	(8,950)	Noninterest bearing	Unsecured

	Amount of Transactions		Outstanding Amount [Asset (Liability)]			
	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	**September 30, 2019 (Unaudited)**	December 31, 2018 (Audited)	Terms	Conditions
			(In Thousands)			
Interest income	**₱727,903**	₱202,598	**₱–**	₱–		
Accrued interest receivable	**–**	–	**90,163**	29,963	Noninterest-bearing	Unsecured; not impaired
Time deposits	**158,344**	–	**2,540,941**	2,382,597	Interest-bearing	Unsecured
Loans payable and long-term debt	**1,000,330**	8,913,368	**(10,784,750)**	(9,824,904)	Interest-bearing	Combination of secured and unsecured
Interest expense	**509,268**	73,075	**–**	–		
Accrued interest payable	**–**	–	**(53,811)**	(3,878)	Noninterest-bearing	Unsecured
Rent expense	**346**	522	**–**	–		
Trade payable	**–**	–	**(95,921)**	(138,782)	Noninterest-bearing	Unsecured
Management fee expense	**3,321**	1,738	**–**	–		
Equity instruments at FVOCI	**–**	–	**12,873,488**	15,011,058	Noninterest-bearing	Unsecured; not impaired
Cash in escrow	**–**	–	**71,743**	157,719	Interest bearing based on prevailing rates	Unsecured; not impaired
Dividend income	**186,098**	198,350	**–**	–		
Other Related Parties						
Rent income	**131,554**	79,704	**–**	–		
Rent receivable	**–**	–	**14,917**	13,574	Noninterest-bearing	Unsecured; not impaired
Service income	**99,744**	37,145	**–**	–		
Service fee receivable	**–**	–	**2,756**	62	Noninterest-bearing	Unsecured; not impaired
Management fee income	**7,745**	3,235	**–**	–		
Management fee receivable	**–**	–	**7,993**	7,993	Noninterest-bearing	Unsecured; not impaired
Rent expense	**6,438**	4,219	**–**	–		
Accrued expenses	**10**	–	**(455,156)**	(455,146)	Noninterest-bearing	Unsecured
Trade payable	**–**	–	**(95,382)**	(126,750)	Noninterest-bearing	Unsecured
Dividend income	**–**	88,266	**–**	–		

Due from and due to related parties amounted to nil as at September 30, 2019 and December 31, 2018. The amount of due from and due to related party transactions amounted to nil and ₱42.77 million for the nine-month periods ended September 30, 2019 and 2018, respectively.

Compensation of Key Management Personnel

The aggregate compensation and benefits related to key management personnel for the nine-month periods ended September 30, 2019 and 2018 consist of short-term employee benefits amounting to ₱802 million and ₱690 million, respectively, and post-employment benefits (pension benefits) amounting to ₱115 million and ₱112 million, respectively.

19. Other Revenue

This account consists of:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
	(In Thousands)	
Food and beverages	**₱1,214,286**	₱1,210,615
Net merchandise sales	**709,749**	633,746
Amusement income	**628,539**	603,921
Bowling and ice skating fees	**215,985**	184,090
Advertising and others (see Note 18)	**1,859,225**	1,445,997
	₱4,627,784	₱4,078,369

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

20. Costs and Expenses

This account consists of:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
	(In Thousands)	
Cost of real estate sold (see Note 8)	**₱14,639,969**	₱12,515,324
Administrative	**8,550,021**	7,857,465
Depreciation and amortization (see Notes 11 and 13)	**8,013,116**	7,152,266
Marketing and selling expenses	**4,233,797**	3,678,971
Business taxes and licenses	**3,726,079**	3,557,472
Film rentals	**2,254,491**	2,113,123
Rent (see Note 18)	**870,964**	1,233,556
Insurance	**388,367**	371,000
Others	**1,355,780**	1,171,457
	₱44,032,584	₱39,650,634

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

21. Interest Income and Interest Expense

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

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
	(In Thousands)	
Interest income on:		
Cash and cash equivalents (see Note 6)	**₱1,094,442**	₱884,454
Time deposits (see Note 13)	**26,243**	32,935
Others (see Notes 7 and 10)	**72,204**	56,177
	₱1,192,889	₱973,566
Interest expense on:		
Long-term debt (see Note 16)	**₱5,642,575**	₱4,873,232
Loans payable (see Note 14)	**20,121**	7,888
Others	**25,084**	80,082
	₱5,687,780	₱4,961,202

22. Financial Risk Management Objectives and Policies

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

The Company also enters into derivative transactions, principally, cross currency swaps, principal only swaps, interest rate swaps and forward swaps. The purpose is to manage the interest rate and foreign currency risks arising from the Company's operations and its sources of finance (see Note 23).

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

Interest Rate Risk

The Company's policy is to manage its interest rate risk related to its financial instruments with floating interest and/or fixed interest rates by using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, it enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to economically hedge underlying debt obligations. As at September 30, 2019 and December 31, 2018, after taking into account the effect of interest rate swaps, approximately 83% of its long-term borrowings are at a fixed rate of interest.

Foreign Currency Risk

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

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

The Company's foreign currency-denominated monetary assets amounted to US$36 million (₱1,844 million) as at September 30, 2019 and US$43 million (₱2,252 million) as at December 31, 2018. The Company's foreign currency-denominated monetary liabilities amounted to nil as at September 30, 2019 and December 31, 2018.

In translating the foreign currency-denominated monetary assets to peso amounts, the exchange rates used were ₱51.83 to US$1.00 and ₱52.58 to US$1.00, the Philippine peso to U.S. dollar exchange rate as at September 30, 2019 and December 31, 2018, respectively.

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

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

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

Credit Risk
The Company trades only with recognized, creditworthy related and third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on a regular basis which aims to reduce the Company's exposure to bad debts at a minimum level. Given the Company's diverse base of customers, it is not exposed to large concentrations of credit risk.

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

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

Capital Management
Capital includes equity attributable to the owners of the Parent.

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

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

23. Financial Instruments

Fair Values

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

	September 30, 2019		December 31, 2018	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Financial Assets				
Financial assets at FVTPL:				
Derivative assets	**₱1,468,286**	**₱1,468,286**	₱852,933	₱852,933
Equity instruments (included under "Prepaid expenses and other current assets")	**16,700**	**16,700**	–	–
Financial assets at amortized cost:				
Time deposits (included under "Other noncurrent assets")	**2,540,941**	**2,493,972**	2,392,622	2,339,327
Financial assets at FVOCI:				
Equity instruments	**20,492,425**	**20,492,425**	23,532,253	23,532,253
	₱24,518,352	**₱24,471,383**	₱26,777,808	₱26,724,513
Financial Liabilities				
Financial liabilities at FVTPL:				
Derivative liabilities	**₱563,017**	**₱563,017**	₱335,008	₱335,008
Loans and borrowings:				
Liability for purchased land - net of current portion	**4,285,574**	**3,891,251**	6,044,220	6,011,668
Long-term debt - net of current portion	**206,067,861**	**163,727,659**	197,682,262	182,162,127
Tenants' deposits - net of current portion	**20,008,500**	**19,685,060**	18,177,479	17,770,876
Other noncurrent liabilities*	**18,479,188**	**18,237,682**	7,078,916	6,978,719
	₱249,404,140	**₱206,104,669**	₱229,317,885	₱213,258,398

**Excluding nonfinancial liabilities amounting to ₱3,971 million and ₱3,433 million as at September 30, 2019 and December 31, 2018, respectively.*

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

Equity Instruments at FVTPL. The fair values are based on the quoted market prices of the instruments.

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

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

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

Debt Type	Fair Value Assumptions
Fixed Rate Loans	Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 3.08% to 6.48% and 3.82% to 8.45% as at September 30, 2019 and December 31, 2018, respectively.
Variable Rate Loans	For variable rate loans that re-price every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For variable rate loans that re-price every six months, the fair value is determined by discounting the principal amount plus the next interest payment amount using the prevailing market rate for the period up to the next repricing date. Discount rates used was 6.95% to 6.99% and 6.98% to 9.01% as at September 30, 2019 and December 31, 2018, respectively.

Tenants' Deposits, Liability for Purchased Land and Other Noncurrent Liabilities. The estimated fair value is based on the discounted value of future cash flows using the applicable rates. The discount rates used range from 4.70% to 5.04% and 7.80% to 7.85% as at September 30, 2019 and December 31, 2018, respectively.

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

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

Fair Value Hierarchy

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

Level 1: Quoted prices in active markets for identical assets or liabilities, except for related embedded derivatives which are either classified as Level 2 or 3;

Level 2: Those measured using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and,

Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables show the fair value hierarchy of Company's financial instruments as at:

	September 30, 2019		
	Level 1	**Level 2**	**Level 3**
		(In Thousands)	
Financial Assets			
Financial assets at FVTPL -			
Derivative assets	**₱–**	**₱1,468,286**	**₱–**
Equity instruments	**16,700**	**–**	**–**
Financial assets at amortized cost -			
Time deposits (included under "Other noncurrent assets")	**–**	**2,493,972**	**–**
Financial assets at FVOCI -			
Equity instruments	**20,489,045**	**–**	**3,380**
	₱20,505,745	**₱3,962,258**	**₱3,380**
Financial Liabilities			
Financial liabilities at FVTPL:			
Derivative liabilities	**₱–**	**₱563,017**	**₱–**
Loans and borrowings:			
Liability for purchased land - net of current portion	**–**	**–**	**3,891,251**
Long-term debt - net of current portion	**–**	**–**	**163,727,659**
Tenants' deposits	**–**	**–**	**19,685,060**
Other noncurrent liabilities*	**–**	**–**	**18,657,458**
	₱–	**₱563,017**	**₱205,961,428**

**Excluding nonfinancial liabilities amounting to ₱3,971 million as at September 30, 2019.*

	December 31, 2018		
	Level 1	Level 2	Level 3
		(In Thousands)	
Financial Assets			
Financial assets at FVTPL:			
Derivative assets	₱–	₱852,933	₱–
Financial assets at amortized cost -			
Time deposits (included under "Other noncurrent assets")	–	2,339,327	–
Financial assets at FVOCI -			
Equity instruments	23,508,022	–	24,231
	₱23,508,022	₱3,192,260	₱24,231
Financial Liabilities			
Financial liabilities at FVTPL:			
Derivative liabilities	₱–	₱335,008	₱–
Loans and borrowings:			
Liability for purchased land - net of current portion	–	–	6,011,668
Long-term debt - net of current portion	–	–	182,162,127
Tenants' deposits	–	–	17,770,876
Other noncurrent liabilities*	–	–	6,978,719
	₱–	₱335,008	₱212,923,390

**Excluding nonfinancial liabilities amounting to ₱3,433 million as at December 31, 2018.*

During the periods ended September 30, 2019 and December 31, 2018, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Derivative Financial Instruments Accounted for as Cash Flow Hedges

Cross Currency Swaps. In 2019, SM Land (China) Limited entered into cross-currency swap transactions to hedge both the foreign currency and interest rate exposures on its U.S. dollar-denominated five-year term loans (the hedged loans) obtained on April 15, 2019 (see Note 16).

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

- Swap the face amount of the loans at US$ for their agreed China renminbi equivalents (¥1,919 million for US$286 million) with the counterparty banks and to exchange, at maturity date, the principal amount originally swapped.

- Pay fixed interest at the China renminbi notional amount and receives floating interest on the US$ notional amount, on a quarterly basis, simultaneous with the interest payments on the hedged loans at an interest rates ranging from 3.86% to 3.97%.

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

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

- Swap the face amount of the loans at US$ for their agreed Philippine peso equivalents (₱3,199 million for US$60 million and ₱2,667 million for US$50 million on June 14, 2023) with the counterparty banks and to exchange, at maturity date, the principal amount originally swapped.

- Pay fixed interest at the Philippine peso notional amount and receives floating interest on the US$ notional amount, on a semi-annual basis, simultaneous with the interest payments on the hedged loans at an interest rates ranging from 6.37% to 6.39%.

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

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

- Swap the face amount of the loans at US$ for their agreed China renminbi equivalents (¥672 million for US$100 million) with the counterparty banks and to exchange, at maturity date, the principal amount originally swapped.

- Pay fixed interest at the China renminbi notional amount and receives floating interest on the US$ notional amount, on a quarterly basis, simultaneous with the interest payments on the hedged loans at an interest rates ranging from 4.95% to 5.43%.

The outstanding cross-currency swaps has a fair value of ₱127 million.

Principal only Swaps. In 2016 and 2017, SM Land (China) Limited entered into principal only swap transactions to hedge the foreign currency exposures amounting to $420 million of five-year term syndicated loans and advances obtained on January 11, 2016 to March 22, 2016 and January 11-17, 2017 (see Note 16). Under the principal only swap, it effectively converted the hedged US dollar-denominated loans and advances into China renminbi-denominated loans.

As at September 30, 2019, SM Land (China) Limited's outstanding principal only swaps have notional amounts totaling US$270 million which were fixed to US$:¥ exchange rates ranging from 6.458 to 6.889 and will mature on January 29, 2021. Fair value of the outstanding principal swaps amounted to ₱723 million.

Interest Rate Swaps. In 2017 and 2016, SM Land (China) Limited entered into US$ interest rate swap agreement with notional amount of US$150 million and US$270 million, respectively. Under the agreement, SM Land (China) Limited effectively converts the floating rate U.S. dollar-denominated loan into fixed rate loan (see Note 16). Fair value of the outstanding interest rate swaps amounted to ₱55 million.

As the terms of the swaps have been negotiated to match the terms of the hedged loans, the hedges were assessed to be highly effective. No ineffectiveness was recognized in the consolidated statement of income for the period ended September 30, 2019.

No gain or loss was recognized in unaudited interim consolidated statements of income upon maturity in 2019 of the interest rate swap agreement with notional amount of US$150 million since this is designated as cash flow hedges.

Hedge Effectiveness Results

As the terms of the swaps have been negotiated to match the terms of the hedged loan, the hedges were assessed to be highly effective. The fair value of the outstanding cross-currency swaps, principal only swaps and interest rate swaps amounting to ₱905 million gain and ₱124 million gain as at September 30, 2019 and December 31, 2018, respectively, was taken to equity under other comprehensive income. No ineffectiveness was recognized in the interim consolidated statements of income for the nine-month periods ended September 30, 2019 and 2018. Foreign currency translation arising from the hedged loan recognized in the interim consolidated statements of income amounted to ₱1,484 million loss and ₱2,096 million gain for the nine-month periods ended September 30, 2019 and 2018, respectively. Foreign exchange loss equivalent to the same amounts were recycled from equity to the interim consolidated statements of income during the same period.

Derivative Financial Instruments Accounted for as Fair Value Hedge

Forward Swaps. In 2018, SM Land (China) Limited entered into forward swap transactions to cap the foreign currency exposures on its U.S. dollar-denominated three-year term syndicated loans (the hedged loans) obtained on March 14, 2018 to May 25, 2018 (see Note 16). Fair value changes from the matured swaps in 2019, amounting to ₱22 million gain, was recognized in the unaudited interim consolidated statements of income for the nine-month periods ended September 30, 2019.

24. **EPS Computation**

Basic/diluted EPS is computed as follows:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
	(In Thousands, Except Per Share Data)	
Net income attributable to equity holders of the parent (a)	**₱27,595,045**	₱23,439,290
Common shares issued	**33,166,300**	33,166,300
Less weighted average number of treasury stock	**4,309,888**	4,312,644
Weighted average number of common shares outstanding (b)	**28,856,412**	28,853,656
Earnings per share (a/b)	**₱0.956**	₱0.812

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

		Sep 30, 2019	Dec 31, 2018
i.	**Current ratio**		
	Total current assets / Total current liabilities	1.35	1.45
	Acid - Test Ratio		
	Total current assets less inventory and prepaid expenses / Total current liabilities	0.80	0.85
ii.	**Debt-to-equity ratio**		
	Total interest-bearing liabilities / Total equity attributable to equity holders of the parent + Total interest-bearing liabilities	45:55	45:55
	Net debt-to-equity ratio		
	Total interest-bearing liabilities less cash and cash equivalents and investment securities / Total equity attributable to equity holders of the parent + Total interest-bearing liabilities less cash and cash equivalents and investment securities	40:60	40:60
	Solvency Ratio		
	Total assets / Total liabilities	1.80	1.86
iii.	**Asset to equity ratio**		
	Total assets / Total equity attributable to equity holders of the parent	2.26	2.19

		Sep 30, 2019	Sep 30, 2018
(Annualized)			
iv.	**Interest Service Coverage**		
	Earnings before interest, income taxes, depreciation and amortization (EBITDA) / Interest expense	8.53	8.37
	Debt to EBITDA		
	Total interest-bearing liabilities / EBITDA	3.63	4.05
v.	**Return on equity**		
	Net income attributable to equity holders of the parent / Total average equity attributable to equity holders of the parent	13%	12%
	Return on investment properties		
	Net income attributable to equity holders of the parent / Total average investment properties (excluding shopping mall complex under construction)	12%	11%

SM Prime Holdings, Inc. and Subsidiaries
Aging of Accounts Receivable and Contract Assets
As at September 30, 2019
(Amounts in Thousands)

Trade (billed and unbilled):	
Sale of real estate	**₱66,078,144**
Rent:	
Third parties	**5,356,696**
Related parties	**2,852,023**
Others	**17,283**
Nontrade	**311,400**
Accrued interest	**204,585**
Others	**2,253,081**
	77,073,212
Less allowance for impairment	**1,043,254**
	76,029,958
Less noncurrent portion of receivables from sale of real estate	**33,558,658**
	₱42,471,300

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

Neither past due nor impaired	**₱69,972,130**
Past due but not impaired:	
Less than 30 days	**2,006,882**
31–90 days	**1,847,196**
91–120 days	**772,887**
Over 120 days	**1,430,863**
Impaired	**1,043,254**
	₱77,073,212

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

SM Prime Net Income up 22% in Q3 2019 to P8.30 billion

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

	Third Quarter					Nine Months Ended September 30				
	2019	% to Revenues	2018	% to Revenues	% Change	2019	% to Revenues	2018	% to Revenues	% Change
Profit and Loss Data										
Revenues	27,984	100%	24,789	100%	13%	85,033	100%	74,560	100%	14%
Costs and Expenses	14,417	52%	13,242	53%	9%	44,033	52%	39,651	53%	11%
Operating Income	13,568	48%	11,547	47%	17%	41,001	48%	34,909	47%	17%
Net Income	8,296	30%	6,817	27%	22%	27,595	32%	23,439	31%	18%
EBITDA	16,150	58%	13,826	56%	17%	48,492	57%	41,538	56%	17%

	Sep 30 2019	% to Total Assets	Dec 31 2018	% to Total Assets	% Change
Balance Sheet Data					
Total Assets	656,791	100%	604,134	100%	9%
Investment Properties	380,532	58%	343,419	57%	11%
Total Debt	234,966	36%	222,811	37%	5%
Net Debt	192,995	29%	184,045	30%	5%
Total Equity	290,113	44%	275,303	46%	5%

Financial Ratios	Sep 30 2019	Dec 31 2018
Debt to Equity	0.45 : 0.55	0.45 : 0.55
Net Debt to Equity	0.40 : 0.60	0.40 : 0.60

	Sep 30 2019	Sep 30 2018
Return on Equity	0.13	0.12
Debt to EBITDA	3.63	4.05
Interest Coverage Ratio	8.53	8.37
Operating Income to Revenues	0.48	0.47
EBITDA Margin	0.57	0.56
Net Income to Revenues	0.32	0.31

Revenue

SM Prime recorded consolidated revenues of ₱85.03 billion for the first nine months of 2019, an increase of 14% from ₱74.56 billion in the same period in 2018, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱44.91 billion in 2019, an increase of 8% from ₱41.72 billion in 2018. The increase in rental revenue was due to strong tenants' sales, rental rate escalations and expansion of leasable areas and temporary selling areas. Out of the total rental revenues, 88% is contributed by the malls and the rest from office and hotels and convention centers. Excluding the new malls opened in 2018, same-store rental growth is at 7%. Likewise, rent from commercial operations increased due to the opening of Three E-Com Center and SM Southmall South Tower in 2018.

Real Estate Sales

SM Prime recorded a 26% increase in real estate sales in 2019 from ₱24.84 billion to ₱31.35 billion primarily due to higher construction accomplishments of launched projects including Cheerful, Green 2, Trees Ph3, Hope, Charm and Bloom and fast take-up of various Ready-For-Occupancy (RFO) projects particularly those located within the Mall of Asia (MOA) and Makati Central Business District areas, fueled by international buyers, Overseas Filipinos' remittances, and rising consumer disposable income. Actual construction of projects usually starts within twelve to eighteen months from launch date and revenues are recognized in the books based on percentage of completion.

Cinema and Event Ticket Sales

SM Prime cinema and event ticket sales increased by 6% to ₱4.14 billion in 2019 from ₱3.92 billion in 2018 due to the 13% increase in international movie sales and higher event ticket sales led by the super blockbuster "Avengers: Endgame", which now holds the title of highest grossing movie of all time in the Philippines. Other major blockbusters screened in 2019 include "Hello, Love, Goodbye", "Captain Marvel", "Aladdin", and "The Lion King" accounting for 41% of gross ticket sales. Major blockbusters screened in 2018 include "Avengers: Infinity War", "The Hows of Us", "Jurassic World: Fallen Kingdom", "Black Panther", and "The Nun" accounting for 36% of gross ticket sales. On the other hand, local movie sales dropped by 14% due to fewer blockbusters and fewer movies shown.

Other Revenues

Other revenues increased by 13% to ₱4.63 billion in 2019 from ₱4.08 billion in 2018. The increase was mainly due to higher income from sponsorships and advertising revenues, bowling and ice skating operations and increase in net merchandise sales from snackbars resulting from higher cinema ticket attendance.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱44.03 billion in 2019, an increase of 11% from ₱39.65 billion in the same period in 2018, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate increased by 17% to ₱14.64 billion in 2019 from ₱12.52 billion in 2018 primarily due to costs related to higher recognized real estate sales. Gross profit margin on real estate sales improved from 50% in 2018 to 53% in 2019 as a result of improving cost efficiencies, tighter monitoring and control of construction costs and increase in selling prices of projects particularly those located in the prime areas of MOA, Manila and Makati.

Operating Expenses

SM Prime's consolidated operating expenses increased by 8% to ₱29.39 billion in 2019 compared to last year's ₱27.13 billion. Out of the total operating expenses, 70% is contributed by the malls where same-store mall growth in operating expenses is at 6%. Operating expenses include depreciation and amortization, film rentals, taxes and licenses, marketing and selling expenses, utilities and manpower, including agency costs.

Other Income (Charges)

Interest Expense

SM Prime's consolidated interest expense increased by 15% to ₱5.69 billion in 2019 compared to ₱4.96 billion in 2018 mainly due to the retail bonds issued in May 2019 and March 2018 amounting to ₱10.0 billion and ₱20.0 billion, respectively, and new bank loans availed for working capital and capital expenditure requirements, net of the capitalized interest on proceeds spent for construction and development of investment properties.

Interest and Dividend Income

Interest and dividend income increased by 8% to ₱1.47 billion in 2019 from ₱1.36 billion in 2018. This account is mainly composed of interest and dividend income received from cash and cash equivalents and equity instruments at fair value through other comprehensive income.

Other income (charges) - net

Other income – net increased to ₱0.80 billion in 2019 from ₱0.65 billion in 2018. This account includes equity in net earnings from associates and joint ventures, forfeited tenants' and customers' deposits, foreign exchange gains and losses and hedging costs related to foreign currency obligations.

Provision for income tax

SM Prime's consolidated provision for income tax increased by 17% to ₱7.86 billion in 2019 from ₱6.69 billion in 2018.

Net income attributable to Parent

SM Prime's consolidated net income attributable to Parent for the nine months ended September 30, 2019 increased by 18% to ₱27.60 billion as compared to ₱23.44 billion in the same period last year.

Balance Sheet Accounts

SM Prime's total assets amounted to ₱656.79 billion as of September 30, 2019, an increase of 9% from ₱604.13 billion as of December 31, 2018.

Cash and cash equivalents increased by 8% from ₱38.77 billion to ₱41.97 billion as of December 31, 2018 and September 30, 2019, respectively, mainly due to the proceeds from the issuance of bonds in May 2019 amounting to ₱10.0 billion and increase in the Company's cash flows from operations, net of payments for capital expenditure projects during the period.

Receivables and contract assets increased by 21% from ₱35.23 billion to ₱42.47 billion as of December 31, 2018 and September 30, 2019, respectively, due to high take-up from projects nearing completion.

Real estate inventories increased by 7% from ₱37.58 billion to ₱40.13 billion as of December 31, 2018 and September 30, 2019, respectively, construction accomplishments for the period, net of cost of sold units.

Prepaid expenses and other current assets increased by 23% from ₱15.15 billion to ₱18.58 billion as of December 31, 2018 and September 30, 2019, respectively, due to deposits and advances to contractors related to construction projects and various prepayments.

Derivative assets increased by 72% from ₱0.85 billion to ₱1.47 billion as of December 31, 2018 and September 30, 2019 respectively, mainly resulting from the net fair value changes on principal only swap transactions, cross currency swap transactions and interest rate swap transactions entered into in 2016 to 2017 and 2019, respectively. Likewise, derivative liabilities increased by 68% from ₱0.34 billion to ₱0.56 billion as of December 31, 2018 and September 30, 2019, respectively, mainly resulting from the net fair value changes on the cross currency swap transactions entered into in 2018.

Equity instruments at fair value through other comprehensive income decreased by 13% from ₱23.53 billion to ₱20.49 billion as of December 31, 2018 and September 30, 2019, respectively, due to sale of shares to SM Investments Corporation net of changes in fair values under this portfolio.

Investment properties increased by 11% from ₱343.42 billion to ₱380.53 billion as of December 31, 2018 and September 30, 2019, respectively, primarily due to adoption of PFRS 16 Leases. In 2019, the Company adopted PFRS 16 using the modified retrospective approach with the date of initial application of January 1, 2019 which resulted to the recognition of right-of-use assets amounting to ₱18.69 billion as of September 30, 2019.

Loans payable increased from ₱0.04 billion to ₱0.48 billion as of December 31, 2018 and September 30, 2019, respectively, due to availment of loans.

Accounts payable and other current liabilities increased by 23% from ₱61.77 billion to ₱75.92 billion as of December 31, 2018 and September 30, 2019, respectively, mainly due to payables to contractors and suppliers related to ongoing projects, customers' deposits and current portion of the lease liability.

Long-term debt increased by 5% from ₱222.77 billion to ₱234.49 billion as of December 31, 2018 and September 30, 2019, respectively, mainly due to the issuance of ₱10.00 billion retail bonds in May 2019 and new loan availments to fund capital expenditures requirements, net of payment of maturing loans.

Tenants' and customers' deposits increased by 10% from ₱18.68 billion to ₱20.63 billion as of December 31, 2018 and September 30, 2019, respectively, mainly due to the new malls and office buildings and increase in customers' deposits from residential buyers.

Liability for purchased land decreased by 29% from ₱6.04 billion to ₱4.29 billion as of December 31, 2018 and September 30, 2019, respectively, due to subsequent payments.

Deferred tax liabilities increased by 38% from ₱3.53 billion to ₱4.87 billion as of December 31, 2018 and September 30, 2019, respectively, mainly due to unrealized gross profit on sale of real estate for tax purposes.

Other noncurrent liabilities increased by 114% from ₱10.51 billion to ₱22.45 billion as of December 31, 2018 and September 30, 2019, respectively, due to adoption of PFRS 16 which resulted to the recognition of lease liabilities amounting to ₱11.13 billion as of September 30, 2019.

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

Interest-bearing debt to equity remains steady at 0.45:0.55 as of September 30, 2019 and December 31, 2018. Likewise, net interest-bearing debt to equity is steady at 0.40:0.60 as of September 30, 2019 and December 31, 2018.

ROE increased to 13% as of September 30, 2019 from 12% as of September 30, 2018.

Debt to EBITDA, interest coverage ratio and EBITDA margin improved to 3.63:1, 8.53:1 and 57%, respectively, as of September 30, 2019 from 4:05:1, 8:37:1 and 56%, respectively, as of September 30, 2018 due to increase in consolidated operating income.

Consolidated operating income to revenues improved to 48% as of September 30, 2019 from 47% as of September 30, 2018. Consolidated net income to revenues likewise improved to 32% as of September 30, 2019 from 31% as of September 30, 2018.

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

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the Company's continuing operations.

As at September 30, 2019 and December 31, 2018, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42,200 million. This represents a continuing appropriation for land banking activities and planned construction projects. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company.

For the year 2019, the Company expects to incur capital expenditures of around ₱80 billion. This will be funded with internally generated funds and external borrowings.

SM Prime's malls business unit has seventy-three shopping malls in the Philippines with 8.5 million square meters of gross floor area and seven shopping malls in China with 1.3 million square meters of gross floor area. For the last quarter of 2019, SM Prime is slated to open one new mall and one expansion in the Philippines to add around 47,000 square meters of additional space. By the end of 2019, the malls business unit will have seventy-four malls in the Philippines and seven malls in China with an estimated combined gross floor area of almost 9.8 million square meters.

SM Prime currently has forty-eight residential projects in the market, thirty-eight of which are in Metro Manila and ten are outside Metro Manila. For the nine months ended 2019, SM Prime has already launched 14,500 new units to the market. For full year 2019, SM Prime is targeting to launch between 15,000 to 20,000 residential units that includes high-rise buildings, mid-rise buildings and single detached house and lot projects. These projects will be located in Metro Manila and other key cities in the provinces.

SM Prime's Commercial Properties Group has twelve office buildings with a combined gross floor area of 662,000 square meters. NU Mall of Asia (NUMA) and Three E-Com Center were completed in August 2019 and September 2018, respectively. SM Prime is set to launch Four E-Com Center in MOA, Pasay in 2020.

SM Prime's hotels and convention centers business unit currently has a portfolio of four convention centers, three trade halls and eight hotels with over 1,900 rooms. This includes Park Inn by Radisson – Iloilo and Park Inn by Radisson – North EDSA which opened in April 2019 and September 2019, respectively.

SIGNATURE

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

SM PRIME HOLDINGS, INC.
Registrant

Date: November 4, 2019

John Nai Peng C. Ong

JOHN NAI PENG C. ONG
Chief Finance Officer