

COVER SHEET

SEC Registration Number

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COMPANY NAME

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

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address <div style="border: 1px solid black; height: 20px; width: 100%;"></div>	Company's Telephone Number <div style="border: 1px solid black; padding: 2px; display: inline-block;">831-1000</div>	Mobile Number <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
No. of Stockholders <div style="border: 1px solid black; padding: 2px; display: inline-block;">2,403</div>	Annual Meeting Month/Day <div style="border: 1px solid black; height: 20px; width: 100%;"></div>	Fiscal Year Month/Day <div style="border: 1px solid black; padding: 2px; display: inline-block;">March 31</div>

CONTACT PERSON INFORMATION

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

Name of Contact Person <div style="border: 1px solid black; padding: 2px; display: inline-block;">Mr. John Nai Peng C. Ong</div>	Email Address <div style="border: 1px solid black; height: 20px; width: 100%;"></div>	Telephone Number/s <div style="border: 1px solid black; padding: 2px; display: inline-block;">831-1000</div>	Mobile Number <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
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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 March 31, 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) 831-1000
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 [] No []

12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

SM Prime Holdings, Inc.
and Subsidiaries

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

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**INTERIM CONSOLIDATED BALANCE SHEET****MARCH 31, 2019****(With Comparative Audited Figures as at December 31, 2018)***(Amounts in Thousands)*

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 19 and 23)	₱39,671,659	₱38,766,467
Receivables and contract assets (Notes 6, 19, 23 and 24)	37,920,755	35,229,450
Condominium and residential units for sale (Note 7)	7,099,794	8,088,139
Land and development (Note 8)	30,518,099	29,486,964
Equity instruments at fair value through other comprehensive income (Notes 9, 19 and 24)	615,512	639,316
Derivative assets (Notes 23 and 24)	442,746	432,898
Prepaid expenses and other current assets (Notes 10 and 19)	16,811,303	15,147,029
Total Current Assets	133,079,868	127,790,263
Noncurrent Assets		
Investments in associates and joint ventures (Note 12)	26,523,443	26,199,380
Equity instruments at fair value through other comprehensive income (Notes 9, 19, 23 and 24)	23,478,773	22,892,937
Investment properties (Note 11)	298,861,310	293,574,616
Right-of-use assets – net (Note 17)	27,476,578	–
Land and development - net of current portion (Note 8)	51,894,014	49,844,246
Derivative assets - net of current portion (Notes 23 and 24)	244,648	420,035
Deferred tax assets – net	1,085,743	1,083,670
Other noncurrent assets - net (Notes 13, 19, 23 and 24)	82,533,263	82,329,171
Total Noncurrent Assets	512,097,772	476,344,055
	₱645,177,640	₱604,134,318
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Notes 14, 19, 23 and 24)	₱39,400	₱39,400
Accounts payable and other current liabilities (Notes 15, 17, 19, 23 and 24)	63,254,155	61,767,086
Current portion of long-term debt (Notes 16, 19, 23 and 24)	40,001,823	25,089,624
Income tax payable	2,255,776	1,383,742
Total Current Liabilities	105,551,154	88,279,852
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 16, 19, 23 and 24)	182,189,250	197,682,262
Lease liabilities – net of current portion (Note 17)	26,855,610	–
Tenants' and customers' deposits - net of current portion (Notes 15, 23 and 24)	19,041,179	18,676,022
Liability for purchased land - net of current portion (Notes 15, 23 and 24)	5,961,068	6,044,220
Deferred tax liabilities - net	3,759,515	3,527,501
Derivative liabilities (Notes 23 and 24)	700,946	335,008
Other noncurrent liabilities (Notes 15, 23 and 24)	10,844,981	10,511,491
Total Noncurrent Liabilities	249,352,549	236,776,504
Total Liabilities (Carried Forward)	₱354,903,703	₱325,056,356

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Total Liabilities (<i>Brought Forward</i>)	₱354,903,703	₱325,056,356
Equity Attributable to Equity Holders of the Parent		
Capital stock (Notes 18 and 25)	33,166,300	33,166,300
Additional paid-in capital - net	39,953,218	39,953,218
Cumulative translation adjustment	2,266,209	1,955,999
Net fair value changes of equity instruments at fair value through other comprehensive income (Note 9)	19,646,629	19,084,597
Net fair value changes on cash flow hedges	(927,894)	(842,098)
Remeasurement loss on defined benefit obligation	(348,480)	(348,480)
Retained earnings (Note 18):		
Appropriated	42,200,000	42,200,000
Unappropriated	153,704,859	143,118,153
Treasury stock (Notes 18 and 25)	(2,984,695)	(2,984,695)
Total Equity Attributable to Equity Holders of the Parent	286,676,146	275,302,994
Non-controlling Interests	3,597,791	3,774,968
Total Equity	290,273,937	279,077,962
	₱645,177,640	₱604,134,318

See accompanying Notes to 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 March 31	
	2019	2018
REVENUE		
Rent (Note 19)	₱14,782,085	₱13,498,912
Sales:		
Real estate	9,095,797	7,382,763
Cinema and event ticket	1,173,495	1,116,630
Others (Notes 19 and 20)	1,486,937	1,357,084
	26,538,314	23,355,389
COSTS AND EXPENSES (Note 21)	13,553,490	12,262,552
INCOME FROM OPERATIONS	12,984,824	11,092,837
OTHER INCOME (CHARGES)		
Interest expense (Notes 19 and 22)	(2,008,988)	(1,628,869)
Interest and dividend income (Notes 5, 6, 9, 13, 19 and 22)	450,598	440,869
Others - net (Note 19)	106,445	19,451
	(1,451,945)	(1,168,549)
INCOME BEFORE INCOME TAX	11,532,879	9,924,288
PROVISION FOR INCOME TAX		
Current	2,295,691	2,171,861
Deferred	241,866	4,974
	2,537,557	2,176,835
NET INCOME	₱8,995,322	₱7,747,453
Attributable to		
Equity holders of the Parent (Notes 18 and 25)	₱8,796,096	₱7,597,409
Non-controlling interests (Note 18)	199,226	150,044
	₱8,995,322	₱7,747,453
Basic/Diluted earnings per share (Note 25)	₱0.305	₱0.263

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME

(Amounts in Thousands)

	Three-Month Periods Ended March 31	
	2019	2018
NET INCOME	₱8,995,322	₱7,747,453
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:		
Unrealized gain (loss) due to changes in fair value of financial assets at fair value through other comprehensive income (Note 9)	562,032	(2,726,069)
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:		
Net fair value changes on cash flow hedges	(85,796)	(60,264)
Cumulative translation adjustment	310,210	916,505
	786,446	(1,869,828)
TOTAL COMPREHENSIVE INCOME	₱9,781,768	₱5,877,625
Attributable to		
Equity holders of the Parent (Notes 18 and 25)	₱9,582,542	₱5,727,581
Non-controlling interests (Note 18)	199,226	150,044
	₱9,781,768	₱5,877,625

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2019 AND 2018
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent (Notes 18 and 25)											
	Capital Stock (Notes 18 and 25)	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 18)		Treasury Stock (Notes 18 and 25)	Non-controlling Interests	Total Equity	
						Appropriated	Unappropriated		Total			
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
Effect of change in accounting policy (PFRS 16)	-	-	-	-	-	-	-	1,790,610	-	1,790,610	-	1,790,610
At January 1, 2019, as adjusted	33,166,300	39,953,218	1,955,999	19,084,597	(842,098)	(348,480)	42,200,000	144,908,763	(2,984,695)	277,093,604	3,774,968	280,868,572
Net income for the period	-	-	-	-	-	-	-	8,796,096	-	8,796,096	199,226	8,995,322
Other comprehensive income (loss)	-	-	310,210	562,032	(85,796)	-	-	-	-	786,446	-	786,446
Total comprehensive income (loss) for the period	-	-	310,210	562,032	(85,796)	-	-	8,796,096	-	9,582,542	199,226	9,781,768
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(516,200)	(516,200)
Additions to non-controlling interest	-	-	-	-	-	-	-	-	-	-	139,797	139,797
At March 31, 2019 (Unaudited)	₱33,166,300	₱39,953,218	₱2,266,209	₱19,646,629	(₱927,894)	(₱348,480)	₱42,200,000	₱153,704,859	(₱2,984,695)	₱286,676,146	₱3,597,791	₱290,273,937
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	-	-	-	-	-	-	-	7,597,409	-	7,597,409	150,044	7,747,453
Other comprehensive income (loss)	-	-	916,505	(2,726,069)	(60,264)	-	-	-	-	(1,869,828)	-	(1,869,828)
Total comprehensive income (loss) for the period	-	-	916,505	(2,726,069)	(60,264)	-	-	7,597,409	-	5,727,581	150,044	5,877,625
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(516,200)	(516,200)
Sale of treasury shares held by subsidiary	-	204,357	-	-	-	-	-	-	248,176	452,533	-	452,533
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	-	(178,208)	(178,208)
At March 31, 2018 (Unaudited)	₱33,166,300	₱39,866,525	₱3,027,250	₱22,763,636	(₱371,693)	(₱199,126)	₱42,200,000	₱127,723,354	(₱3,038,911)	₱265,137,335	₱3,372,329	₱268,509,664

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Three-Month Periods Ended March 31	
	2019	2018
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱11,532,879	₱9,924,288
Adjustments for:		
Depreciation and amortization (Notes 11, 13, 17 and 21)	2,725,864	2,291,213
Interest expense (Note 22)	2,008,988	1,628,869
Interest and dividend income (Notes 9 and 22)	(450,598)	(440,869)
Equity in net earnings of associates and joint ventures (Note 12)	(265,911)	(243,231)
Gain on:		
Unrealized foreign exchange and fair value changes on derivatives - net	(176,526)	(93,618)
Mark-to-market on investments held for trading	–	(41,713)
Operating income before working capital changes	15,374,696	13,024,939
Decrease (increase) in:		
Receivables and contract assets	(1,870,251)	3,085,820
Condominium and residential units for sale	1,020,714	531,658
Land and development	(982,455)	(2,528,964)
Prepaid expenses and other current assets	(1,656,294)	(1,310,572)
Increase in:		
Accounts payable and other current liabilities	3,995,886	3,842,995
Tenants' and customers' deposits	237,379	652,488
Cash generated from operations	16,119,675	17,298,364
Income tax paid	(1,428,375)	(1,153,764)
Cash provided by operating activities	14,691,300	16,144,600
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of :		
Equity instruments at fair value through other comprehensive income (Note 9)	–	677
Interest received	383,504	296,695
Dividends received	56,701	144,965
Additions to:		
Investment properties (Note 11)	(7,309,365)	(7,054,080)
Land and development – noncurrent portion	(2,332,000)	(596,175)
Increase in investments in associates and joint ventures (Note 12)	(26,418)	(9,282)
Increase in other noncurrent assets	(769,353)	(14,839,491)
Net cash used in investing activities	(9,996,931)	(22,056,691)

(Forward)

	Three-Month Periods Ended March 31	
	2019	2018
	(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of bank loans and long-term debt (Notes 14 and 16)	₱-	₱26,485,385
Payments of:		
Interest (Notes 15 and 22)	(2,163,487)	(1,625,782)
Long-term debt (Note 16)	(1,077,468)	(20,830,209)
Dividends (Note 18)	(516,200)	(516,200)
Lease liabilities (Note 17)	(190,467)	-
Bank loans (Note 14)	-	(185,000)
Proceeds from:		
Maturity of derivatives	-	3,212,542
Reissuance of treasury shares (Note 18)	-	452,533
Net cash (used in) provided by financing activities	(3,947,622)	6,993,269
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	158,445	105,925
NET INCREASE IN CASH AND CASH EQUIVALENTS	905,192	1,187,103
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	38,766,467	44,371,534
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱39,671,659	₱45,558,637

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 March 31, 2019, SMPH is 49.70% and 25.86% 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) 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 March 31, 2019, there were no significant changes in the composition of the Company and in the Parent Company's ownership interests in its subsidiaries.

Significant Accounting Judgments, Estimates and Assumptions

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

Except as otherwise stated, there were no significant changes in the significant accounting judgments, estimates, and assumptions used by the Company for the three-month period ended March 31, 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.

Early application is permitted, but not before an entity applies PFRS 15. 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:

- Accrued rent recognized under PAS 17 amounting to ₱1,791 million were adjusted to beginning retained earnings as at January 1, 2019.
- Right-of-use assets and lease liabilities amounting to ₱27,717 million were recognized and presented separately in the consolidated balance sheet as at January 1, 2019.

The right-of-use assets are initially measured at cost and subsequently depreciated using the straight line method from the commencement date to the end of the lease term. The lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date using the Company's incremental borrowing rate of 5.50% and are subsequently measured at amortized cost using the effective interest method.

- 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 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

Three-month period ended March 31, 2019 (Unaudited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations/ Adjustments	Consolidated Balances
<i>(In Thousands)</i>						
Revenue:						
External customers	₱14,985,420	₱9,282,144	₱1,048,623	₱1,222,127	₱-	₱26,538,314
Inter-segment	19,546	11	17,521	88	(37,166)	-
	₱15,004,966	₱9,282,155	₱1,066,144	₱1,222,215	(₱37,166)	₱26,538,314
Segment results:						
Income before income tax	₱7,553,607	₱2,910,953	₱826,110	₱264,050	(₱21,841)	₱11,532,879
Provision for income tax	(1,818,991)	(486,722)	(162,216)	(69,628)	-	(2,537,557)
Net income	₱5,734,616	₱2,424,231	₱663,894	₱194,422	(₱21,841)	₱8,995,322
Net income attributable to:						
Equity holders of the Parent	₱5,536,439	₱2,423,182	₱663,894	₱194,422	(₱21,841)	₱8,796,096
Non-controlling interests	198,177	1,049	-	-	-	199,226
Other information:						
Capital expenditures	₱5,207,348	₱6,587,264	₱953,862	₱455,542	₱-	₱13,204,016
Depreciation and amortization	2,387,079	37,915	158,462	142,408	-	2,725,864
Three-month period ended March 31, 2018 (Unaudited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations/ Adjustments	Consolidated Balances
<i>(In Thousands)</i>						
Revenue:						
External customers	₱13,848,719	₱7,514,996	₱799,078	₱1,192,596	₱-	₱23,355,389
Inter-segment	26,904	-	18,989	2,128	(48,021)	-
	₱13,875,623	₱7,514,996	₱818,067	₱1,194,724	(₱48,021)	₱23,355,389
Segment results:						
Income before income tax	₱6,806,302	₱2,108,462	₱668,777	₱273,396	₱67,351	₱9,924,288
Provision for income tax	(1,712,129)	(278,678)	(117,961)	(68,067)	-	(2,176,835)
Net income	₱5,094,173	₱1,829,784	₱550,816	₱205,329	67,351	₱7,747,453
Net income attributable to:						
Equity holders of the Parent	₱4,944,828	₱1,829,085	₱550,816	₱205,329	₱67,351	₱7,597,409
Non-controlling interests	149,345	699	-	-	-	150,044
Other information:						
Capital expenditures	₱5,963,118	₱6,557,429	₱1,156,563	₱112,380	₱-	₱13,789,490
Depreciation and amortization	2,026,982	37,040	101,493	125,698	-	2,291,213

March 31, 2019 (Unaudited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
Segment assets	₱399,678,514	₱191,647,612	₱42,178,668	₱12,549,440	(₱876,594)	₱645,177,640
Segment liabilities	₱238,643,697	₱111,139,143	₱4,914,576	₱1,082,881	(₱876,594)	₱354,903,703

December 31, 2018 (Audited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
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 three-month periods ended March 31, 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. Cash and Cash Equivalents

Cash and cash equivalents comprised the following:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
<i>(In Thousands)</i>		
Cash on hand and in banks (see Note 19)	₱5,636,344	₱3,887,600
Temporary investments (see Note 19)	34,035,315	34,878,867
	₱39,671,659	₱38,766,467

Interest income earned from cash in banks and temporary investments amounted to ₱332 million and ₱265 million for the three-month periods ended March 31, 2019 and 2017, respectively (see Note 22).

6. Receivables and Contract Assets

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
<i>(In Thousands)</i>		
Trade (billed and unbilled):		
Sale of real estate*	₱54,308,225	₱50,748,255
Rent:		
Third parties	5,025,082	5,544,270
Related parties (see Note 19)	2,581,206	3,024,750
Others (see Note 19)	10,410	124,530

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Nontrade	314,392	252,196
Accrued interest (see Note 19)	125,199	134,801
Others (see Note 19)	2,032,886	2,666,855
	64,397,400	62,495,657
Less allowance for impairment	1,035,757	1,034,040
	63,361,643	61,461,617
Less noncurrent portion of receivables from sale of real estate (see Note 13)	25,440,888	26,232,167
	₱37,920,755	₱35,229,450

**Includes unbilled revenue from sale of real estate amounting to ₱50,2991 million and ₱46,501 million as at March 31, 2019 and December 31, 2018, respectively.*

Interest income earned from receivables amounted to ₱21 million and ₱16 million for the three-month periods ended March 31, 2019 and 2018, respectively (see Note 22).

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:

	March 31, 2019 (Three Months) (Unaudited)	December 31, 2018 (One Year) (Audited)
	<i>(In Thousands)</i>	
At beginning of the period	₱1,034,040	₱1,053,582
Provision (write-off) - net	1,717	(19,542)
At end of the period	₱1,035,757	₱1,034,040

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

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Neither past due nor impaired	₱58,436,866	₱55,907,949
Past due but not impaired:		
Less than 30 days	1,991,965	2,124,715
31–90 days	1,331,001	1,340,889
91–120 days	383,618	687,725
Over 120 days	1,218,193	1,400,339
Impaired	1,035,757	1,034,040
	₱64,397,400	₱62,495,657

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

The transaction price allocated to the remaining performance obligations as at March 31, 2019 and December 31, 2018 amounted to ₱11,388 million and ₱12,929 million, respectively is expected to be recognized over the construction period ranging from one to five years.

7. Condominium and Residential Units for Sale

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Condominium units for sale	₱6,985,752	₱7,939,941
Residential units and subdivision lots	114,042	148,198
	₱7,099,794	₱8,088,139

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

	March 31, 2019 (Three Months) (Unaudited)	December 31, 2018 (One Year) (Audited)
	<i>(In Thousands)</i>	
At beginning of the period	₱7,939,941	₱8,566,351
Transfer from land and development (see Note 8)	28,446	1,550,984
Cost of real estate sold (see Note 21)	(982,635)	(2,177,394)
At end of the period	₱6,985,752	₱7,939,941

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 March 31, 2019 and December 31, 2018.

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

	March 31, 2019 (Three Months) (Unaudited)	December 31, 2018 (One Year) (Audited)
	<i>(In Thousands)</i>	
At beginning of the period	₱148,198	₱166,948
Transfer from land and development (see Note 8)	3,923	182,727
Cost of real estate sold (see Note 21)	(38,079)	(201,477)
At end of the period	₱114,042	₱148,198

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

8. Land and Development

This account consists of the following items stated at cost:

- Land and development, accounted for as real estate inventories, amounting to ₱30,518 million and ₱29,487 million as at March 31, 2019 and December 31, 2018, respectively.
- Land and development, accounted for as investment property, amounting to ₱51,894 million and ₱49,844 million as at March 31, 2019 and December 31, 2018, respectively.

The movements in “Land and development” accounted as real estate inventories are as follows:

	March 31, 2019 (Three Months) (Unaudited)	December 31, 2018 (One Year) (Audited)
<i>(In Thousands)</i>		
At beginning of the year	₱29,486,964	₱58,666,174
Reclassifications and transfers to land and development accounted as investment property	–	(32,400,724)
Development cost incurred	4,278,888	20,320,803
Capitalized borrowing cost	199	4,047
Cost of real estate sold (see Note 21)	(3,322,892)	(15,390,337)
Transfer to condominium and residential units for sale (see Note 7)	(32,369)	(1,733,711)
Reclassification and others (see Note 11 and 13)	107,309	20,712
At end of the year	₱30,518,099	₱29,486,964

The average rates used to determine the amount of borrowing costs eligible for capitalization range from 5.46% in 2019 and from 4.60% to 5.10% in 2018.

Estimated cost to complete the projects amounted to ₱54,092 million and ₱51,097 million as at March 31, 2019 and December 31, 2018, respectively.

Contract fulfillment assets, included under land and development accounted for as real estate inventories, mainly pertain to unamortized portion of land cost totaling ₱929 million and ₱1,232 million as at March 31, 2019 and December 31, 2018, respectively.

The movements in “Land and development” accounted as investment property are as follows:

	March 31, 2019 (Three Months) (Unaudited)	December 31, 2018 (One Year) (Audited)
<i>(In Thousands)</i>		
At beginning of the year	₱49,844,246	₱–
Reclassifications and transfers from real estate inventories to investment property	–	32,400,724
Land acquisitions	2,049,768	17,443,522
At end of year	₱51,894,014	₱49,844,246

9. Equity Instruments at FVOCI

This account consists of investments in:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Shares of stock:		
Listed (see Note 19)	₱24,070,055	₱23,508,022
Unlisted	24,230	24,231
	24,094,285	23,532,253
Less noncurrent portion	23,478,773	22,892,937
	₱615,512	₱639,316

Dividend income from investments in listed and unlisted shares of stock amounted to ₱77 million and ₱145 million for the three-month periods ended March 31, 2019 and 2018, respectively.

Unrealized gain on changes in fair value amounting to ₱562 million for the three-month period ended March 31, 2019 and unrealized loss amounting to ₱2,726 million for the three-month period ended March 31, 2018 were included under other comprehensive income.

10. Prepaid Expenses and Other Current Assets

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Advances and deposits	₱6,931,551	₱6,108,850
Input and creditable withholding taxes	5,817,600	5,658,232
Prepaid taxes and other prepayments	3,597,780	2,845,331
Supplies and inventories	390,007	362,833
Cash in escrow and others (see Note 19)	74,365	171,783
	₱16,811,303	₱15,147,029

11. Investment Properties

The movements in this investment properties are as follows:

	Land and Improvements	Buildings and Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
<i>(In Thousands)</i>					
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	963,174	582,334	391,646	4,918,977	6,856,131
Reclassifications	(3,005)	5,199,205	158,630	(5,354,830)	-
Translation adjustment	33,051	968,735	77,381	33,985	1,113,152
Disposals	-	(4,256)	(37,282)	(5,864)	(47,402)
Balance as at March 31, 2019	₱67,870,931	₱231,521,920	₱40,370,545	₱38,332,439	₱378,095,835
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 21)	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 21)	51,375	1,649,877	735,498	-	2,436,750
Reclassifications	7,563	6,056	(13,619)	-	-
Translation adjustment	18,910	158,832	41,013	-	218,755
Disposals	-	(4,256)	(16,062)	-	(20,318)
Balance as at March 31, 2019	₱2,148,697	₱52,024,979	₱25,060,849	₱-	₱79,234,525
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 March 31, 2019	₱65,722,234	₱179,496,941	₱15,309,696	₱38,332,439	₱298,861,310

Consolidated rent income from investment properties amounted to ₱14,782 million and ₱13,499 million for the three-month periods ended March 31, 2019 and 2018, respectively. Consolidated costs and expenses from investment properties amounted to ₱7,744 million and ₱7,160 million for the three-month periods ended March 31, 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 ₱44,240 million and ₱40,953 million as at March 31, 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 ₱17,962 million and ₱16,230 million as at March 31, 2019 and December 31, 2018, respectively.

Interest capitalized to the construction of investment properties amounted to ₱909 million and ₱2,681 million and capitalization rates used range from 2.35% to 5.06% and from 2.35% to 5.04%, for the periods ended March 31, 2019 and December 31, 2018, respectively.

The fair value of investment properties 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 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.

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 March 31, 2019, OHI's total assets, total liabilities and total equity amounted to ₱36,811 million, ₱29,012 million and ₱7,799 million, respectively, and the carrying value of investment in OHI amounted to ₱17,056 million, which consists of its proportionate share in the net assets of OHI amounting to ₱1,661 million and fair value adjustments and others totaling ₱15,395 million. The share in profit and total comprehensive income amounted to ₱136 million and ₱124 million for the three-month periods ended March 31, 2019 and 2018, respectively.

The carrying value of investment in FHREC amounted to ₱1,372 million and ₱1,340 million as at March 31, 2019 and December 31, 2018, respectively, with cumulative equity in net earnings amounting to ₱1,073 million and ₱1,048 million as at March 31, 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 28 malls across Metro Manila and Luzon.

The aggregate carrying values of investments in Waltermart amounted to ₱6,421 million and ₱6,304 million as at March 31, 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 ₱1,276 million and ₱1,159 million as at March 31, 2019 and December 31, 2018, respectively. The aggregate share in profit and total comprehensive income, net of dividend received, amounted to ₱117 million and ₱104 million for the three-month periods ended March 31, 2019 and 2018, respectively.

In June 2016, SMDC entered into a shareholder's agreement through ST 6747 Resources Corporation (STRC) for the development of a high-end luxury residential project. 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 March 31, 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 March 31, 2019 and December 31, 2018.

13. Other Noncurrent Assets

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	<i>(In Thousands)</i>	
Bonds and deposits	₱40,382,729	₱39,594,024
Receivables from sale of real estate - net of current portion (see Note 6)	25,440,888	26,232,167
Land use rights (see Note 8)	10,603,647	10,403,350
Time deposits (see Note 19)	2,403,716	2,392,622
Property and equipment - net of accumulated depreciation of ₱1,769 million and ₱1,746 million, respectively (see Note 21)	1,389,697	1,419,111
Deferred input tax	1,259,083	1,171,185
Others	1,053,503	1,116,712
	₱82,533,263	₱82,329,171

Interest income earned from time deposits amounted to ₱18 million and ₱15 million for the three-month periods ended March 31, 2019 and 2018, respectively (see Note 22).

14. Loans Payable

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

Interest expense incurred from loans payable amounted to ₱3 million and ₱8 million for the three-month periods ended March 31, 2019 and 2018, respectively (see Note 22).

15. Accounts Payable and Other Current Liabilities

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
<i>(In Thousands)</i>		
Trade:		
Third parties	₱24,415,884	₱25,987,678
Related parties (see Note 19)	206,685	282,337
Tenants' and customers' deposits	33,702,979	31,375,908
Lease liabilities (see Note 17)	27,526,583	-
Accrued operating expenses:		
Third parties	9,930,551	9,338,262
Related parties (see Note 19)	456,418	455,954
Liability for purchased land	13,256,463	14,019,013
Deferred output VAT	3,424,748	3,087,528
Accrued interest (see Note 19)	1,636,672	1,881,165
Payable to government agencies	1,223,186	1,170,561
Nontrade	293,407	286,841
Others	1,881,125	1,458,027
	117,954,701	89,343,274
Less noncurrent portion	54,700,546	27,576,188
	₱63,254,155	₱61,767,086

* Includes unearned revenue from sale of real estate amounting to ₱3,871 million and ₱4,195 million as at March 31, 2019 and December 31, 2018, respectively.

Accrued operating expenses - third parties consist of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
<i>(In Thousands)</i>		
Utilities	₱3,159,687	₱4,484,483
Marketing and advertising	1,219,768	1,092,560
Payable to contractors and others	5,551,096	3,761,219
	₱9,930,551	₱9,338,262

16. Long-term Debt

This account consists of:

	Availability Date	Maturity Date	Interest Rate	Condition	Outstanding Balance	
					March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
<i>(In Thousands)</i>						
Parent Company						
Philippine peso-denominated loans and bonds	January 12, 2012 – March 1, 2018	March 1, 2020 - July 26, 2026	Floating PDST-R2 + margin; 4.20% – 6.74%	Unsecured	₱112,251,500	₱112,323,200
U.S. dollar-denominated loans	July 30, 2018	June 14, 2023	LIBOR + spread; semi-annual	Unsecured	5,775,000	5,783,800
Subsidiaries						
Philippine peso-denominated loans	June 3, 2013 - September 21, 2018	January 28, 2019 – June 18, 2025	Floating PDST-R2 + margin; 3.84% – 7.55%	Unsecured	65,490,939	66,490,939
U.S. dollar-denominated loans	April 23, 2014 - October 16, 2017	April 14, 2019 - June 30, 2022	LIBOR + spread; semi-annual	Unsecured	36,531,803	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*	3,186,628	3,118,514
					223,235,870	223,908,055
Less debt issue cost					1,044,797	1,136,169
					222,191,073	222,771,886
Less current portion					40,001,823	25,089,624
					₱182,189,250	₱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 ₱5 million. Amortization of debt issue cost (included under “Others - net” in the interim consolidated statements of income) for the three-month periods ended March 31, 2019 and 2018 amounted to ₱99 million and ₱93 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 March 31, 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
	<i>(In Thousands)</i>		
Within 1 year	₱40,001,823	(₱222,853)	₱39,778,970
More than 1 year to 5 years	128,536,307	(746,421)	127,789,886
More than 5 years	54,697,740	(75,523)	54,622,217
	<u>₱223,235,870</u>	<u>(₱1,044,797)</u>	<u>₱222,191,073</u>

Interest expense incurred from long-term debt amounted to ₱2,004 million and ₱1,617 million for the three-month periods ended March 31, 2019 and 2018, respectively (see Note 22).

17. Lease Liabilities

This account consists of current and non-current portion of lease liabilities on the Company’s lease contracts as lessee amounting to ₱671 million and ₱26,856 million as at March 31, 2019 (see Note 15). Payments to lease liabilities amounts to ₱190 million for the three-month period ended March 31, 2019.

The related right-of-use assets on the lease contracts amounts to ₱27,477 million as at March 31, 2019. Depreciation expense on right-of-use assets amounts to ₱241 million for the three-month period ended March 31, 2019.

18. Equity

Capital Stock

As at March 31, 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 March 31, 2019 and December 31, 2018, the Company has 28,856 million and 28,856 million outstanding shares, respectively.

Retained Earnings

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.

In 2017, the BOD approved the declaration of cash dividend of ₱0.26 per share or ₱7,509 million to stockholders of record as of May 12, 2017, ₱12 million of which was received by SMDC. This was paid on May 25, 2017.

As at March 31, 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 ₱79,144 million and ₱75,721 million as at March 31, 2019 and December 31, 2018, respectively, representing the cost of shares held in treasury amounting to ₱2,985 million as at March 31, 2019 and December 31, 2018 and accumulated equity in net earnings of SMPH subsidiaries, associates and joint ventures totaling ₱76,159 million and ₱72,736 million as at March 31, 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 March 31, 2019 and December 31, 2018. The movement of the treasury stock of the Company are as follows:

	March 31, 2019 (Three Months) (Unaudited)	December 31, 2018 (One Year) (Audited)
	<i>(In Thousands)</i>	
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

19. 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)]		Terms	Conditions
	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)		
	<i>(In Thousands)</i>					
Ultimate Parent						
Rent income	₱12,036	₱11,286	₱-	₱-		
Rent receivable	-	-	23,345	4,967	Noninterest-bearing	Unsecured; not impaired
Management fee income	734	-	-	-		
Service income	12,000	12,000	-	-		
Service fee receivable	-	-	14,000	14,000	Noninterest-bearing	Unsecured; not impaired
Rent expense	26,361	23,151	-	-		
Accrued rent payable	-	-	(1,272)	(808)	Noninterest-bearing	Unsecured
Trade payable	-	487	(8,074)	(16,805)	Noninterest-bearing	Unsecured
Equity instruments at FVOCI	-	-	136,461	134,050	Noninterest-bearing	Unsecured; not impaired
Banking and Retail Group						
Cash and cash equivalents	32,349,768	39,739,511	23,046,547	24,890,200	Interest bearing based on prevailing rates	Unsecured; not impaired
Rent income	4,004,172	3,639,428	-	-		
Rent receivable	-	-	2,542,470	3,006,209	Noninterest-bearing	Unsecured; not impaired
Service income	7,102	6,573	-	-		
Management fee income	-	44	-	-		
Management fee receivable	-	-	12,413	14,469	Noninterest-bearing	Unsecured; not impaired
Deferred rent income	-	-	(6,265)	(8,950)	Noninterest bearing	Unsecured
Interest income	241,330	174,668	-	-		
Accrued interest receivable	-	-	46,137	29,963	Noninterest-bearing	Unsecured; not impaired
Time deposits	10,899	301,319	2,393,496	2,382,597	Interest-bearing	Unsecured
Loans payable and long-term debt	-	386	(9,828,577)	(9,824,904)	Interest-bearing	Combination of secured and unsecured
Interest expense	311,686	13,138	-	-		
Accrued interest payable	-	-	(421,938)	(3,878)	Noninterest-bearing	Unsecured
Rent expense	115	244	-	-		
Trade payable	-	32,170	(121,949)	(138,782)	Noninterest-bearing	Unsecured
Management fee expense	919	591	-	-		
Equity instruments at FVOCI	-	-	15,251,279	15,011,058	Noninterest-bearing	Unsecured; not impaired

	Amount of Transactions		Outstanding Amount [Asset (Liability)]		Terms	Conditions
	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)		
<i>(In Thousands)</i>						
Cash in escrow	₱31,253	₱-	₱60,507	₱157,719	Interest bearing based on prevailing rates	Unsecured; not impaired
Dividend income	27,007	27,007	-	-		
Other Related Parties						
Rent income	47,562	42,436	-	-		
Rent receivable	-	-	15,391	13,574	Noninterest-bearing	Unsecured; not impaired
Service income	12,888	13,704	-	-		
Service fee receivable	-	-	4,781	62		
Management fee income	2,474	1,186	-	-		
Management fee receivable	-	-	7,993	7,993		
Rent expense	1,923	1,405	-	-		
Accrued expenses	-	-	(455,146)	(455,146)	Noninterest-bearing	Unsecured
Trade payable	-	-	(76,662)	(126,750)	Noninterest-bearing	Unsecured
Dividend income	-	88,266	-	-		

Due from and due to related parties amounted to nil as at March 31, 2019 and December 31, 2018. The amount of due from and due to related party transactions amounted to nil for the three-month periods ended March 31, 2019 and 2018, respectively.

Compensation of Key Management Personnel

The aggregate compensation and benefits related to key management personnel for the three-month periods ended March 31, 2019 and 2018 consist of short-term employee benefits amounting to ₱268 million and ₱240 million, respectively, and post-employment benefits (pension benefits) amounting to ₱48 million and ₱38 million in both periods.

20. Other Revenue

This account consists of:

	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
<i>(In Thousands)</i>		
Food and beverages	₱441,435	₱421,262
Amusement income	247,272	236,213
Net merchandise sales	206,570	183,740
Bowling and ice skating fees	65,417	57,004
Advertising and others (see Note 19)	526,243	458,865
	₱1,486,937	₱1,357,084

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

21. Costs and Expenses

This account consists of:

	March 31, 2019	March 31, 2018
	(Unaudited)	(Unaudited)
	<i>(In Thousands)</i>	
Cost of real estate sold (see Notes 7 and 8)	₱4,343,606	₱3,738,042
Depreciation and amortization (see Notes 11, 13 and 17)	2,725,864	2,291,213
Administrative	2,523,897	2,398,786
Business taxes and licenses	1,234,013	1,127,119
Marketing and selling expenses	1,186,753	1,052,203
Film rentals	634,080	597,472
Rent (see Note 19)	289,808	413,562
Insurance	124,408	118,163
Others	491,061	525,992
	₱13,553,490	₱12,262,552

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

22. Interest Income and Interest Expense

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

	March 31, 2019	March 31, 2018
	(Unaudited)	(Unaudited)
	<i>(In Thousands)</i>	
Interest income on:		
Cash and cash equivalents (see Note 5)	₱332,485	₱265,209
Time deposits (see Note 13)	17,984	14,627
Others (see Notes 6 and 10)	23,433	16,069
	₱373,902	₱295,905
Interest expense on:		
Long-term debt (see Note 16)	₱2,004,333	₱1,617,295
Loans payable (see Note 14)	2,814	7,703
Others	1,841	3,871
	₱2,008,988	₱1,628,869

23. Financial Risk Management Objectives and Policies

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

The Company also enters into derivative transactions, principally, cross currency swaps, principal only swaps, interest rate swaps and forward swaps. The purpose is to manage the interest rate and foreign currency risks arising from the Company's operations and its sources of finance (see Note 24).

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 March 31, 2019 and December 31, 2018, after taking into account the effect of interest rate swaps, approximately 80% 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\$35 million (₱1,843 million) as at March 31, 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 March 31, 2019 and December 31, 2018.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rates used were ₱52.50 to US\$1.00 and ₱52.58 to US\$1.00, the Philippine peso to U.S. dollar exchange rate as at March 31, 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.

24. 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:

	March 31, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	<i>(In Thousands)</i>			
Financial Assets				
Financial assets at FVTPL:				
Derivative assets	₱687,394	₱687,394	₱852,933	₱852,933
Financial assets at amortized cost:				
Time deposits (included under "Other noncurrent assets")	2,403,716	2,392,789	2,392,622	2,339,327
Financial assets at FVOCI:				
Equity instruments	24,094,285	24,094,285	23,532,253	23,532,253
	₱27,185,395	₱27,174,468	₱26,777,808	₱26,724,513
Financial Liabilities				
Financial liabilities at FVTPL:				
Derivative liabilities	₱700,946	₱700,946	₱335,008	₱335,008
Loans and borrowings:				
Liability for purchased land - net of current portion	5,961,068	5,955,091	6,044,220	6,011,668
Long-term debt - net of current portion	182,189,250	170,739,466	197,682,262	182,162,127
Lease liability – net of current portion	26,855,610	26,855,610	–	–
Tenants' deposits - net of current portion	18,309,675	17,745,376	18,177,479	17,770,876
Other noncurrent liabilities*	7,466,886	6,532,581	7,078,916	6,978,719
	₱241,483,435	₱228,529,070	₱229,317,885	₱213,258,398

*Excluding nonfinancial liabilities amounting to ₱3,378 million and ₱3,433 million as at March 31, 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:

Financial Assets 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 3.60% to 8.43% and 3.82% to 8.45% as at March 31, 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 6.88% to 9.23% and 6.98% to 9.01% as at March 31, 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 6.92% to 7.09% and 7.80% to 7.85% as at March 31, 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 set-off 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:

	March 31, 2019		
	Level 1	Level 2	Level 3
	<i>(In Thousands)</i>		
Financial Assets			
Financial assets at FVTPL -			
Derivative assets	P-	P687,394	P-
Financial assets at amortized cost -			
Time deposits (included under "Other noncurrent assets")	-	2,392,789	-
Financial assets at FVOCI -			
Equity instruments	24,070,054	-	24,231
	P24,070,054	P3,080,183	P24,231

	March 31, 2019		
	Level 1	Level 2	Level 3
	<i>(In Thousands)</i>		
Financial Liabilities			
Financial liabilities at FVTPL:			
Derivative liabilities	P-	P700,946	P-
Loans and borrowings:			
Liability for purchased land - net of current portion	-	-	P5,955,091
Long-term debt - net of current portion	-	-	170,739,466
Lease liability – net of current portion	-	-	26,855,610
Tenants’ deposits	-	-	17,745,376
Other noncurrent liabilities*	-	-	6,532,581
	P-	P700,946	P227,828,124

*Excluding nonfinancial liabilities amounting to P3,378 million as at March 31, 2019.

	December 31, 2018		
	Level 1	Level 2	Level 3
	<i>(In Thousands)</i>		
Financial Assets			
Financial assets at FVTPL:			
Derivative assets	P-	P852,933	P-
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
	P23,508,022	P3,192,260	P24,231
Financial Liabilities			
Financial liabilities at FVTPL:			
Derivative liabilities	P-	P335,008	P-
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
	P-	P335,008	P212,923,390

*Excluding nonfinancial liabilities amounting to P3,433 million as at December 31, 2018.

During the periods ended March 31, 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 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 (P3,199 million for US\$60 million and P2,667 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.

The outstanding cross-currency swaps has a negative fair value of P162 million.

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 (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 negative fair value of ₱257 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 March 31, 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. The outstanding principal swaps has a negative fair value of ₱282 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 ₱264 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 March 31, 2019.

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 ₱437 million loss and ₱124 million gain as at March 31, 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 three-month periods ended March 31, 2019 and 2018. Foreign currency translation arising from the hedged loan recognized in the interim consolidated statements of income amounted to ₱475 million gain and ₱3,964 million gain for the three-month periods ended March 31, 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).

As at March 31, 2019, SM Land (China) Limited's outstanding forward swaps consist of US\$100 million with low strike 6.3135 and high strike 6.4850, US\$100 million with low strike 6.2885 and high strike 6.4955 and US\$100 million with low strike 6.3828 and high strike 6.5473, all maturing at April 15, 2019. Fair value changes from the forward swaps recognized in the consolidated statements of income amounted to ₱20 million gain.

25. EPS Computation

Basic/diluted EPS is computed as follows:

	March 31, 2019	March 31, 2018
	(Unaudited)	(Unaudited)
	<i>(In Thousands, Except Per Share Data)</i>	
Net income attributable to equity holders of the parent (a)	₱8,796,096	₱7,597,409
Common shares issued	33,166,300	33,166,300
Less weighted average number of treasury stock	4,309,889	4,315,044
Weighted average number of common shares outstanding (b)	28,856,411	28,851,256
Earnings per share (a/b)	₱0.305	₱0.263

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

	March 31, 2019	December 31, 2018
i. Current ratio		
$\frac{\text{Total current assets}}{\text{Total current liabilities}}$	1.26	1.45
Acid - Test Ratio		
$\frac{\text{Total current assets less inventory and prepaid expenses}}{\text{Total current liabilities}}$	0.75	0.85
ii. Debt-to-equity ratio		
$\frac{\text{Total interest-bearing liabilities}}{\text{Total equity attributable to equity holders of the parent} + \text{Total interest-bearing liabilities}}$	44:56	45:55
Net debt-to-equity ratio		
$\frac{\text{Total interest-bearing liabilities less cash and cash equivalents and investment securities}}{\text{Total equity attributable to equity holders of the parent} + \text{Total interest-bearing liabilities less cash and cash equivalents and investment securities}}$	39:61	40:60
Solvency Ratio		
$\frac{\text{Total assets}}{\text{Total liabilities}}$	1.82	1.86
iii. Asset to equity ratio		
$\frac{\text{Total assets}}{\text{Total equity attributable to equity holders of the parent}}$	2.25	2.19
	March 31, 2019	March 31, 2018
<i>(Annualized)</i>		
iv. Interest Service Coverage		
$\frac{\text{Earnings before interest, income taxes, depreciation and amortization (EBITDA)}}{\text{Interest expense}}$	7.72	8.12
Debt to EBITDA		
$\frac{\text{Total interest-bearing liabilities}}{\text{EBITDA}}$	3.58	3.82
v. Return on equity		
$\frac{\text{Net income attributable to equity holders of the parent}}{\text{Total average equity attributable to equity holders of the parent}}$	13%	12%
Return on investment properties		
$\frac{\text{Net income attributable to equity holders of the parent}}{\text{Total average investment properties (excluding shopping mall complex under construction)}}$	14%	13%

SM Prime Holdings, Inc. and Subsidiaries
Aging of Accounts Receivables
As at March 31, 2019
(Amounts in Thousands)

Trade:	
Sale of real estate	₱54,308,225
Rent:	
Third parties	5,025,082
Related parties	2,581,206
Others	10,410
Nontrade	314,392
Accrued interest	125,199
Others	2,032,886
	64,397,400
Less allowance for impairment	1,035,757
	63,361,643
Less noncurrent portion of receivables from sale of real estate	25,440,888
	₱37,920,755

The aging analyses of receivables follows:

Neither past due nor impaired	₱58,436,866
Past due but not impaired:	
Less than 30 days	1,991,965
31–90 days	1,331,001
91–120 days	383,618
Over 120 days	1,218,193
Impaired	1,035,757
	₱64,397,400

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

SM Prime's Net Income up 16% in 1Q 2019 to P8.80 billion

Financial and Operational Highlights

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

	Three months ended Mar 31				
	2019	% to Revenues	2018	% to Revenues	% Change
Profit & Loss Data					
Revenues	26,538	100%	23,355	100%	14%
Costs and expenses	13,553	51%	12,263	53%	11%
Operating Income	12,985	49%	11,093	47%	17%
Net Income	8,796	33%	7,597	33%	16%
EBITDA	15,511	58%	13,234	57%	17%
	Mar 31 2019	% to Total Assets	Dec 31 2018	% to Total Assets	% Change
Balance Sheet Data					
Total Assets	645,178	100%	604,134	100%	7%
Investment Properties	298,861	46%	293,575	49%	2%
Total Debt	222,230	34%	222,811	37%	0%
Net Debt	182,559	28%	184,045	30%	-1%
Total Equity	286,676	44%	275,303	46%	4%
Financial Ratios					
	Mar 31 2019	Dec 31 2018			
Debt to Equity	0.44 : 0.56	0.45 : 0.55			
Net Debt to Equity	0.39 : 0.61	0.40 : 0.60			
	Mar 31 2019	Mar 31 2018			
Return on Equity	0.13	0.12			
Debt to EBITDA	3.58	3.82			
Interest Coverage Ratio	7.72	8.12			
Operating Income to Revenues	0.49	0.47			
EBITDA Margin	0.58	0.57			
Net Income to Revenues	0.33	0.33			

Revenue

SM Prime recorded consolidated revenues of ₱26.54 billion for the first three months of 2019, an increase of 14% from ₱23.36 billion in the same period in 2018, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱14.78 billion in 2019, an increase of 10% from ₱13.50 billion in 2018. The increase in rental revenue was due to the new malls and expansions opened in 2017 and 2018 namely, SM CDO Downtown Premier, S Maison, SM City Puerto Princesa, SM Center Tuguegarao Downtown, SM City Urdaneta Central, SM City Telabastagan, SM City Legazpi and SM Center Ormoc with a total gross floor area of 0.54 million square meters. 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, 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 23% increase in real estate sales in 2019 from ₱7.38 billion to ₱9.10 billion primarily due to higher construction accomplishments of launched projects including Cheerful, Green 2, Trees Ph3, Hope, Charm and Bloom and continued increase in sales take-up of various Ready-For-Occupancy (RFO) projects due to strong demand fueled by international buyers, Overseas Filipinos' remittances, and rising disposable income of the emerging middle class. 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 5% to ₱1.17 billion in 2019 from ₱1.12 billion in 2018 due to increase in local movie sales and higher event ticket sales. The major blockbusters screened in 2019 include "Captain Marvel", "Alone/Together", "Fantastica", "How to Train Your Dragon: The Hidden World" and "Bumblebee" accounting for 59% of gross ticket sales. The major blockbusters screened in 2018 include "Black Panther", "The Revenger Squad", "Jumanji: Welcome to the Jungle", "Insidious: The Last Key" and "Pitch Perfect 3" accounting for 49% of gross ticket sales.

Other Revenues

Other revenues increased by 10% to ₱1.49 billion in 2019 from ₱1.36 billion in 2018. The increase was mainly due to higher income from bowling and ice skating operations, opening of new amusement attractions particularly SM Skyranch Baguio, increase in net merchandise sales from snackbars and increase in hotels' food and beverages income.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱13.55 billion in 2019, an increase of 11% from ₱12.26 billion in the same period in 2018, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate increased by 16% to ₱4.34 billion in 2019 from ₱3.74 billion in 2018 primarily due to costs related to higher recognized real estate sales. Gross profit margin on real estate sales improved from 49% in 2018 to 52% 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 ₱9.21 billion in 2019 compared to last year's ₱8.52 billion. Out of the total operating expenses, 71% is contributed by the malls where same-store mall growth in operating expenses is at 8%. The increase is in line with related increase in revenues from same-store as well as the opening of new malls and expansions. Operating expenses include depreciation and amortization, 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 23% to ₱2.01 billion in 2019 compared to ₱1.63 billion in 2018 due to the ₱20.0 billion retail bond issued in March 2018 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 2% to ₱0.45 billion in 2019 from ₱0.44 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 ₱0.11 billion in 2019 from ₱0.02 billion in 2018 mainly due to income from forfeited deposits, increase in equity in net earnings of associates and joint ventures and other incidental income related to mall operations.

Provision for income tax

SM Prime's consolidated provision for income tax increased by 17% to ₱2.54 billion in 2019 from ₱2.18 billion in 2018.

Net income attributable to Parent

SM Prime's consolidated net income for the three months ended March 31, 2019 increased by 16% to ₱8.80 billion as compared to ₱7.60 billion in the same period last year.

Balance Sheet Accounts

SM Prime's total assets amounted to ₱645.18 billion as of March 31, 2019, an increase of 7% from ₱604.13 billion as of December 31, 2018.

Cash and cash equivalents increased by 2% from ₱38.77 billion to ₱39.67 billion as of December 31, 2018 and March 31, 2019, respectively, mainly due to 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 8% from ₱35.23 billion to ₱37.92 billion as of December 31, 2018 and March 31, 2019, respectively, due to increase in sales of residential projects.

Condominium and residential units for sale decreased by 12% from ₱8.09 billion to ₱7.10 billion as of December 31, 2018 and March 31, 2019, respectively, mainly due to subsequent sales of RFO units.

Prepaid expenses and other current assets increased by 11% from ₱15.15 billion to ₱16.81 billion as of December 31, 2018 and March 31, 2019, respectively, due to deposits and advances to contractors related to construction projects and various prepayments.

Derivative assets decreased by 19% from ₱0.85 billion to ₱0.69 billion as of December 31, 2018 and March 31, 2019 respectively, mainly resulting from the net fair value changes on the forward swap transaction and interest rate swap transaction entered into in 2016 to 2018. While the increase in derivative liabilities from ₱0.34 billion to ₱0.70 billion as of December 31, 2018 and March 31, 2019, respectively, mainly resulting from the net fair value changes on the principal only swap transaction and cross currency swap transactions entered into in 2016 to 2018.

In 2019, the Company adopted PFRS 16, Leases using the modified retrospective approach with the date of initial application of January 1, 2019. Right-of-use assets and lease liabilities were recognized and presented separately in the consolidated balance sheet. As of March 31, 2019, Right-of-use asset - net and Lease liability - net of current portion amounts to ₱27.48 billion and ₱26.86 billion, respectively.

Accounts payable and other current liabilities increased by 2% from ₱61.77 billion to ₱63.25 billion as of December 31, 2018 and March 31, 2019, respectively, mainly due to customers' deposits and current portion of the lease liability.

Deferred tax liabilities increased by 7% from ₱3.53 billion to ₱3.76 billion as of December 31, 2018 and March 31, 2019, respectively, mainly due to unrealized gross profit on sale of real estate for tax purposes.

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 decreased to 0.44:0.56 as of March 31, 2019 from 0.45:0.55 as of December 31, 2018. Likewise, net interest-bearing debt to equity decreased to 0.39:0.61 as of March 31, 2019 from 0.40:0.60 as of December 31, 2018 due to net loan payments.

ROE increased to 13% as of March 31, 2019 from 12% as of March 31, 2018.

Debt to EBITDA improved to 3.58:1 as of March 31, 2019 from 3.82:1 as of March 31, 2018 due to increase in consolidated operating income. Interest coverage ratio decreased to 7.72:1 as of March 31, 2019 from 8.12:1 as of March 31, 2018 as a result of increase in interest expense from additional borrowings. EBITDA margin slightly improved to 58% as of March 31, 2019 from 57% as of March 31, 2018.

Consolidated operating income to revenues improved to 49% as of March 31, 2019 from 47% as of March 31, 2018. Consolidated net income to revenues remains steady at 33% as of March 31, 2019 and 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 March 31, 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-two shopping malls in the Philippines with 8.3 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 rest of 2019, SM Prime is slated to open four new malls in the Philippines to add around 179,000 square meters of additional space. By the end of 2019, the malls business unit will have seventy-six malls in the Philippines and seven malls in China with an estimated combined gross floor area of almost 10.0 million square meters.

SM Prime currently has forty-five residential projects in the market, thirty-six of which are in Metro Manila and nine are outside Metro Manila. For 2019, SM Prime is scheduled 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 eleven office buildings with a combined gross floor area of 642,000 square meters. Three E-Com Center, with gross floor area of almost 130,000 square meters, was recently launched in September 2018. SM Prime is set to launch the campus-office building named NU Tower, and the FourE-Com Center, both in the Mall of Asia Complex, Pasay City in 2019 and 2020, respectively.

SM Prime's hotels and convention centers business unit currently has a portfolio of six hotels with over 1,500 rooms, four convention centers and three trade halls. The Company is set to launch two new hotels this 2019 namely Park Inn by Radisson – Iloilo and Park Inn by Radisson – North EDSA which will bring the total number to over 1,900 rooms.

SIGNATURES

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: May 6, 2019


JOHN NAI PENG C. ONG
Chief Finance Officer