

COVER SHEET

SEC Registration Number

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COMPANY NAME

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B	S	I	D	I	A	R	I	E	S																				

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 10px; 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 10px; display: inline-block;">2,445</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 10px; 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 10px; 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 10px; 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, 2017
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 Industry Classification Code:
incorporation or organization
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, 2017
and for the Three-Month Periods Ended March 31, 2017
and 2016
(with Comparative Audited Consolidated
Balance Sheet as at December 31, 2016)

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**INTERIM CONSOLIDATED BALANCE SHEET****March 31, 2017****(With Comparative Audited Figures as at December 31, 2016)***(Amounts in Thousands)*

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 20 and 24)	₱26,972,322	₱25,200,982
Investments held for trading (Notes 7, 20, 24 and 25)	965,258	918,702
Receivables (Notes 8, 16, 20, 24 and 25)	30,689,179	32,833,330
Condominium and residential units for sale (Note 9)	6,940,920	5,205,511
Land and development (Note 10)	25,197,912	27,228,525
Available-for-sale investments (Notes 11, 24 and 25)	689,156	664,606
Prepaid expenses and other current assets (Notes 12, 20, 24 and 25)	12,306,815	11,898,900
Total Current Assets	103,761,562	103,950,556
Noncurrent Assets		
Investments in associates and joint ventures (Note 14)	23,834,638	22,833,079
Available-for-sale investments - net of current portion (Notes 11, 20, 24 and 25)	24,516,512	20,548,119
Investment properties - net (Note 13)	257,631,641	251,499,064
Land and development - net of current portion (Note 10)	27,209,838	19,472,641
Derivative assets (Notes 24 and 25)	4,536,301	5,102,735
Deferred tax assets – net	1,170,882	1,137,729
Other noncurrent assets – net (Notes 15, 20, 24 and 25)	44,470,697	41,016,209
Total Noncurrent Assets	383,370,509	361,609,576
	₱487,132,071	₱465,560,132
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Notes 16, 20, 24 and 25)	₱4,705,000	₱840,000
Accounts payable and other current liabilities (Notes 17, 20, 24 and 25)	42,085,300	40,324,504
Current portion of long-term debt (Notes 18, 20, 24 and 25)	31,696,138	7,154,151
Income tax payable	1,992,335	1,102,621
Total Current Liabilities	80,478,773	49,421,276
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 18, 20, 24 and 25)	134,146,879	156,383,534
Tenants' and customers' deposits (Notes 17, 24 and 25)	15,281,161	14,812,280
Liability for purchased land - net of current portion (Notes 17, 24 and 25)	1,169,090	1,211,658
Deferred tax liabilities - net	2,654,252	2,552,812
Other noncurrent liabilities (Notes 17, 24 and 25)	9,551,960	5,815,028
Total Noncurrent Liabilities	162,803,342	180,775,312
Total Liabilities <i>(Carried Forward)</i>	243,282,115	230,196,588

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Total Liabilities (Brought Forward)	₱243,282,115	₱230,196,588
Equity Attributable to Equity Holders of the Parent		
Capital stock (Notes 19 and 26)	33,166,300	33,166,300
Additional paid-in capital - net	39,547,782	39,545,625
Cumulative translation adjustment	1,572,671	1,400,373
Net unrealized gain on available-for-sale investments (Note 11)	20,258,349	17,502,410
Net fair value changes on cash flow hedges	241,081	811,625
Remeasurement loss on defined benefit obligation	39,687	39,687
Retained earnings (Note 19):		
Appropriated	42,200,000	42,200,000
Unappropriated	106,765,579	100,170,486
Treasury stock (Notes 19 and 26)	(3,355,474)	(3,355,474)
Total Equity Attributable to Equity Holders of the Parent	240,435,975	231,481,032
Non-controlling Interests	3,413,981	3,882,512
Total Equity	243,849,956	235,363,544
	₱487,132,071	₱465,560,132

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	
	2017	2016
REVENUE		
Rent (Note 20)	₱12,071,460	₱10,753,180
Sales:		
Real estate	5,923,992	5,546,364
Cinema and event ticket	1,229,855	1,059,093
Others (Notes 20 and 21)	1,282,393	887,512
	20,507,700	18,246,149
COSTS AND EXPENSES (Note 22)	10,941,188	9,859,426
INCOME FROM OPERATIONS	9,566,512	8,386,723
OTHER INCOME (CHARGES)		
Interest expense (Notes 20 and 23)	(1,249,974)	(995,293)
Interest and dividend income (Notes 11, 20 and 23)	279,259	270,880
Others - net (Notes 7 and 18)	88,889	(49,376)
	(881,826)	(773,789)
INCOME BEFORE INCOME TAX	8,684,686	7,612,934
PROVISION FOR INCOME TAX		
Current	1,868,351	1,483,398
Deferred	71,417	148,054
	1,939,768	1,631,452
NET INCOME	₱6,744,918	₱5,981,482
Attributable to		
Equity holders of the Parent (Notes 19 and 26)	₱6,595,093	₱5,835,882
Non-controlling interests (Note 19)	149,825	145,600
	₱6,744,918	₱5,981,482
Basic/Diluted earnings per share (Note 26)	₱0.229	₱0.202

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	
	2017	2016
NET INCOME	₱6,744,918	₱5,981,482
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income transferred to profit or loss:		
Realized gain from sale of available-for-sale investments (Note 11)	–	(10)
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Unrealized gain (loss) due to changes in fair value in available-for-sale investments (Note 11)	2,755,939	(32,911)
Net fair value changes on cash flow hedges	(570,544)	(324,195)
Cumulative translation adjustment	172,298	(156,772)
	2,357,693	(513,888)
TOTAL COMPREHENSIVE INCOME	₱9,102,611	₱5,467,594
Attributable to		
Equity holders of the Parent (Notes 19 and 26)	₱8,952,786	₱5,321,994
Non-controlling interests (Note 19)	149,825	145,600
	₱9,102,611	₱5,467,594

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, 2017 AND 2016**

(Amounts in Thousands)

Equity Attributable to Equity Holders of the Parent (Notes 19 and 26)												
	Capital Stock	Additional	Cumulative	Net Unrealized	Net Fair Value	Remeasurement	Retained Earnings (Note 19)		Treasury	Non-controlling	Total	
	(Notes 19 and 26)	Paid-in	Translation	Gain (Loss) on	Changes on	Loss on	Appropriated	Unappropriated	(Notes 19 and 26)	Interests	Equity	
		Capital - Net	Adjustment	Available- for-Sale Investments (Note 11)	Cash Flow Hedges	Defined Benefit Obligation				Total		
At December 31, 2016 (Audited)	₱33,166,300	₱39,545,625	₱1,400,373	₱17,502,410	₱811,625	₱39,687	₱42,200,000	₱100,170,486	(₱3,355,474)	₱231,481,032	₱3,882,512	₱235,363,544
Net income for the period	-	-	-	-	-	-	-	6,595,093	-	6,595,093	149,825	6,744,918
Other comprehensive income (loss)	-	-	172,298	2,755,939	(570,544)	-	-	-	-	2,357,693	-	2,357,693
Total comprehensive income (loss) for the period	-	-	172,298	2,755,939	(570,544)	-	-	6,595,093	-	8,952,786	149,825	9,102,611
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(530,791)	(530,791)
Sale (acquisition) of non-controlling interest	-	2,157	-	-	-	-	-	-	-	2,157	(87,565)	(85,408)
At March 31, 2017 (Unaudited)	₱33,166,300	₱39,547,782	₱1,572,671	₱20,258,349	₱241,081	₱39,687	₱42,200,000	₱106,765,579	(₱3,355,474)	₱240,435,975	₱3,413,981	₱243,849,956
At December 31, 2015 (Audited)	₱33,166,300	₱39,304,027	₱1,005,978	₱16,621,547	₱428,799	(₱50,458)	₱42,200,000	₱83,168,103	(₱3,355,474)	₱212,488,822	₱3,354,025	₱215,842,847
Net income for the period	-	-	-	-	-	-	-	5,835,882	-	5,835,882	145,600	5,981,482
Other comprehensive loss	-	-	(156,772)	(32,921)	(324,195)	-	-	-	-	(513,888)	-	(513,888)
Total comprehensive income (loss) for the period	-	-	(156,772)	(32,921)	(324,195)	-	-	5,835,882	-	5,321,994	145,600	5,467,594
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(485,292)	(485,292)
At March 31, 2016 (Unaudited)	₱33,166,300	₱39,304,027	₱849,206	₱16,588,626	₱104,604	(₱50,458)	₱42,200,000	₱89,003,985	(₱3,355,474)	₱217,810,816	₱3,014,333	₱220,825,149

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Three-Month Periods Ended March 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱8,684,686	₱7,612,934
Adjustments for:		
Depreciation and amortization (Notes 13 and 15)	2,141,191	1,888,493
Interest expense (Note 23)	1,249,974	995,293
Interest and dividend income (Notes 7, 11 and 23)	(279,259)	(270,880)
Equity in net earnings of associates and joint ventures (Note 14)	(215,205)	(92,260)
Loss (gain) on:		
Unrealized foreign exchange	(141,640)	250,956
Mark-to-market on investments held for trading (Note 7)	(44,202)	(29,559)
Sale of available-for-sale investments (Note 11)	–	(10)
Operating income before working capital changes	11,395,545	10,354,967
Decrease (increase) in:		
Receivables	2,255,539	(421,960)
Condominium and residential units for sale	801,803	1,250,424
Land and development	(8,132,959)	(383,414)
Prepaid expenses and other current assets	(404,613)	(114,410)
Increase (decrease) in:		
Accounts payable and other current liabilities	4,975,107	(2,277,324)
Tenants' and customers' deposits	447,874	753,797
Cash generated from operations	11,338,295	9,162,080
Income tax paid	(980,744)	(728,519)
Cash provided by operating activities	10,357,551	8,433,561
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of available-for-sale investments (Note 11)	–	29
Dividends received	56,470	52,419
Interest received	128,254	155,528
Additions to:		
Investment properties (Note 13)	(7,559,202)	(6,271,037)
Available-for-sale investments (Note 11)	(1,237,004)	–
Increase in investments to associates and joint ventures (Note 14)	(775,500)	–
Increase in other noncurrent assets	(3,314,096)	(1,246,213)
Net cash used in investing activities	(12,701,078)	(7,309,274)

(Forward)

	Three-Month Periods Ended March 31	
	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of bank loans and long-term debt (Notes 16 and 18)	₱6,450,880	₱12,938,792
Payments of:		
Interest (Note 17)	(924,816)	(971,477)
Long-term debt (Note 18)	(770,289)	(13,562,374)
Dividends (Note 19)	(530,791)	(485,292)
Bank loans (Note 16)	(135,000)	(3,900,000)
Net cash provided by (used in) financing activities	4,089,984	(5,980,351)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	24,883	10,197
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,771,340	(4,845,867)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	25,200,982	25,869,908
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱26,972,322	₱21,024,041

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, 2017, SMPH is 49.70% and 25.71% 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, investments held for trading and available-for-sale (AFS) investments 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, 2016.

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, 2017, 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, 2017.

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, 2016, except for the following amendments which the Company has adopted starting January 1, 2017:

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRS 2014–2016 Cycle*), clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments did not have any impact on the Company's consolidated financial statements.
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*, require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. The amendments did not have any material impact on the Company's consolidated financial statements.
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*, clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as

appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. The amendments did not have any impact on the Company's consolidated financial statements.

4. Segment Information

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

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

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

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

Management 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, 2017 (Unaudited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations/ Adjustments	Consolidated Balances
<i>(In Thousands)</i>						
Revenue:						
External customers	₱12,643,033	₱6,018,420	₱731,437	₱1,114,810	₱-	₱20,507,700
Inter-segment	11,978	-	17,110	7,404	(36,492)	-
	₱12,655,011	₱6,018,420	₱748,547	₱1,122,214	(₱36,492)	₱20,507,700
Segment results:						
Income before income tax	₱6,081,561	₱1,590,246	₱654,353	₱274,961	₱83,565	₱8,684,686
Provision for income tax	(1,531,483)	(229,152)	(116,321)	(62,812)	-	(1,939,768)
Net income	₱4,550,078	₱1,361,094	₱538,032	₱212,149	₱83,565	₱6,744,918
Net income attributable to:						
Equity holders of the Parent	₱4,400,216	₱1,361,131	₱538,032	₱212,149	₱83,565	₱6,595,093
Non-controlling interests	149,862	(37)	-	-	-	149,825
Other information:						
Capital expenditures	₱5,643,001	₱ 10,446,980	₱1,335,285	₱660,381	₱-	₱18,085,647
Depreciation and amortization	1,878,079	45,910	84,797	132,405	-	2,141,191

Three-month period ended March 31, 2016 (Unaudited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations/ Adjustments	Consolidated Balances
<i>(In Thousands)</i>						
Revenue:						
External customers	₱11,354,606	₱5,645,023	₱629,276	₱617,244	₱-	₱18,246,149
Inter-segment	6,817	-	16,758	789	(24,364)	-
	₱11,361,423	₱5,645,023	₱646,034	₱618,033	(₱24,364)	₱18,246,149
Segment results:						
Income before income tax	₱5,438,332	₱1,507,342	₱507,883	₱121,190	₱38,187	₱7,612,934
Provision for income tax	(1,304,840)	(205,437)	(88,088)	(33,087)	-	(1,631,452)
Net income	₱4,133,492	₱1,301,905	₱419,795	₱88,103	₱38,187	₱5,981,482
Net income attributable to:						
Equity holders of the Parent	₱3,987,892	₱1,301,905	₱419,795	₱88,103	₱38,187	₱5,835,882
Non-controlling interests	145,600	-	-	-	-	145,600
Other information:						
Capital expenditures	₱5,365,994	₱2,352,525	₱127,412	₱589,784	₱-	₱8,435,715
Depreciation and amortization	1,690,356	41,863	85,352	70,922	-	1,888,493

March 31, 2017 (Unaudited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
Segment assets	₱323,373,589	₱118,263,989	₱34,088,250	₱12,570,319	(₱1,164,076)	₱487,132,071
Segment liabilities	₱182,096,103	₱58,110,373	₱2,723,196	₱1,516,519	(₱1,164,076)	₱243,282,115

December 31, 2016 (Audited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
Segment assets	₱311,310,987	₱110,461,400	₱33,195,556	₱11,748,400	(₱1,156,211)	₱465,560,132
Segment liabilities	₱176,037,532	₱52,504,057	₱2,190,109	₱621,101	(₱1,156,211)	₱230,196,588

For the three-month periods ended March 31, 2017 and 2016, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

5. Business Combination

Common Control Business Acquisitions

In December 2016, the Parent Company, through Prime Commercial Property Management Corporation, acquired 90% each of the outstanding common stock of Shopping Center Management Corporation and SM Lifestyle Entertainment Inc. The companies involved are all under the common control by the Sy Family. Thus, the acquisitions were considered as common control business combinations and were accounted for using the pooling of interest method. Assets, liabilities and equity of the acquired businesses are included in the consolidated financial statements at their carrying amounts. No restatement of prior period was made as a result of the acquisitions due to immateriality. The excess of the cost of business combination over the net carrying amounts amounting to ₱242 million is included under “Additional paid-in capital - net” account in the equity section of the consolidated balance sheets.

6. Cash and Cash Equivalents

Cash and cash equivalents comprised the following:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Cash on hand and in banks (see Note 20)	₱1,829,798	₱1,657,565
Temporary investments (see Note 20)	25,142,524	23,543,417
	₱26,972,322	₱25,200,982

Interest income earned from cash in banks and temporary investments amounted to ₱110 million and ₱95 million for the three-month periods ended March 31, 2017 and 2016, respectively (see Note 23).

7. Investments Held for Trading

This account consists of investments in Philippine and United States (U.S.) corporate bonds and listed common shares. The Philippine government and corporate bonds have yields ranging from 2.58% to 7.22% as at March 31, 2017 and December 31, 2016. The Philippine-denominated and U.S. dollar-denominated corporate bonds will mature in 2017.

The movements in this account are as follows:

	March 31, 2017 (Three Months) (Unaudited)	December 31, 2016 (One Year) (Audited)
	<i>(In Thousands)</i>	
At beginning of the period	₱918,702	₱843,256
Mark-to-market gain (loss) during the period	44,202	61,424
Unrealized foreign exchange gain	2,354	14,022
At end of the period	₱965,258	₱918,702

Mark-to-market gain (loss) on changes in fair value of investments held for trading are included under “Others - net” account in the interim consolidated statements of income.

Interest income earned from investments held for trading amounted to ₱5 million and ₱4 million for the three-month periods ended March 31, 2017 and 2016, respectively (see Note 23).

8. Receivables

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Trade:		
Sale of real estate	₱36,065,108	₱34,390,089
Rent:		
Third parties	4,473,941	4,553,363
Related parties (see Note 20)	2,031,405	2,495,732
Others	53,064	143,754
Receivable from a co-investor	272,022	267,390
Accrued interest (see Note 20)	131,509	115,680
Due from related parties (see Note 20)	40,855	166,818
Nontrade	23,289	19,145
Others (see Note 20)	1,958,420	2,174,413
	45,049,613	44,326,384
Less allowance for impairment	969,978	966,427
	44,079,635	43,359,957
Less noncurrent portion of receivables from sale of real estate (see Note 15)	13,390,456	10,526,627
	₱30,689,179	₱32,833,330

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

Interest income earned from receivables amounted to ₱16 million and ₱13 million for the three-month periods ended March 31, 2017 and 2016, respectively (see Note 23).

The movements in the allowance for impairment related to receivables from sale of real estate and other receivables are as follows:

	March 31, 2017 (Three Months) (Unaudited)	December 31, 2016 (One Year) (Audited)
	<i>(In Thousands)</i>	
At beginning of the period	₱966,427	₱965,859
Provision for impairment - net	3,551	568
At end of the period	₱969,978	₱966,427

9. **Condominium and Residential Units for Sale**

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Condominium units for sale	₱6,667,880	₱4,923,079
Residential units and subdivision lots	273,040	282,432
	₱6,940,920	₱5,205,511

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

	March 31, 2017 (Three Months) (Unaudited)	December 31, 2016 (One Year) (Audited)
	<i>(In Thousands)</i>	
At beginning of the period	₱4,923,079	₱7,780,550
Transfer from land and development (see Note 10)	2,517,229	3,484,149
Cost of real estate sold (see Note 22)	(772,428)	(6,341,620)
At end of the period	₱6,667,880	₱4,923,079

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, 2017 and December 31, 2016.

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

	March 31, 2017 (Three Months) (Unaudited)	December 31, 2016 (One Year) (Audited)
	<i>(In Thousands)</i>	
At beginning of the period	₱282,432	₱384,431
Transfer from land and development (see Note 10)	19,983	32,300
Cost of real estate sold (see Note 22)	(29,375)	(134,299)
At end of the period	₱273,040	₱282,432

Residential units and subdivision lots for sale are stated at cost as at March 31, 2017 and December 31, 2016.

10. Land and Development

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Land and development	₱50,875,631	₱44,855,411
Land held for future development	1,532,119	1,845,755
	52,407,750	46,701,166
Less noncurrent portion	27,209,838	19,472,641
	₱25,197,912	₱27,228,525

The movements in “Land and development” account are as follows:

	March 31, 2017 (Three Months) (Unaudited)	December 31, 2016 (One Year) (Audited)
	<i>(In Thousands)</i>	
At beginning of the period	₱44,855,411	₱41,053,508
Land acquisitions	7,441,836	1,119,820
Development cost incurred	2,967,833	12,709,974
Transfer to condominium and residential units for sale (see Note 9)	(2,537,212)	(3,516,449)
Cost of real estate sold (see Note 22)	(2,308,289)	(6,641,222)
Capitalized borrowing cost	118,377	37,060
Others	337,675	92,720
At end of the period	₱50,875,631	₱44,855,411

Land and development include land and cost of ongoing residential projects.

The movements in “Land held for future development” are as follows:

	March 31, 2017 (Three Months) (Unaudited)	December 31, 2016 (One Year) (Audited)
	<i>(In Thousands)</i>	
At beginning of the period	₱1,845,755	₱1,866,660
Acquisition and transferred-in costs and others	(313,636)	(20,905)
At end of the period	₱1,532,119	₱1,845,755

The average rates used to determine the amount of borrowing costs eligible for capitalization range from 2.73% to 5.21% and 3.52% to 4.25% for the periods ended March 31, 2017 and December 31, 2016, respectively.

Land and development is stated at cost as at March 31, 2017 and December 31, 2016. There is no allowance for inventory write down as at March 31, 2017 and December 31, 2016.

11. Available-for-sale Investments

This account consists of investments in:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Shares of stock:		
Listed (see Note 20)	₱25,195,656	₱21,202,713
Unlisted	10,012	10,012
	25,205,668	21,212,725
Less noncurrent portion	24,516,512	20,548,119
	₱689,156	₱664,606

Dividend income from investments in listed and unlisted shares of stock amounted to ₱135 million for the three-month periods ended March 31, 2017 and 2016.

Unrealized gain on changes in fair value amounting to ₱2,756 million for the three-month period ended March 31, 2017 and unrealized loss on changes in fair value amounting to ₱33 million for the three-month period ended March 31, 2016 were included under other comprehensive income.

12. Prepaid Expenses and Other Current Assets

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Advances and deposits	₱5,541,997	₱5,429,448
Input and creditable withholding taxes	3,484,338	3,292,430
Prepaid taxes and other prepayments	2,766,950	2,478,393
Supplies and inventories	387,906	478,415
Cash in escrow (see Note 20)	102,792	209,974
Others	22,832	10,240
	₱12,306,815	₱11,898,900

13. Investment Properties

The movements in this account 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, 2015	₱59,205,015	₱161,396,681	₱29,014,566	₱31,964,876	₱281,581,138
Effect of common control business combination (Notes 2 and 5)	34,819	–	102,634	–	137,453
Additions	5,638,320	7,002,148	3,580,221	13,212,070	29,432,759
Reclassifications (see Note 15)	(1,523,350)	21,476,766	354,248	(20,575,261)	(267,597)
Translation adjustment	(18,575)	(271,994)	(30,712)	(162,890)	(484,171)
Disposals	(173,291)	–	(10,535)	–	(212,889)
Balance as at December 31, 2016	63,162,938	189,593,066	32,991,894	24,438,795	310,186,693
Additions	900,141	1,174,769	443,757	5,118,098	7,636,765
Reclassifications	(356,919)	3,041,768	(43,957)	(2,640,892)	–
Translation adjustment	18,248	592,926	46,727	52,055	709,956
Disposals	–	(62,480)	(252)	–	(62,732)
Balance as at March 31, 2017	₱63,724,408	₱194,340,049	₱33,438,169	₱26,968,056	₱318,470,682
Accumulated Depreciation and Amortization					
Balance as at December 31, 2015	₱1,625,432	₱32,894,247	₱16,721,060	₱–	₱51,240,739
Effect of common control business combination (Notes 2 and 5)	20,972	89,402	–	–	110,374
Depreciation and amortization (see Note 22)	192,761	4,891,150	2,465,397	–	7,549,308
Reclassifications (see Note 15)	(53,910)	82,369	(67,651)	–	(39,192)
Translation adjustment	(5,838)	(42,625)	(13,615)	–	(62,078)
Disposals	(78,986)	(10,535)	(22,001)	–	(111,522)
Balance as at December 31, 2016	1,700,431	37,904,008	19,083,190	–	58,687,629
Depreciation and amortization (see Note 22)	36,689	1,383,065	652,954	–	2,072,708
Reclassifications	–	5,983	(5,983)	–	–
Translation adjustment	8,554	71,503	21,619	–	101,676
Disposals	–	(22,746)	(226)	–	(22,972)
Balance as at March 31, 2017	₱1,745,674	₱39,341,813	₱19,751,554	₱–	₱60,839,041
Net Book Value					
As at December 31, 2016	₱61,462,507	₱151,689,058	₱13,908,704	₱24,438,795	₱251,499,064
As at March 31, 2017	₱61,978,734	₱154,998,236	₱13,686,615	₱26,968,056	₱257,631,641

In 2017, shopping mall complex under construction mainly pertains to cost incurred for the development of SM Cagayan de Oro Premier, SM Puerto Princesa, SM Tuguegarao Downtown, SM Lemery and the ongoing redevelopment of SM Mall of Asia.

Construction contracts with various contractors related to the construction of the on-going projects amounted to ₱104,725 million and ₱109,324 million as at March 31, 2017 and December 31, 2016, 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 ₱18,490 million and ₱20,059 million as at March 31, 2017 and December 31, 2016, respectively.

Interest capitalized to the construction of investment properties amounted to ₱600 million and ₱2,921 million and capitalization rates used range from 2.35% to 4.14% and from 2.35% to 4.82%, for the periods ended March 31, 2017 and December 31, 2016, 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.

While fair value of the investment properties was not determined as at March 31, 2017, the Company's management believes that there were no conditions present in 2016 and 2017 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.

14. Investments in Associates and Joint Ventures

Investments in Associates

This pertains mainly to investments in the following companies:

- OCLP Holdings, Inc. (OHI)
- Fei Hua Real Estate Company (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, 2017, OHI's total assets, total liabilities and total equity amounted to ₱22,477 million, ₱17,955 million and ₱4,522 million, respectively, and the carrying value of investment in OHI amounted to ₱15,762 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 ₱14,101 million.

As at December 31, 2016, OHI's total assets, total liabilities and total equity amounted to ₱22,017 million, ₱17,866 million and ₱4,151 million, respectively.

The share in profit and total comprehensive income amounted to ₱158 million and ₱40 million for the three-month periods ended March 31, 2017 and 2016.

The carrying value of investment in FHREC amounted to ₱1,177 million and ₱1,156 million as at March 31, 2017 and December 31, 2016, respectively, with cumulative equity in net earnings amounting to ₱898 million and ₱882 million as at March 31, 2017 and December 31, 2016, 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 23 malls across Metro Manila and Luzon.

The aggregate carrying values of investments in Waltermart amounted to ₱5,823 million and ₱5,773 million as at March 31, 2017 and December 31, 2016, respectively. These consist of the acquisition costs totaling ₱5,145 million and cumulative equity in net earnings and dividend totaling ₱678 million and ₱628 million as at March 31, 2017 and December 31, 2016, respectively. The aggregate share in profit and total comprehensive income, net of dividend received, amounted to ₱50 million and ₱45 million for the three-month periods ended March 31, 2017 and 2016, 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.

As at March 31, 2017 the development of the high-end luxury residential project has not yet started. The carrying value of investment in STRC amounted to ₱1,000 million and ₱250 million as at March 31, 2017 and December 31, 2016, respectively.

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, 2017 and December 31, 2016.

15. Other Noncurrent Assets

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
	<i>(In Thousands)</i>	
Receivables from sale of real estate - net of current portion (see Note 8)	₱13,390,456	₱10,526,627
Bonds and deposits	11,936,062	11,757,626
Land use rights (see Note 13)	10,298,445	9,727,575
Time deposits (see Note 20)	3,739,270	3,955,706
Deferred input tax	1,877,581	1,793,284
Property and equipment - net	1,590,129	1,619,601
Others	1,638,754	1,635,790
	₱44,470,697	₱41,016,209

Interest income earned from time deposits amounted to ₱12 million and ₱20 million for the three-month periods ended March 31, 2017 and 2016, respectively (see Note 23).

Property and equipment is net of accumulated depreciation of ₱1,517 million and ₱1,449 million as of March 31, 2017 and December 31, 2016, respectively.

16. Loans Payable

This account consists of unsecured Philippine peso-denominated loans obtained from local banks amounting to ₱4,705 million and ₱840 million as at March 31, 2017 and December 31, 2016, respectively, with due dates of less than one year. These loans bear interest rates of 2.60% to 3.75% in 2017 and 2.50% to 3.00% in 2016.

Interest expense incurred from loans payable amounted to ₱5 million and ₱12 million for the three-month periods ended March 31, 2017 and 2016, respectively (see Note 23).

17. Accounts Payable and Other Current Liabilities

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
<i>(In Thousands)</i>		
Trade:		
Third parties	₱20,341,650	₱18,307,072
Related parties (see Note 20)	47,694	66,577
Tenants' and customers' deposits	20,057,802	20,751,201
Accrued operating expenses:		
Third parties	10,124,401	9,546,512
Related parties (see Note 20)	574,599	574,278
Liability for purchased land	4,427,969	4,279,327
Deferred output VAT	1,537,318	1,426,140
Accrued interest (see Note 20)	1,358,280	1,118,214
Payable to government agencies	395,623	570,947
Nontrade	384,018	370,827
Due to related parties (see Note 20)	71,065	66,356
Others	598,788	541,007
	59,919,207	57,618,458
Less noncurrent portion	17,833,907	17,293,954
	₱42,085,300	₱40,324,504

Accrued operating expenses - third parties consist of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
<i>(In Thousands)</i>		
Utilities	₱3,576,878	₱4,572,637
Marketing and advertising	593,620	581,957
Payable to contractors and others	5,953,903	4,391,918
	₱10,124,401	₱9,546,512

18. Long-term Debt

This account consists of:

	Availment Date	Maturity Date	Interest Rate	Condition	Outstanding Balance	
					March 31, 2017	December 31, 2016
<i>(In Thousands)</i>						
Parent Company						
U.S. dollar-denominated loans	December 7, 2012–September 3, 2013	August 30, 2017–March 25, 2018	LIBOR + spread; semi-annual	Unsecured	₱27,588,000	₱27,346,000
Philippine peso-denominated loans	January 12, 2012–July 26, 2016	January 13, 2017–July 26, 2026	Floating PDST-R2 + margin; 4.20%–6.74%	Unsecured	76,438,100	77,201,000
Subsidiaries						
U.S. dollar-denominated loans	April 23, 2014–March 21, 2016	April 14, 2019–January 29, 2021	LIBOR + spread; semi-annual	Unsecured	28,178,741	27,895,172
Philippine peso-denominated loans	June 3, 2013–March 9, 2017	December 18, 2018–June 27, 2023	Floating PDST-R2 + margin; 3.13%–5.88%	Unsecured	33,612,953	31,612,567
China yuan renminbi-denominated loans	July 28, 2015–March 29, 2017	December 31, 2019–June 1, 2020	CBC rate less 10%; quarterly	Secured	980,984	524,743
					166,798,778	164,579,482
Less debt issue cost					955,761	1,041,797
					165,843,017	163,537,685
Less current portion					31,696,138	7,154,151
					₱134,146,879	₱156,383,534

LIBOR – London Interbank Offered Rate

PDST-R2 – Philippine Treasury Reference Rates – PM

CBC – Central Bank of China

Debt issue cost pertaining to the loan availments amounted to ₱2 million. Amortization of debt issue cost for the three-month periods ended March 31, 2017 and 2016 amounted to ₱93 million and ₱112 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, 2017 and December 31, 2016, 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	₱31,696,138	(₱318,468)	₱31,377,670
More than 1 year to 5 years	91,430,780	(561,831)	90,868,949
More than 5 years	43,671,860	(75,462)	43,596,398
	<u>₱166,798,778</u>	<u>(₱955,761)</u>	<u>₱165,843,017</u>

Interest expense incurred from long-term debt amounted to ₱1,239 million and ₱980 million for the three-month periods ended March 31, 2017 and 2016, respectively (see Note 23).

19. Equity

Capital Stock

As at March 31, 2017 and December 31, 2016, 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, 2017 and December 31, 2016, the Company has 28,834 million outstanding shares.

Retained Earnings

In 2016, the BOD approved the declaration of cash dividend of ₱0.23 per share or ₱6,642 million to stockholders of record as of April 29, 2016, ₱10 million of which was received by SMDC. This was paid on May 12, 2016.

As at March 31, 2017 and December 31, 2016, 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 2017, the Company expects to incur capital expenditures of at least ₱50 billion.

The retained earnings account is restricted for the payment of dividends to the extent of ₱58,575 million and ₱56,724 million as at March 31, 2017 and December 31, 2016, respectively, representing the cost of shares held in treasury amounting to ₱3,355 million as at March 31, 2017 and December 31, 2016 and accumulated equity in net earnings of SMPH subsidiaries, associates

and joint ventures totaling ₱55,219 million and ₱53,369 million as at March 31, 2017 and December 31, 2016, 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 totaling 4,333 million shares, stated at acquisition cost of ₱3,355 million as at March 31, 2017 and December 31, 2016.

20. 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, 2017 (Unaudited)	March 31, 2016 (Unaudited)	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)		
<i>(In Thousands)</i>						
Ultimate Parent						
Rent income	₱19,765	₱13,416	₱–	₱–	Noninterest-bearing	Unsecured; not impaired
Rent receivable	–	–	24,723	57,942		
Service Income	12,000	–	–	–	Noninterest-bearing	Unsecured; not impaired
Service fee receivable	–	–	4,497	35,827	Noninterest-bearing	Unsecured; not impaired
Rent expense	22,571	23,447	–	–	Noninterest-bearing	Unsecured
Accrued rent payable	–	–	(566)	(236)	Noninterest-bearing	Unsecured
Due to related parties	7,460	–	(7,460)	–	On demand; noninterest-bearing	Unsecured
Trade payable	–	–	(1,771)	(4,314)	Noninterest-bearing	Unsecured
AFS investments	–	–	101,834	95,698	Noninterest-bearing	Unsecured; not impaired
Banking and Retail Group						
Cash and cash equivalents	42,604,329	49,805,042	15,362,846	17,172,824	Interest bearing based on prevailing rates	Unsecured; not impaired
Investments held for trading	–	–	666,308	622,106	Noninterest-bearing	Unsecured; not impaired
Rent income	3,313,113	3,089,154	–	–	Noninterest-bearing	Unsecured; not impaired
Rent receivable	–	–	1,998,163	2,410,997		
Service income	8,960	–	–	–	Noninterest-bearing	Unsecured; not impaired
Management fee income	1,224	504	–	–	Noninterest-bearing	Unsecured; not impaired
Management fee receivable	–	–	28,698	28,893		
Interest income	26,010	39,001	–	–	Interest-bearing	Unsecured; not impaired
Accrued interest receivable	–	–	71,107	50,482	Noninterest-bearing	Unsecured; not impaired
Due from related parties	3,796	90	3,907	111	On demand; noninterest-bearing	Unsecured; not impaired
Time deposits	–	–	3,363,449	3,923,002	Interest-bearing	Unsecured
Loans payable and long-term debt	386	–	(868,553)	(1,068,167)	Interest-bearing	Combination of secured and unsecured
Interest expense	9,078	9,438	–	–	Interest-bearing; fixed and floating interest rates	Combination of secured and unsecured
Accrued interest payable	–	–	(799)	(4,404)	Noninterest-bearing	Unsecured
Rent expense	220	406	–	–	Noninterest-bearing	Unsecured
Trade payable	–	–	(35,741)	(52,469)	Noninterest-bearing	Unsecured
Due to related parties	–	6,237	–	–	Noninterest-bearing	Unsecured
Management fee expense	715	610	–	–	Noninterest-bearing	Unsecured
Accrued management fee	–	–	(841)	(850)	Noninterest-bearing	Unsecured
AFS investments	–	–	14,210,786	11,819,503	Noninterest-bearing	Unsecured; not impaired
Cash in escrow	–	–	102,792	209,974	Interest bearing based on prevailing rates	Unsecured; not impaired
Dividend income	22,576	22,576	–	–	Noninterest-bearing	Unsecured
Other Related Parties						
Rent income	12,786	12,956	–	–	Noninterest-bearing	Unsecured; not impaired
Rent receivable	–	–	8,519	26,793		
Service income	7,954	2,916	–	–	Noninterest-bearing	Unsecured; not impaired

	Amount of Transactions		Outstanding Amount [Asset (Liability)]		Terms	Conditions
	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)		
	<i>(In Thousands)</i>					
Due from related parties	₱-	₱130,913	₱36,948	₱166,707	On demand; noninterest-bearing	Unsecured; not impaired
Management fee income	790	-	-	-		
Management fee receivable	-	-	7,993	7,993	Noninterest-bearing	Unsecured; not impaired
Rent expense	1,337	1,275	-	-		
Due to related parties	-	1,373	(63,605)	(66,356)	Noninterest-bearing	Unsecured
Accrued expenses	-	-	(573,192)	(573,192)	Noninterest-bearing	Unsecured
Accrued management fee	-	-	-	-	Noninterest-bearing	Unsecured
Trade payable	388	-	(10,182)	(9,794)	Noninterest-bearing	Unsecured
AFS investments	-	-	2,942,213	2,353,772	Noninterest-bearing	Unsecured; not impaired
Dividend income	69,878	69,878	-	-	Noninterest-bearing	Unsecured

Compensation of Key Management Personnel

The aggregate compensation and benefits related to key management personnel for the three-month periods ended March 31, 2017 and 2016 consist of short-term employee benefits amounting to ₱192 million and ₱96 million, respectively, and post-employment benefits (pension benefits) amounting to ₱40 million and ₱12 million in both periods.

21. Other Revenue

This account consists of:

	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
	<i>(In Thousands)</i>	
Food and beverages	₱415,388	₱216,488
Amusement and others	225,087	208,093
Net merchandise sales	184,321	160,786
Bowling and ice skating fees	53,355	59,688
Advertising income	41,755	51,452
Others	362,487	191,005
	₱1,282,393	₱887,512

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

22. Costs and Expenses

This account consists of:

	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
	<i>(In Thousands)</i>	
Cost of real estate sold (see Notes 9 and 10)	₱3,110,092	₱2,918,738
Depreciation and amortization (see Notes 13 and 15) (Forward)	2,141,191	1,888,493

	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Administrative	₱2,101,447	₱1,891,440
Business taxes and licenses	1,054,528	961,559
Marketing and selling expenses	914,532	835,783
Film rentals	667,453	568,718
Rent (see Note 20)	403,806	348,531
Insurance	116,200	105,175
Others	431,939	340,989
	₱10,941,188	₱9,859,426

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

23. Interest Income and Interest Expense

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

	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
	<i>(In Thousands)</i>	
Interest income on:		
Cash and cash equivalents (see Note 6)	₱109,764	₱95,040
Time deposits (see Note 15)	12,436	20,158
Investments held for trading (see Note 7)	4,563	4,317
Others (see Note 8)	17,321	16,190
	₱144,084	₱135,705
Interest expense on:		
Long-term debt (see Note 18)	₱1,238,850	₱980,310
Loans payable (see Note 16)	5,234	11,953
Others	5,890	3,030
	₱1,249,974	₱995,293

24. Financial Risk Management Objectives and Policies

The Company's principal financial instruments, other than derivatives, comprise of cash and cash equivalents, investments held for trading, accrued interest and other receivables, AFS investments 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 and principal only 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 25).

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 cost 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, 2017 and December 31, 2016, after taking into account the effect of interest rate swaps, approximately 70% 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 exposure to foreign currency risk arises mainly from its debt issuances which are denominated in U.S. dollars. To manage its foreign currency risk, the Company enters 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\$58 million (₱2,915 million) as at March 31, 2017 and US\$45 million (₱2,242 million) as at December 31, 2016. The Company's foreign currency-denominated monetary liabilities amounted to US\$306 million (₱15,334 million) as at March 31, 2017, and US\$391 million (₱19,460 million) as at December 31, 2016.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rates used were ₱50.16 to US\$1.00 and ₱49.72 to US\$1.00, the Philippine peso to U.S. dollar exchange rate as at March 31, 2017 and December 31, 2016, respectively.

Liquidity Risk

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

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

As part of its liquidity risk management program, the Company regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans, export credit agency-guaranteed facilities 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

The Company's exposure to equity price pertains to its investments in quoted equity shares which are classified as AFS investments in the interim consolidated balance sheets. 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 the equity securities in its investment portfolio 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.

25. 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, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	<i>(In Thousands)</i>			
Financial Assets				
Financial assets at FVPL:				
Investments held for trading	₱965,258	₱965,258	₱918,702	₱918,702
Derivative assets	4,536,301	4,536,301	5,102,735	5,102,735
	5,501,559	5,501,559	6,021,437	6,021,437
Loans and receivables:				
Noncurrent portion of receivables from sale of real estate	13,390,456	12,904,905	10,526,627	10,150,249
Time deposits (included under "Other noncurrent assets")	3,739,270	3,603,681	3,955,706	3,814,271
AFS Investments -				
Shares of stocks	25,205,668	25,205,668	21,212,725	21,212,725
	₱47,836,953	₱47,215,813	₱41,716,495	₱41,198,682

	March 31, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>(In Thousands)</i>				
Financial Liabilities				
Other financial liabilities:				
Liability for purchased land - net of current portion	₱1,169,090	₱1,126,698	₱1,211,658	₱1,168,296
Long-term debt - net of current portion	134,146,879	134,592,373	156,383,534	156,560,822
Tenants' and customers' deposits	15,281,161	14,727,062	14,812,280	14,282,675
Other noncurrent liabilities*	7,807,448	7,524,342	4,190,112	4,040,296
	₱158,404,578	₱157,970,475	₱176,597,584	₱176,052,089

*Excluding nonfinancial liabilities amounting to ₱1,745 million and ₱1,625 million as at March 31, 2017 and December 31, 2016, 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:

Investments Held for Trading. 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.

Noncurrent Portion of Receivable from Sale of Real Estate. The estimated fair value of the noncurrent portion of receivables from real estate buyers is based on the discounted value of future cash flows using the prevailing interest rates on sales of the Company's accounts receivable. Average discount rates used is 4.63% and 4.39% as at March 31, 2017 and December 31, 2016, respectively.

AFS Investments. 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 2.36% to 6.39% and 2.49% to 5.92% as at March 31, 2017 and December 31, 2016, 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 2.56% to 4.46% and 2.33% to 4.55% as at March 31, 2017 and December 31, 2016, respectively.

Tenants' and Customers' 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 3.69% to 5.57% and 3.79% to 4.98% as at March 31, 2017 and December 31, 2016, respectively.

The Company assessed that the carrying values of cash and cash equivalents, 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. For AFS investments related to unlisted equity securities, these are carried at cost less allowance for impairment loss since there are no quoted prices and due to the unpredictable nature of future cash flows and lack of suitable methods for arriving at reliable fair value.

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, 2017 (Unaudited)		
	Level 1	Level 2	Level 3
	<i>(In Thousands)</i>		
Financial Assets			
Financial assets at FVPL:			
Investments held-for-trading:			
Bonds	P298,950	P-	P-
Shares	666,308	-	-
Derivative assets	-	4,536,301	-
	965,258	4,536,301	-
Loans and receivables:			
Noncurrent portion of receivables from sale of real estate	-	-	12,904,905
Time deposits (included under "Other noncurrent assets")	-	3,603,681	-
AFS Investments -			
Shares of stocks	25,195,656	-	10,012
	P26,160,914	P8,139,982	P12,914,917
Financial Liabilities			
Other financial liabilities:			
Liability for purchased land - net of current portion	P-	P-	P1,126,698
Long-term debt - net of current portion	-	-	134,592,373
Tenants' and customers' deposits	-	-	14,727,062
Other noncurrent liabilities*	-	-	7,524,342
	P-	P-	P157,970,475

*Excluding nonfinancial liabilities amounting to P1,745 million as at March 31, 2017.

	December 31, 2016 (Audited)		
	Level 1	Level 2	Level 3
	<i>(In Thousands)</i>		
Financial Assets			
Financial assets at FVPL:			
Investments held-for-trading:			
Bonds	₱296,596	₱–	₱–
Shares	622,106	–	–
Derivative assets	–	5,102,735	–
	918,702	5,102,735	–
Loans and receivables:			
Noncurrent portion of receivables from sale of real estate	–	–	10,150,249
Time deposits (included under “Other noncurrent assets”)	–	3,814,271	–
AFS Investments -			
Shares of stocks	21,202,713	–	10,012
	₱22,121,415	₱8,917,006	₱10,160,261
Financial Liabilities			
Other financial liabilities:			
Liability for purchased land - net of current portion	₱–	₱–	₱1,168,296
Long-term debt - net of current portion	–	–	156,560,822
Tenants’ and customers’ deposits	–	–	14,282,675
Other noncurrent liabilities*	–	–	4,040,296
	₱–	₱–	₱176,052,089

*Excluding nonfinancial liabilities amounting to ₱1,625 million as at December 31, 2016.

During the periods ended March 31, 2017 and December 31, 2016, 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 2013, 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 January 29, 2013 and April 16, 2013 (see Note 18).

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 (₱8,134 million for US\$200 million on January 29, 2018 and ₱6,165 million for US\$150 million on March 23, 2018) 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.

As at March 31, 2017, SMPH’s outstanding cross-currency swaps have notional amounts totaling US\$350 million or ₱14,299 million. Their floating interest rates of US LIBOR + spread were fixed at interest rates ranging from 3.70% to 3.90%. Fair value of the outstanding cross-currency swaps amounted to ₱3,439 million.

Principal only Swaps. In 2016, SM Land (China) Limited entered into principal only swap transactions (¥2,472 million for US\$380 million) at a premium to hedge the foreign currency exposures on its U.S. dollar-denominated five-year term syndicated loan and advances (the hedged items) obtained on February 16, 2016 to March 22, 2016 (see Note 18).

In 2017, SM Land (China) Limited entered into principal only swap transactions (¥620 million for US\$90 million) at a premium to hedge the foreign currency exposures on its U.S. dollar-denominated five-year term syndicated loan (the hedged item) obtained on January 11, 2017 to January 17, 2017 (see Note 18).

As at March 31, 2017, SM Land (China) Limited's outstanding principal only swaps have notional amounts totaling US\$470 million were fixed to US\$:¥ exchange rates ranging from 6.458 to 6.889. Of the notional amounts, US\$50 million, US\$150 million, and US\$270 million will mature on August 30, 2017, March 23, 2018, and January 29, 2021, respectively. Fair value of the outstanding principal swaps amounted to ₱814 million.

Interest Rate Swaps. SM Land (China) Limited entered into US\$ interest rate swap agreement with notional amount of US\$270 million in 2016. Under the agreement, SM Land effectively converts the floating rate U.S. dollar-denominated to fixed rate loan (see Note 18).

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 year ended March 31, 2017.

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 amounting to ₱4,536 million gain and ₱5,103 million gain as at March 31, 2017 and December 31, 2016, respectively, which movement 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, 2017 and 2016. Foreign currency translation arising from the hedged loan recognized in the interim consolidated statements of income amounted to ₱4 million loss and ₱453 million gain for the three-month periods ended March 31, 2017 and 2016, respectively. Foreign exchange loss equivalent to the same amounts were recycled from equity to the interim consolidated statements of income during the same period.

26. EPS Computation

Basic/diluted EPS is computed as follows:

	March 31, 2017	March 31, 2016
	(Unaudited)	(Unaudited)
	<i>(In Thousands, Except Per Share Data)</i>	
Net income attributable to equity holders of the parent (a)	₱6,595,093	₱5,835,882
Common shares issued	33,166,300	33,166,300
Less weighted average number of treasury stock	4,332,692	4,332,692
Weighted average number of common shares outstanding (b)	28,833,608	28,833,608
Earnings per share (a/b)	₱0.229	₱0.202

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
FINANCIAL RATIOS - KEY PERFORMANCE INDICATORS
AS OF MARCH 31, 2017 and 2016

	<u>March 31,</u> <u>2017</u>	<u>March 31,</u> <u>2016</u>
i. Current ratio		
<u>Total current assets</u>		
Total current liabilities	1.29	1.93
Acid - Test Ratio		
<u>Total current assets less inventory and prepaid expenses</u>		
Total current liabilities	0.74	1.12
ii. Debt-to-equity ratio		
<u>Total interest-bearing liabilities</u>		
Total equity attributable to equity holders of the parent + Total interest-bearing liabilities	41:59	41:59
Net debt-to-equity ratio		
<u>Total interest-bearing liabilities less cash and cash equivalents and investment securities</u>		
Total equity attributable to equity holders of the parent + Total interest-bearing liabilities less cash and cash equivalents and investment securities	37:63	37:63
Solvency Ratio		
<u>Total assets</u>		
Total liabilities	2.00	2.04
iii. Asset to equity ratio		
<u>Total assets</u>		
Total equity attributable to equity holders of the parent	2.03	1.99
<i>(Annualized)</i>		
iv. Interest Service Coverage		
<u>Earnings before interest, income taxes, depreciation and amortization (EBITDA)</u>		
Interest expense	9.25	10.18
Debt to EBITDA		
<u>Total interest-bearing liabilities</u>		
EBITDA	3.69	3.71
v. Return on equity		
<u>Net income attributable to equity holders of the parent</u>		
Total average equity attributable to equity holders of the parent	11%	11%
Return on investment properties		
<u>Net income attributable to equity holders of the parent</u>		
Total average investment properties (excluding shopping mall complex under construction)	12%	12%

SM Prime Holdings, Inc. and Subsidiaries
Aging of Accounts Receivables
As at March 31, 2017
(Amounts in Thousands)

Trade:		
	Sale of real estate	₱36,065,108
	Rent:	
	Third parties	4,473,941
	Related parties	2,031,405
	Others	53,064
	Receivable from a co-investor	272,022
	Accrued interest	131,509
	Due from related parties	40,855
	Nontrade	23,289
	Others	1,958,420
		45,049,613
	Less allowance for doubtful accounts	969,978
		44,079,635
	Less noncurrent portion of receivables from sale of real estate	13,390,456
		₱30,689,179

The aging analyses of receivables follows:

	Neither past due nor impaired	₱36,872,907
	Past due but not impaired:	
	Less than 30 days	1,744,438
	31–90 days	2,007,570
	91–120 days	809,883
	Over 120 days	2,644,837
	Impaired	969,978
		₱45,049,613

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

SM Prime's Recurring Net Income up by 13% in 1Q 2017 to P6.6 billion

Financial and Operational Highlights

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

	Three months ended Mar 31				
	2017	% to Revenues	2016	% to Revenues	% Change
Profit & Loss Data					
Revenues	20,508	100%	18,246	100%	12%
Costs and expenses	10,941	53%	9,859	54%	11%
Operating Income	9,567	47%	8,387	46%	14%
Net Income	6,595	32%	5,836	32%	13%
EBITDA	11,558	56%	10,130	56%	14%
	Mar 31 2017	% to Total Assets	Dec 31 2016	% to Total Assets	% Change
Balance Sheet Data					
Total Assets	487,132	100%	465,560	100%	5%
Investment Properties	257,632	53%	251,499	54%	2%
Total Debt	170,548	35%	164,378	35%	4%
Net Debt	142,610	29%	138,258	30%	3%
Total Equity	240,436	49%	231,481	50%	4%
Financial Ratios					
	Mar 31 2017	Dec 31 2016			
Debt to Equity	0.41 : 0.59	0.42 : 0.58			
Net Debt to Equity	0.37 : 0.63	0.37 : 0.63			
	Mar 31 2017	Mar 31 2016			
Return on Equity	0.11	0.11			
Debt to EBITDA	3.69	3.71			
Interest Coverage Ratio	9.25	10.18			
Operating Income to Revenues	0.47	0.46			
EBITDA Margin	0.56	0.56			
Net Income to Revenues	0.32	0.32			

Revenue

SM Prime recorded consolidated revenues of ₱20.51 billion for the first three months of 2017, an increase of 12% from ₱18.25 billion in the same period in 2016, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱12.07 billion in 2017, an increase of 12% from ₱10.75 billion in 2016. The increase in rental revenue was primarily due to the new malls and expansions opened in 2015 and 2016, namely, SM Seaside City Cebu, SM City East Ortigas, SM City San Mateo, SM City Cabanatuan, SM City San Jose Del Monte, SM City Trece Martires, SM City Iloilo Expansion, S Maison in SM Mall of Asia and SM Center Molino Expansion with a total gross floor area of 1.1 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 and expansions, same-store rental growth is at 7%. Room rentals from hotels and convention centers contributed to the increase due to the opening of Conrad Manila in June 2016 and the improvement in average room rates and occupancy rates.

Real Estate Sales

SM Prime recorded a 7% increase in real estate sales in 2017 from ₱5.55 billion to ₱5.92 billion primarily due to higher construction accomplishments of projects launched in 2014 up to 2015 namely Shore 2, Air, Cool, Fame and South Residences and continued increase in sales take-up of Ready-for-Occupancy (RFO) projects due to strong demand. 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 16% to ₱1.23 billion in 2017 from ₱1.06 billion in 2016 due to increase in international movie sales and higher event ticket sales. The major blockbusters screened in 2017 were “Beauty and the Beast”, “My Ex and Whys”, “Logan”, “Kung Fu Yoga” and “Kong: Skull Island”, accounting for 49% of gross ticket sales. The major blockbusters shown in 2016 were “Beauty and the Bestie”, “Batman vs. Superman: Dawn of Justice”, “Deadpool”, “Gods of Egypt” and “My Bebe Love” accounting for 48% of gross ticket sales.

Other Revenues

Other revenues increased by 44% to ₱1.28 billion in 2017 from ₱0.89 billion in 2016. The increase was due to increase in hotels’ food and beverages income due to the opening of Conrad Manila, opening of new amusement rides, increase in sponsorship income and merchandise sales as a result of new malls and expansions. This account includes amusement income from rides, bowling and ice skating operations, merchandise sales from snackbars and sale of food and beverages in hotels.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱10.94 billion in 2017, an increase of 11% from ₱9.86 billion in the same period in 2016, as a result of the following:

Costs of Real Estate Sold

Consolidated costs of real estate sold increased by 7% to ₱3.11 billion in 2017 from ₱2.92 billion in 2016 primarily due to costs related to higher recognized real estate sales. Gross profit margin for residential improved to 48% in 2017 compared to 47% in 2016 as a result of improving cost efficiencies, tighter monitoring and control of construction costs.

Operating Expenses

SM Prime's consolidated operating expenses increased by 13% to ₱7.83 billion in 2017 compared to last year's ₱6.94 billion. Out of the total operating expenses, 72% is contributed by the malls where same-store mall growth in operating expenses is 4%. Operating expenses include administrative expenses, depreciation and amortization, taxes and licenses and film rentals, and the increase is in line with related increase in revenues from same-store as well as the opening of new malls and expansions.

Other Income (Charges)

Interest Expense

SM Prime's consolidated interest expense increased by 26% to ₱1.25 billion in 2017 compared to ₱1.00 billion in 2016 due to the ₱10.0 billion retail bond issued in July 2016 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 3% to ₱0.28 billion in 2017 from ₱0.27 billion in 2016. This account is mainly composed of dividend and interest income received from cash and cash equivalents, investments held for trading and AFS investments.

Other income (charges) - net

This account reflected a ₱0.89 million other income in 2017 from a ₱0.49 million other charges in 2016 due to increase in net income of associates and other incidental income.

Provision for income tax

SM Prime's consolidated provision for income tax increased by 19% to ₱1.94 billion in 2017 from ₱1.63 billion in 2016 due to the related increase in taxable income.

Net income

SM Prime's consolidated net income for the three months ended March 31, 2017 increased by 13% to ₱6.60 billion as compared to ₱5.84 billion in the same period last year.

Balance Sheet Accounts

SM Prime's total assets amounted to ₱487.13 billion as of March 31, 2017, an increase of 5% from ₱465.56 billion as of December 31, 2016.

Cash and cash equivalents increased by 7% from ₱25.20 billion to ₱26.98 billion as of December 31, 2016 and March 31, 2017, respectively mainly due to increase in the Company's income from operations, net of payments for capital expenditure projects during the period.

Investments held for trading increased by 5% from ₱919 million to ₱965 million as of December 31, 2016 and March 31, 2017, respectively, mainly due to increase in the fair value changes of the listed shares.

Receivables decreased by 7% from ₱32.83 billion to ₱30.69 billion as of December 31, 2016 and March 31, 2017, respectively, in spite of the increase in sales of residential projects due to subsequent collections from recently completed projects and subsequent collections of rent receivables. Out of the total receivables, 74% pertains to sale of real estate and 21% from leases of shopping mall and commercial spaces.

Condominium and residential units for sale increased by 33% from ₱5.21 billion to ₱6.94 billion as of December 31, 2016 and March 31, 2017, respectively, mainly due to completion of condominium towers in Grace, Wind, Trees and Field Residences, net of cost of sold units.

Land and development increased by 12% from ₱46.70 billion to ₱52.41 billion as of December 31, 2016 and March 31, 2017, respectively, mainly due to landbanking and construction accomplishments for the period, net of cost of sold units and transfers of RFO units to condominium and residential units for sale.

AFS investments increased by 19% from ₱21.21 billion to ₱25.21 billion as of December 31, 2016 and March 31, 2017, respectively, mainly due the exercise of stock rights and unrealized gain on changes in fair values under this portfolio.

Derivative assets decreased by 11% from ₱5.10 billion to ₱4.54 billion as of December 31, 2016 and March 31, 2017, respectively, mainly resulting from net fair value changes on \$270 million interest rate swap transaction and \$470 million principal only swap transaction entered into in 2017 and 2016 and the \$350 million cross currency swap transaction in 2013.

Other noncurrent assets, which includes the noncurrent portion of receivable from sale of real estate, increased by 8% from ₱41.02 billion to ₱44.47 billion as of December 31, 2016 and March 31, 2017, due to additional bonds and deposits for real estate acquisitions and construction accomplishments of sold units as well as new sales for the period.

Loans payable increased from ₱0.84 billion to ₱4.71 billion as of December 31, 2016 and March 31, 2017, respectively, due to availment of loans in 2017.

Accounts payable and other current liabilities increased by 4% from ₱40.32 billion to ₱42.09 billion as of December 31, 2016 and March 31, 2017, respectively, mainly due to payables to contractors and suppliers related to ongoing projects and other accrued payables related to construction and operating expenses.

Liability for purchased land decreased by 4% from ₱1.21 billion to ₱1.17 billion as of December 31, 2016 and March 31, 2017, respectively, due to payments made. Other noncurrent liabilities increased by 64% from ₱5.82 billion to ₱9.55 billion as of December 31, 2016 and March 31, 2017, respectively, due to increase in retention payable and output VAT on residential sales.

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 slightly decreased to 0.41:0.59 as of March 31, 2017 from 0.42:0.58 as of December 31, 2016 while net interest-bearing debt to equity remains steady at 0.37:0.63 as of March 31, 2017 and December 31, 2016.

ROE remains steady at 11% as of March 31, 2017 and 2016.

Debt to EBITDA improved to 3.69:1 as of March 31, 2017 from 3.71:1 as of March 31, 2016 due to increase in consolidated operating income. Interest coverage ratio decreased to 9.25:1 as of March 31, 2017 from 10.18:1 as of March 31, 2016 as a result of increase in interest expense from additional borrowings. EBITDA margin is steady at 56% as of March 31, 2017 and 2016.

Consolidated operating income to revenues improved to 47% as of March 31, 2017 from 46% as of March 31, 2016. Consolidated net income to revenues remains steady at 32% as of March 31, 2017 and 2016.

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.

For the year 2017, the Company expects to incur capital expenditures of at least ₱50 billion. This will be funded with internally generated funds and external borrowings.

SM Prime's malls business unit has sixty shopping malls in the Philippines with 7.7 million square meters of gross floor area and seven shopping malls in China with 1.3 million square meters of gross floor area. For 2017, SM Prime is slated to open five new mall in the Philippines. By the end of 2017, the malls business unit will have sixty five malls in the Philippines and seven malls in China.

For 2017, SM Prime is scheduled to launch 15,000 to 18,000 residential units that includes high rise, mid-rise and single detached housing. These projects will be located in Metro Manila and other key cities in the provinces.

SM Prime's Commercial Properties Group has six office buildings with a combined gross floor area of 383,000 square meters. Three E-Com and Four E-Com Centers are currently under construction with an estimated gross floor area of 288,000 square meters and scheduled for completion in 2018 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.

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 5, 2017


JOHN NAI PENG C. ONG
Chief Finance Officer