COVER SHEET

SEC Registration Number

AS094-000088

Company Name

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	831-1000	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
2,476		March 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. John Nai Peng C. Ong		831-1000	

Contact Person's Address

Note: 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.

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, 2016**

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**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
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 [**X**] No [ ]

12. Indicate by check mark whether the registrant:

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

Yes [**X**] No [ ]

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

SM Prime Holdings, Inc. and Subsidiaries

Interim Condensed Consolidated Financial Statements
As at March 31, 2016
and for the Three-Month Periods Ended March 31, 2016 and 2015
(with Comparative Audited Consolidated Balance Sheet as at December 31, 2015)

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEET

March 31, 2016

(With Comparative Audited Figures as at December 31, 2015)

(Amounts in Thousands)

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 20 and 23)	**₱21,024,041**	₱25,869,908
Investments held for trading (Notes 6, 20, 23 and 24)	**867,596**	843,256
Receivables (Notes 7, 15, 20 and 23)	**31,840,987**	31,354,286
Condominium and residential units for sale (Note 8)	**7,633,116**	8,164,981
Land and development - current portion (Note 9)	**20,469,419**	19,814,615
Available-for-sale investments - current portion (Notes 10, 20, 23 and 24)	**635,249**	642,274
Prepaid expenses and other current assets (Notes 11, 20 and 23)	**11,415,719**	11,302,871
Total Current Assets	**93,886,127**	97,992,191
Noncurrent Assets		
Investments in associates and joint ventures (Note 14)	**22,148,031**	22,080,000
Available-for-sale investments - net of current portion (Notes 10, 20, 23 and 24)	**19,663,866**	19,689,781
Property and equipment - net (Note 12)	**1,685,394**	1,680,382
Investment properties - net (Note 13)	**233,716,273**	230,340,399
Land and development - net of current portion (Note 9)	**22,436,782**	23,105,553
Derivative assets (Notes 23 and 24)	**2,237,103**	2,600,799
Deferred tax assets - net	**922,972**	846,111
Other noncurrent assets (Notes 15, 20, 23 and 24)	**36,870,125**	35,493,223
Total Noncurrent Assets	**339,680,546**	335,836,248
	₱433,566,673	₱433,828,439
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Notes 16, 20 and 23)	**₱ 775,000**	₱4,675,000
Accounts payable and other current liabilities (Notes 17, 20 and 23)	**36,797,691**	38,819,156
Current portion of long-term debt (Notes 18, 20 and 23)	**9,358,963**	25,041,044
Income tax payable	**1,708,450**	955,533
Total Current Liabilities	**48,640,104**	69,490,733
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 18, 20, 23 and 24)	**140,010,885**	125,952,441
Tenants' and customers' deposits (Notes 17, 23 and 24)	**13,956,118**	13,218,264
Liability for purchased land - net of current portion (Notes 17, 23 and 24)	**2,026,613**	2,081,708
Deferred tax liabilities – net	**2,707,123**	2,488,990
Derivative liabilities (Notes 23 and 24)	**412,980**	–
Other noncurrent liabilities (Notes 23 and 24)	**4,987,701**	4,753,456
Total Noncurrent Liabilities	**164,101,420**	148,494,859
Total Liabilities (Carried Forward)	**212,741,524**	217,985,592

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Total Liabilities (Brought Forward)	**₱212,741,524**	₱217,985,592
Equity Attributable to Equity Holders of the Parent		
Capital stock (Notes 19 and 25)	**33,166,300**	33,166,300
Additional paid-in capital - net	**39,304,027**	39,304,027
Cumulative translation adjustment	**849,206**	1,005,978
Net unrealized gain on available-for-sale investments (Note 10)	**16,588,626**	16,621,547
Net fair value changes on cash flow hedges	**104,604**	428,799
Remeasurement loss on defined benefit obligation	**(50,458)**	(50,458)
Retained earnings (Note 19):		
Appropriated	**42,200,000**	42,200,000
Unappropriated	**89,003,985**	83,168,103
Treasury stock (Notes 19 and 25)	**(3,355,474)**	(3,355,474)
Total Equity Attributable to Equity Holders of the Parent	**217,810,816**	212,488,822
Non-controlling Interests	**3,014,333**	3,354,025
Total Equity	**220,825,149**	215,842,847
	₱433,566,673	₱433,828,439

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

	Three-Month Periods Ended March 31	
	2016	2015
	(Unaudited)	
REVENUE		
Rent (Note 20)	**₱10,753,180**	₱9,439,875
Sales:		
Real estate	**5,546,364**	5,354,725
Cinema and event ticket	**1,059,093**	979,048
Others (Note 20)	**887,512**	876,651
	18,246,149	16,650,299
COSTS AND EXPENSES (Note 21)	**9,859,426**	9,174,830
INCOME FROM OPERATIONS	**8,386,723**	7,475,469
OTHER INCOME (CHARGES)		
Interest expense (Notes 20 and 22)	**(995,293)**	(1,087,982)
Interest and dividend income (Notes 10, 20 and 22)	**270,880**	337,089
Equity in net earnings of associates and joint ventures (Note 14)	**92,260**	46,007
Gain on sale of available-for-sale investments (Notes 10 and 20)	**10**	7,410,301
Others - net (Notes 6 and 18)	**(141,646)**	(61,703)
	(773,789)	6,643,712
INCOME BEFORE INCOME TAX	**7,612,934**	14,119,181
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**1,483,398**	1,482,864
Deferred	**148,054**	(136,205)
	1,631,452	1,346,659
NET INCOME	**₱5,981,482**	₱12,772,522
Attributable to		
Equity holders of the Parent (Notes 19 and 25)	**₱5,835,882**	₱12,631,340
Non-controlling interests	**145,600**	141,182
	₱5,981,482	₱12,772,522
Basic/Diluted earnings per share (Note 25)	**₱0.202**	₱0.438

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Three-Month Periods Ended March 31	
	2016	2015
	(Unaudited)	
NET INCOME	**₱5,981,482**	₱12,772,522
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income transferred to profit or loss:		
Realized gain from sale of available-for-sale investments (Note 10)	**(10)**	(7,410,301)
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 10)	**(32,911)**	1,404,224
Net fair value changes on cash flow hedges	**(324,195)**	49,363
Cumulative translation adjustment	**(156,772)**	2,148
	(513,888)	(5,954,566)
TOTAL COMPREHENSIVE INCOME	**₱5,467,594**	₱6,817,956
Attributable to		
Equity holders of the Parent	**₱5,321,994**	₱6,676,774
Non-controlling interests	**145,600**	141,182
	₱5,467,594	₱6,817,956

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent (Notes 19 and 25)											
	Capital Stock (Notes 19 and 25)	**Additional Paid-in Capital - Net**	**Cumulative Translation Adjustment**	**Net Unrealized Gain (Loss) on Available-for-Sale Investments** (Note 10)	**Net Fair Value Changes on Cash Flow Hedges**	**Remeasurement Gain (Loss) on Defined Benefit Obligation**	**Retained Earnings** (Note 19) **Appropriated**	**Retained Earnings** (Note 19) **Unappropriated**	**Treasury Stock** (Notes 19 and 25)	**Total**	**Non-controlling Interests**	**Total Equity**
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 income (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**
At December 31, 2014 (Audited)	₱33,166,300	₱39,302,194	₱840,430	₱25,905,440	₱249,332	(₱141,524)	₱42,200,000	₱60,921,048	(₱3,355,530)	₱199,087,690	₱3,150,513	₱202,238,203
Net income for the period	–	–	–	–	–	–	–	12,631,340	–	12,631,340	141,182	12,772,522
Other comprehensive income (loss)	–	–	2,148	(6,006,077)	49,363	–	–	–	–	(5,954,566)	–	(5,954,566)
Total comprehensive income (loss) for the period	–	–	2,148	(6,006,077)	49,363	–	–	12,631,340	–	6,676,774	141,182	6,817,956
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	(387,380)	(387,380)
At March 31, 2015 (Unaudited)	₱33,166,300	₱39,302,194	₱842,578	₱19,899,363	₱298,695	(₱141,524)	₱42,200,000	₱73,552,388	(₱3,355,530)	₱205,764,464	₱2,904,315	₱208,668,779

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	
	2016	2015
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax and non-controlling interests	**₱7,612,934**	₱14,119,181
Adjustments for:		
Depreciation and amortization (Notes 12 and 13)	**1,888,493**	1,736,523
Interest expense (Note 22)	**995,293**	1,087,982
Interest and dividend income (Notes 10 and 22)	**(270,880)**	(337,089)
Equity in net earnings of associates and joint ventures (Note 14)	**(92,260)**	(46,007)
Loss (gain) on:		
Unrealized foreign exchange	**250,956**	49,648
Mark-to-market on investments held for trading (Note 6)	**(29,559)**	7,360
Fair value changes on derivatives – net	**–**	(23,277)
Sale of available-for-sale investments (Note 10)	**(10)**	(7,410,301)
Operating income before working capital changes	**10,354,967**	9,184,020
Decrease (increase) in:		
Receivables	**(421,960)**	(2,877,276)
Condominium and residential units for sale	**1,250,424**	662,787
Land and development	**(383,414)**	449,212
Prepaid expenses and other current assets	**(114,410)**	(39,943)
Increase (decrease) in:		
Accounts payable and other current liabilities	**(2,277,325)**	3,199,541
Tenants' and customers' deposits	**753,797**	14,729
Cash generated from operations	**9,162,079**	10,593,070
Income tax paid	**(728,519)**	(599,999)
Cash provided by operating activities	**8,433,560**	9,993,071
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of available-for-sale investments (Note 10)	**30**	7,465,351
Dividends received	**52,419**	46,449
Interest received	**155,528**	173,480
Additions:		
Investment properties (Note 13)	**(6,271,037)**	(9,140,249)
Property and equipment (Note 12)	**(68,218)**	(75,014)
Increase in other noncurrent assets	**(1,177,995)**	(1,429,614)
Net cash used in investing activities	**(7,309,273)**	(2,959,597)

(Forward)

	Three-Month Periods Ended March 31	
	2016	2015
	(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of bank loans and long-term debt (Notes 16 and 18)	**₱16,778,792**	₱3,967,200
Payments of:		
Long-term debt (Note 18)	**(17,402,374)**	(199,900)
Bank loans (Note 16)	**(3,900,000)**	(1,000,000)
Interest	**(971,477)**	(858,303)
Dividends (Note 19)	**(485,292)**	(77,620)
Net cash provided (used) by financing activities	**(5,980,351)**	1,831,377
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**10,197**	(8,449)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(4,845,867)**	8,856,402
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**25,869,908**	35,245,206
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱21,024,041**	₱44,101,608

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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, 2016, 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 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.

<u>Statement of Compliance</u>
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, 2015.

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, 2016, there were no significant changes in the composition of the Company and in the Parent Company's ownership interests in its subsidiaries (see Note 14).

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, 2016.

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, 2015, except for the following amendments which the Company has adopted starting January 1, 2016:

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments), clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments did not have any impact to the Company given that the Company is not using a revenue-based method to depreciate its noncurrent assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments), change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. These amendments did not have any impact to the Company as the Company does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments), will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. These amendments did not have any impact on the Company's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities,* and PAS 28, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception* (Amendments), clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are not applicable to the Company since the Company is not an investment entity nor does it have investment entity associates.

- PFRS 11, *Joint Arrangements* **-** *Accounting for Acquisitions of Interests in Joint Operations* (Amendments), require that a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. These amendments did not have any impact on the Company’s consolidated financial statements.

- PFRS 14, *Regulatory Deferral Accounts*, is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Since the Company is an existing PFRS preparer, this standard does not apply.

- PAS 1, *Presentation of Financial Statements – Disclosure Initiative* (Amendments), are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Annual Improvements to PFRSs (2012-2014 cycle)
The annual improvements contain non-urgent but necessary amendments to the following standards and are applied prospectively:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* - *Changes in Methods of Disposal*, is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The Company shall consider this amendment for future Non-current Assets Held for Sale and Discontinued Operations transactions.

- PFRS 7, *Financial Instruments: Disclosures* - *Servicing Contracts*, requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. The amendment has no impact on the Company's financial position or performance.

- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements* (Amendments), is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 19, *Employee Benefits* - *Regional Market Issue Regarding Discount Rate*, is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment has no impact on the Company's financial position or performance.

- PAS 34, *Interim Financial Reporting* - *Disclosure of Information 'Elsewhere in the Interim Financial Report*, is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The amendments affect disclosures only and have no impact on the Company's financial position or performance.

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, 2016 (Unaudited)					
	Mall	**Residential**	**Commercial**	**Hotels and Convention Centers**	**Eliminations/ Adjustments** (see Note 10)	**Consolidated Balances**
			(In Thousands)			
Revenue:						
External customers	**₱10,984,245**	**₱5,757,506**	**₱887,154**	**₱617,244**	**₱–**	**₱18,246,149**
Inter-segment	**6,817**	**–**	**14,865**	**789**	**(22,471)**	**–**
	₱10,991,062	**₱5,757,506**	**₱902,019**	**₱618,033**	**(₱22,471)**	**₱18,246,149**
Segment results:						
Income before income tax	**₱5,564,221**	**₱1,601,668**	**₱420,662**	**₱121,190**	**(₱94,807)**	**₱7,612,934**
Provision for income tax	**(1,288,545)**	**(223,047)**	**(96,511)**	**(23,349)**	**–**	**(1,631,452)**
Net income	**₱4,275,676**	**₱1,378,621**	**₱324,151**	**₱97,841**	**(₱94,807)**	**₱5,981,482**
Net income attributable to:						
Equity holders of the Parent	**₱4,141,701**	**₱1,378,621**	**₱312,526**	**₱97,841**	**(₱94,807)**	**₱5,835,882**
Non-controlling interests	**133,975**	**–**	**11,625**	**–**	**–**	**145,600**
Other information:						
Capital expenditures	**₱5,360,372**	**₱2,352,525**	**₱133,034**	**₱589,784**	**₱–**	**₱8,435,715**
Depreciation and amortization	**1,601,626**	**65,421**	**150,524**	**70,922**	**–**	**1,888,493**

	Three-month periods ended March 31, 2015 (Unaudited)					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations/ Adjustments	Consolidated Balances
				(In Thousands)		
Revenue:						
External customers	₱9,868,407	₱5,503,230	₱767,221	₱506,939	₱4,502	₱16,650,299
Inter-segment	1,243	–	16,973	21,659	(39,875)	–
	₱9,869,650	₱5,503,230	₱784,194	₱528,598	(₱35,373)	₱16,650,299
Segment results:						
Income (loss) before income tax	₱4,884,440	₱1,421,131	₱318,038	₱124,060	₱7,371,512	₱14,119,181
Provision for income tax	(1,073,477)	(160,384)	(75,331)	(37,467)	–	(1,346,659)
Net income (loss)	₱3,810,963	₱1,260,747	₱242,707	₱86,593	₱7,371,512	₱12,772,522
Net income (loss) attributable to:						
Equity holders of the Parent	₱3,680,990	₱1,260,747	₱231,498	₱86,593	₱7,371,512	₱12,631,340
Non-controlling interests	129,973	–	11,209	–	–	141,182
Other information:						
Capital expenditures	₱5,134,201	₱2,371,107	₱2,880,734	₱350,421	₱–	₱10,736,463
Depreciation and amortization	1,431,283	70,969	154,082	80,189	–	1,736,523

	March 31, 2016 (Unaudited)					
	Mall	**Residential**	**Commercial**	**Hotels and Convention Centers**	**Eliminations**	**Consolidated Balances**
				(In Thousands)		
Segment assets	**₱278,500,701**	**₱108,714,070**	**₱34,844,992**	**₱11,616,378**	**(₱109,468)**	**₱433,566,673**
Segment liabilities	**₱158,285,040**	**₱52,205,997**	**₱1,738,523**	**₱621,432**	**(₱109,468)**	**₱212,741,524**

	December 31, 2015 (Audited)					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
				(In Thousands)		
Segment assets	₱283,013,015	₱108,811,859	₱31,284,878	₱10,804,808	(₱86,121)	₱433,828,439
Segment liabilities	₱160,242,498	₱54,148,046	₱3,038,706	₱642,463	(₱86,121)	₱217,985,592

For the three-month periods ended March 31, 2016 and 2015, 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 have no significant seasonality.

5. Cash and Cash Equivalents

Cash and cash equivalents comprised the following:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Cash on hand and in banks (see Note 20)	**₱997,211**	₱2,943,394
Temporary investments (see Note 20)	**20,026,830**	22,926,514
	₱21,024,041	₱25,869,908

Interest income earned from cash in banks and temporary investments amounted to ₱76 million and ₱101 million for the three-month periods ended March 31, 2016 and 2015, respectively (see Note 22).

6. Investments Held for Trading

This account consists of investments in Philippine government and corporate bonds and listed common shares. The Philippine government and corporate bonds have yields ranging from 6.63% to 7.20% as at March 31, 2016 and December 31, 2015. These Philippine peso-denominated and U.S. dollar-denominated investments have maturities in 2017.

The movements in this account are as follows:

	March 31, 2016 (Three Months) (Unaudited)	December 31, 2015 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱843,256**	₱967,511
Disposals – net	**–**	(35,693)
Mark-to-market loss during the period	**29,559**	(101,087)
Unrealized foreign exchange gains	**(5,219)**	12,525
At end of the period	**₱867,596**	₱843,256

Mark-to-market 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 ₱4 million and ₱8 million for the three-month periods ended March 31, 2016 and 2015, respectively (see Note 22).

7. Receivables

This account consists of:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Trade:		
Sale of real estate	**₱32,896,519**	₱31,073,388
Rent:		
Third parties	**4,205,586**	4,555,888
Related parties (see Note 20)	**1,981,954**	2,422,175
Others (see Note 20)	**8,533**	17,996
Receivable from a co-investor	**266,629**	270,674
Due from related parties (see Note 20)	**231,654**	101,069
Nontrade	**123,141**	31,265
Accrued interest (see Note 20)	**89,175**	108,998
Others (see Note 20)	**1,788,251**	1,701,307
	41,591,442	40,282,760
Less allowance for impairment	**966,325**	965,859
	40,625,117	39,316,901
Less noncurrent portion of receivables from sale of real estate (see Note 15)	**8,784,130**	7,962,615
	₱31,840,987	₱31,354,286

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 ₱13 million for the three-month periods ended March 31, 2016 and 2015 (see Note 22).

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

	March 31, 2016 (Three Months) (Unaudited)	December 31, 2015 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱965,859**	₱352,847
Provision for impairment - net	**466**	613,012
At end of the period	**₱966,325**	₱965,859

8. Condominium and Residential Units for Sale

This account consists of:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Condominium units for sale	**₱7,281,818**	₱7,780,550
Residential units and subdivision lots	**351,298**	384,431
	₱7,633,116	₱8,164,981

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

	March 31, 2016 (Three Months) (Unaudited)	December 31, 2015 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱7,780,550**	₱7,177,902
Transfer from land and development (see Note 9)	**703,378**	5,720,176
Cost of real estate sold (see Note 21)	**(1,202,110)**	(5,117,528)
At end of the period	**₱7,281,818**	₱7,780,550

Condominium units for sale pertain to the completed projects of SM Development Corporation (SMDC), Highlands Prime, Inc. and Costa Del Hamilo, Inc.

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

	March 31, 2016 (Three Months) (Unaudited)	December 31, 2015 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱384,431**	₱400,983
Transfer from land and development (see Note 9)	**15,181**	304,988
Cost of real estate sold (see Note 21)	**(48,314)**	(321,540)
At end of the period	**₱351,298**	₱384,431

9. Land and Development

This account consists of:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Land and development	**₱41,007,821**	₱41,053,508
Land held for future development	**1,898,380**	1,866,660
	42,906,201	42,920,168
Less noncurrent portion	**22,436,782**	23,105,553
	₱20,469,419	₱19,814,615

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

	March 31, 2016 (Three Months) (Unaudited)	December 31, 2015 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱41,053,508**	₱40,856,084
Development cost incurred	**1,917,039**	11,165,617
Land acquisitions	**371,547**	1,203,487
Capitalized borrowing cost	**83,158**	407,549
Cost of real estate sold (see Note 21)	**(1,668,314)**	(6,600,008)
Transfer to condominium and residential units for sale (see Note 8)	**(718,559)**	(6,025,164)
Reclassified from property and equipment (see Note 13)	**–**	1,327
Others	**(30,558)**	44,616
At end of the period	**₱41,007,821**	₱41,053,508

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

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

	March 31, 2016 (Three Months) (Unaudited)	December 31, 2015 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱1,866,660**	₱1,601,748
Acquisition and transferred-in costs and others	**31,720**	264,912
At end of the period	**₱1,898,380**	₱1,866,660

The average rates used to determine the amount of borrowing costs eligible for capitalization range from 4.05% to 5.72% in 2016 and 4.17% to 5.20% in 2015.

There is no allowance for inventory write down as at March 31, 2016 and December 31, 2015.

10. Available-for-sale Investments

This account consists of investments in:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Shares of stock:		
Listed (see Note 20)	**₱20,289,784**	₱20,323,495
Unlisted	**9,331**	8,560
	20,299,115	20,332,055
Less noncurrent portion	**19,663,866**	19,689,781
	₱635,249	₱642,274

On February 25, 2015, the Company sold a portion of its listed shares of stock to SMIC based on a 5% discount to 30-day volume-weighted average price as of trade date resulting to a realized gain amounting to ₱7,410 million shown as component of "Other Income" in the interim consolidated statements of income (see Note 20).

Dividend income from investments in listed and unlisted shares of stock amounted to ₱135 million and ₱179 million for the three-month periods ended March 31, 2016 and 2015, respectively.

Unrealized loss on changes in fair value amounting to ₱33 million for the three-month periods ended March 31, 2016 and unrealized gain on changes in fair value amounting to ₱1,404 million for the three-month periods ended March 31, 2015 were included under other comprehensive income.

11. Prepaid Expenses and Other Current Assets

This account consists of:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Advances and deposits	**₱4,344,581**	₱4,829,512
Input and creditable withholding taxes	**3,540,140**	3,467,461
Prepaid taxes and other prepayments	**2,787,878**	2,108,087
Supplies and inventories	**399,686**	402,347
Cash in escrow (see Note 20)	**332,069**	437,639
Others	**11,365**	57,825
	₱11,415,719	₱11,302,871

12. **Property and Equipment**

The movements in this account are as follows:

	Land and Improvements	Buildings and Leasehold Improvements	Data Processing Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Construction in Progress	Total
				(In Thousands)			
Cost							
Balance at December 31, 2014	₱217,317	₱2,312,344	₱237,491	₱154,709	₱1,136,860	₱7,827	₱4,066,548
Additions	207	42,180	65,308	87,199	66,112	2,755	263,761
Disposals/retirements	–	(3,553)	(10)	(3,097)	(33,662)	–	(40,322)
Reclassifications (see Notes 9 and 13)	–	(727,330)	(133,075)	8,725	(551,122)	(10,582)	(1,413,384)
Balance at December 31, 2015	217,524	1,623,641	169,714	247,536	618,188	–	2,876,603
Additions	324	7,615	3,797	23,213	28,678	4,766	68,393
Disposals/retirements	–	–	(175)	(1,224)	–	–	(1,399)
Balance at March 31, 2016	₱217,848	₱1,631,256	₱173,336	₱269,525	₱646,866	₱4,766	₱2,943,597
Accumulated Depreciation and Amortization							
Balance at December 31, 2014	₱23	₱906,748	₱157,586	₱80,517	₱663,287	₱–	1,808,161
Depreciation and amortization	73	128,812	33,417	25,486	83,645	–	271,433
Disposals/retirements	–	(716)	(199)	(1,866)	(9,693)	–	(12,474)
Reclassifications(see Notes 9 and 13)	–	(422,637)	(83,659)	15,590	(380,193)	–	(870,899)
Balance at December 31, 2015	96	612,207	107,145	119,727	357,046	–	1,196,221
Depreciation and amortization (see Note 21)	26	25,651	8,023	7,901	21,605	–	63,206
Disposals/retirements	–	–	–	(1,224)	–	–	(1,224)
Balance at March 31, 2016	₱122	₱637,858	₱115,168	₱126,404	₱378,651	₱–	₱1,258,203
Net Book Value							
As at December 31, 2015	₱217,428	₱1,011,434	₱62,569	₱127,809	₱261,142	₱–	₱1,680,382
As at March 31, 2016	**217,726**	**993,398**	**58,168**	**143,121**	**268,215**	**4,766**	**1,685,394**

13. Investment Properties

The movements in this account are as follows:

	Land and Improvements and Land Use Rights	Buildings and Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
			(In Thousands)		
Cost					
Balance as at December 31, 2014	₱40,778,555	₱132,389,872	₱25,006,748	₱38,616,275	₱236,791,450
Additions	18,391,404	16,979,710	1,811,820	9,190,394	46,373,328
Reclassifications (see Note 12)	281,629	14,761,945	2,284,279	(15,920,011)	1,407,842
Translation adjustment	64,091	99,036	12,795	78,218	254,140
Disposals	(310,664)	(2,833,882)	(101,076)	–	(3,245,622)
Balance as at December 31, 2015	59,205,015	161,396,681	29,014,566	31,964,876	281,581,138
Additions	481,500	1,679,475	479,588	3,438,173	6,078,736
Reclassifications	(176,723)	1,441,464	(113,383)	(1,564,100)	(412,742)
Translation adjustment	(17,488)	(335,119)	(37,839)	(200,694)	(591,140)
Disposals	–	–	(1,017)	–	(1,017)
Balance as at March 31, 2016	₱59,492,304	₱164,182,501	₱29,341,915	₱33,638,255	₱286,654,975
Accumulated Depreciation and Amortization					
Balance as at December 31, 2014	₱1,435,566	₱28,636,739	₱14,079,766	₱–	₱44,152,071
Depreciation and amortization	217,002	4,204,068	2,274,449	–	6,695,519
Reclassifications (see Note 12)	9,908	397,325	459,452	–	866,685
Translation adjustment	4,041	16,752	5,437	–	26,230
Disposals	(41,085)	(360,637)	(98,044)	–	(499,766)
Balance as at December 31, 2015	1,625,432	32,894,247	16,721,060	–	51,240,739
Depreciation and amortization (see Note 21)	61,496	1,206,886	556,905	–	1,825,287
Reclassifications	59,978	(45,281)	(66,218)	–	(51,521)
Translation adjustment	(13,783)	(44,372)	(16,807)	–	(74,962)
Disposals	–	–	(841)	–	(841)
Balance as at March 31, 2016	₱1,733,123	₱34,011,480	₱17,194,099	₱–	₱52,938,702
Net Book Value					
As at December 31, 2015	₱57,579,583	₱128,502,434	₱12,293,506	₱31,964,876	₱230,340,399
As at March 31, 2016	**57,759,181**	**130,171,021**	**12,147,816**	**33,638,255**	**233,716,273**

In 2016, shopping mall complex under construction mainly pertains costs incurred for the development of SM Cagayan de Oro Premier, SM Trece Martires, SM San Jose Del Monte, SM Tianjin and the ongoing expansions of SM Mall of Asia and SM Xiamen.

Construction contracts with various contractors related to the construction of the on-going projects amounted to ₱99,790 million and ₱106,136 million as at March 31, 2016 and December 31, 2015, 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 ₱20,835 million and ₱24,304 million as at March 31, 2016 and December 31, 2015, respectively.

Interest capitalized related to the construction of investment properties amounted to ₱506 million and ₱200 million for the three-month periods ended March 31, 2016 and 2015, respectively. Capitalization rates used range from 2.35% to 5.40% and from 2.06% to 6.07%, for the periods ended March 31, 2016 and December 31, 2015, respectively.

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.

Investment properties are categorized under Level 3 fair value measurement.

14. Investments in Associates and Joint Ventures

This account consists of:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Investments in associates	**₱16,602,630**	₱16,579,209
Investment in joint ventures	**5,545,401**	5,500,791
	₱22,148,031	₱22,080,000

Investments in Associates
This pertains 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 December 31, 2015, OHI's total assets, total liabilities and total equity amounted to ₱19,676 million, ₱16,174 million and ₱3,502 million, respectively, and the carrying value of investment in OHI amounted to ₱15,500 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 ₱13,839 million.

The carrying value of investment in FHREC amounted to ₱1,093 million and ₱1,109 million as at March 31, 2016 and December 31, 2015, respectively, with cumulative equity in net earnings amounting to ₱820 million and ₱832 million as at March 31, 2016 and December 31, 2015, respectively.

Investment in Joint Ventures
This pertains to the 51% ownership interest of the Company in Waltermart. Waltermart is involved in shopping mall operations and currently owns 21 malls across Metro Manila and Luzon.

The aggregate carrying values of investments in joint ventures amounted to ₱5,545 million and ₱5,501 million as at March 31, 2016 and December 31, 2015, respectively. These consist of the acquisition costs totaling ₱5,115 million and cumulative equity in net earnings totaling ₱430 million and ₱386 million as at March 31, 2016 and December 31, 2015, respectively. The aggregate share in profit and total comprehensive income amounted to ₱45 million and ₱46 million for the three-month periods ended March 31, 2016 and 2015, 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, 2016 and December 31, 2015.

15. **Other Noncurrent Assets**

This account consists of:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Bonds and deposits	**₱10,386,706**	₱9,454,397
Land use rights	**9,762,672**	9,563,565
Receivables from sale of real estate - net of current portion (see Note 7)	**8,784,130**	7,962,615
Time deposits (see Notes 20 and 22)	**4,555,715**	4,561,849
Deferred input tax	**2,262,209**	2,805,664
Others	**1,118,693**	1,145,133
	₱36,870,125	₱35,493,223

Interest income earned from time deposits amounted to ₱38 million and ₱33 million for the three-month periods ended March 31, 2016 and 2015, respectively (see Note 22).

16. **Loans Payable**

This account consists of unsecured Philippine peso-denominated loans obtained from local banks amounting to ₱775 million and ₱4,675 million as at March 31, 2016 and December 31, 2015, respectively, with due dates of less than one year. These loans bear interest rates ranging from 2.75% to 3.00% in 2016 and 2.50% to 3.00% in 2015.

For the three-month period ended March 31, 2016, the Company settled ₱3,900 million peso-denominated loans.

Interest expense incurred from loans payable amounted to ₱12 million and ₱18 million for the three-month periods ended March 31, 2016 and 2015, respectively (see Note 22).

17. Accounts Payable and Other Current Liabilities

This account consists of:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Trade:		
Third parties	**₱15,330,641**	₱17,485,188
Related parties (see Note 20)	**52,595**	61,283
Accrued operating expenses:		
Third parties	**10,929,484**	9,647,340
Related parties (see Note 20)	**675,220**	692,897
Tenants' and customers' deposits	**17,404,004**	17,641,578
Liability for purchased land	**5,731,081**	5,602,380
Deferred output VAT	**1,278,213**	1,289,236
Accrued interest (see Note 20)	**889,635**	767,172
Payable to government agencies	**396,203**	630,989
Nontrade	**296,530**	321,988
Due to related parties (see Note 20)	**76,206**	88,869
Others	**786,536**	864,100
	53,846,348	55,093,020
Less noncurrent portion	**17,048,657**	16,273,864
	₱36,797,691	₱38,819,156

Accrued operating expenses - third parties consist of:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Utilities	**₱4,475,363**	₱3,870,702
Marketing and advertising	**665,596**	650,491
Payable to contractors and others	**5,788,525**	5,126,147
	₱10,929,484	₱9,647,340

18. Long-term Debt

This account consists of:

	Availment Date	Maturity Date	Interest Rate	Condition	Outstanding Balance March 31, 2016 (Unaudited)	Outstanding Balance December 31, 2015 (Audited)
Parent Company					*(In Thousands)*	
U.S. dollar-denominated loans:						
Five-year term loans	May 6, 2011 – April 23, 2014	March 21, 2016 – April 14, 2019	LIBOR + spread; semi-annual	Unsecured	**₱36,856,000**	₱50,354,200
Five-year, three-year and two-year bilateral loans	December 7, 2012 – August 5, 2013	August 30, 2017	LIBOR + spread; semi-annual	Unsecured	**2,303,500**	2,353,000
Other U.S. dollar loans	November 20, 2013	September 17, 2018	LIBOR + spread; semi-annual	Unsecured	**1,151,750**	1,176,500
Philippine peso-denominated loans:						
Five-year and ten-year retail bonds	November 25, 2015	February 25, 2021 – November 25, 2025	4.51%-4.80%; quarterly	Unsecured	**20,000,000**	20,000,000
Five-year, seven-year and ten-year retail bonds	September 1, 2014	March 1, 2020 – September 1, 2024	5.10%-5.74%; quarterly	Unsecured	**20,000,000**	20,000,000
Five-year and ten-year floating and fixed rate notes	June 19, 2012	June 20, 2017 – June 19, 2022	PDST-R2 + margin; 4.80%-6.74%; quarterly	Unsecured	**7,226,500**	7,226,500
Five-year, seven-year and ten-year corporate notes	June 13, 2011 – December 21, 2015	December 20, 2020 – December 21, 2022	PDST-R2 + margin; Fixed 6.65%; quarterly	Unsecured	**6,520,000**	6,520,000
Five-year floating rate notes	March 18, 2011 – March 31, 2016	March 19, 2016 – March 21, 2023	PDST-R2 + margin; quarterly	Unsecured	**4,790,000**	4,800,000
Five-year, seven-year and ten-year fixed and floating rate notes	January 12, 2012	January 13, 2017 – January 12, 2022	PDST-R2 + margin; 5.86%-6.10%; quarterly	Unsecured	**3,993,600**	4,229,200
Other bank loans	August 15, 2006 – June 8, 2015	August 15, 2016 – June 8, 2020	PDST-R2 + margin; 5.00%-9.75%; semi-annual and quarterly	Unsecured	**1,525,000**	1,525,000
Subsidiaries						
U.S. dollar-denominated loan:						
Five-year term loan	March 21, 2016	January 29, 2021	LIBOR + spread; semi-annual	Unsecured	**12,453,633**	–
Philippine peso-denominated loans:						
Fixed rate term loans	June 3, 2013 – December 28, 2015	October 4, 2016 – June 25, 2023	4.25%-5.94%; semi-annual and quarterly	Unsecured	**20,548,500**	20,643,500
Fixed rate corporate notes	June 3, 2013 – June 28, 2014	June 3, 2020 – June 3, 2023	5.25%-5.88%; semi-annual	Unsecured	**8,683,100**	8,683,100
Four-year and five-year floating rate notes	October 31, 2013 – December 28, 2015	October 31, 2017 – December 28, 2020	PDST-R2 + margin; quarterly	Unsecured	**3,500,000**	4,000,000
Five-year bilateral loans	October 24, 2011	October 24, 2016	PDST-R2 + margin	Unsecured	**500,000**	500,000
China yuan renminbi-denominated loan:						
Five-year loans	July 28, 2015 – January 14, 2016	December 31, 2019 – June 1, 2020	CBC rate less 10%; quarterly	Secured	**467,500**	32,249
					150,519,083	152,043,249
Less debt issue cost					**1,149,235**	1,049,764
					149,369,848	150,993,485
Less current portion					**9,358,963**	25,041,044
					₱140,010,885	₱125,952,441

LIBOR – London Interbank Offered Rate
PDST-R2 – Philippine Treasury Reference Rates – PM
CBC – Central Bank of China

China yuan renminbi-denominated five-year term loans represents a ¥66 million, out of ¥400 million loan facility, obtained on July 28, 2015 to finance the construction of shopping malls. The loans are payable in quarterly installments until December 2019 and June 2020. These loans have a floating rate with a quarterly re-pricing at prevailing rate dictated by People's Bank of China. The loan carries an interest rate of 5.00% in 2016 and is secured by a portion of investment properties in China.

Debt issue cost pertaining to the loan availments amounted to ₱211 million. Amortization of debt issue cost for the three-month period ended March 31, 2016 amounted to ₱112 million.

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, 2016 and December 31, 2015, the Company is in compliance with the terms of its loan covenants.

Repayment Schedule

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

	Gross Loan	Debt Issue Cost	Net
		(In Thousands)	
2016	₱8,534,248	(₱337,258)	₱8,196,990
2017	8,483,138	(322,746)	8,160,392
2018	29,216,688	(206,857)	29,009,831
2019	21,893,309	(134,383)	21,758,926
2020	23,956,027	(95,551)	23,860,476
2021	34,491,813	(29,097)	34,462,716
2022	11,281,660	(12,225)	11,269,435
2023	8,029,460	(6,392)	8,023,068
2024	2,601,700	(3,313)	2,598,387
2025	2,031,040	(1,413)	2,029,627
	₱150,519,083	(₱1,149,235)	₱149,369,848

Interest expense incurred from long-term debt amounted to ₱980 million and ₱1,057 million for the three-month periods ended March 31, 2016 and 2015, respectively (see Note 22).

19. **Equity**

Capital Stock

As at March 31, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, the Parent Company has 28,879 million outstanding shares.

Retained Earnings
In 2015, the Board of Directors (BOD) approved the declaration of cash dividend of ₱0.21 per share or ₱6,065 million to stockholders of record as of May 14, 2015, ₱10 million of which was received by SMDC. This was paid on June 9, 2015.

As at March 31, 2016 and December 31, 2015, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42,200 million.

For the year 2016, the Company expects to incur capital expenditures of at least P60 billion.

The retained earnings account is restricted for the payment of dividends to the extent of ₱50,995 million and ₱49,834 million as at March 31, 2016 and December 31, 2015, respectively, representing the cost of shares held in treasury (₱3,355 million as at March 31, 2016 and December 31, 2015) and accumulated equity in net earnings of SMPH subsidiaries, associates and joint ventures totaling ₱47,640 million and ₱46,479 million as at March 31, 2016 and December 31, 2015, respectively. The accumulated equity in net earnings of subsidiaries is not available for dividend distribution until such time that the Parent Company receives the dividends from its subsidiaries.

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, 2016 and December 31, 2015.

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)]			
	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)	**March 31, 2016 (Unaudited)**	December 31, 2015 (Audited)	Terms	Conditions
Cash and cash equivalents	**₱49,805,042**	₱25,609,986	**₱14,323,882**	₱18,907,056	Interest bearing based on prevailing rates	Unsecured; not impaired
Investments held for trading	**–**	–	**593,456**	563,897	Noninterest-bearing	Unsecured; not impaired
Rent income	**3,115,526**	2,789,914	**–**	–	Noninterest-bearing	Unsecured; not impaired
Rent receivable	**–**	–	**1,981,954**	2,422,175		
Other revenues	**3,420**	3,540	**–**	–	Noninterest-bearing	Unsecured; not impaired
Other receivables	**–**	–	**37,234**	**37,415**	Noninterest-bearing	Unsecured; not impaired
Deferred rent income	**–**	–	**(58,548)**	(63,548)	Noninterest bearing	Unsecured
Interest income	**39,001**	64,861	**–**	–	Interest-bearing	Unsecured; not impaired
Accrued interest receivable	**–**	–	**40,150**	44,534	Noninterest-bearing	Unsecured; not impaired
Due from related parties	**131,003**	21,447	**231,654**	101,069	On demand; noninterest-bearing	Unsecured; not impaired
AFS investments	**–**	–	**13,217,982**	13,193,230	Noninterest-bearing	Unsecured; not impaired
Dividend income	**117,168**	132,400	**–**	–	Noninterest-bearing	Unsecured
Gain on sale of AFS investments	**–**	7,410,301	**–**	–	Noninterest-bearing	Unsecured

	Amount of Transactions		Outstanding Amount [Asset (Liability)]			
	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)	**March 31, 2016 (Unaudited)**	December 31, 2015 (Audited)	Terms	Conditions
Cash in escrow	**–**	–	**332,069**	437,639	Interest bearing based on prevailing rates	Unsecured; not impaired
Time deposits	**–**	1,167,643	**4,283,463**	4,410,436	Interest bearing	Unsecured
Loans payable and long-term debt	**–**	–	**(867,060)**	(961,624)	Interest-bearing	Combination of secured and unsecured
Interest expense	**9,438**	24,793	**–**	–	Interest-bearing; fixed and floating interest rates	Combination of secured and unsecured
Accrued interest payable	**–**	–	**(402)**	(638)	Noninterest-bearing	Unsecured
Rent expense	**25,128**	22,745	**–**	–	Noninterest-bearing	Unsecured
Accrued rent payable	**–**	–	**(7,170)**	(1,427)	Noninterest-bearing	Unsecured
Trade payable	**–**	10,893	**(52,595)**	(61,283)	Noninterest-bearing	Unsecured
Due to related parties	**7,610**	157	**(76,206)**	(88,869)	On demand; noninterest-bearing	Unsecured
Management fee expense	**281,521**	297,419	**–**	–	Noninterest-bearing	Unsecured
Accrued management fee	**–**	–	**(94,858)**	(118,278)	Noninterest-bearing	Unsecured
Accrued expenses	**–**	279	**(573,192)**	(573,192)	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, 2016 and 2015 consist of short-term employee benefits amounting to ₱96 million and ₱92 million, respectively, and post-employment benefits (pension benefits) amounting to ₱12 million in both periods.

21. Costs and Expenses

This account consists of:

	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
	(In Thousands)	
Cost of real estate sold (see Notes 8 and 9)	**₱2,918,738**	₱2,867,633
Depreciation and amortization (see Notes 12 and 13)	**1,888,493**	1,736,523
Administrative	**1,556,737**	1,435,165
Business taxes and licenses	**961,559**	876,522
Marketing and selling expenses	**835,783**	672,249
Film rentals	**568,718**	517,801
Rent (see Note 20)	**348,531**	314,993
Management fees (see Note 20)	**334,703**	306,186
Insurance	**105,175**	97,078
Others	**340,989**	350,680
	₱9,859,426	₱9,174,830

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, 2016 (Unaudited)	March 31, 2015 (Unaudited)
		(In Thousands)
Interest income on:		
Cash and cash equivalents (see Note 5)	**₱76,076**	₱100,548
Time deposits (see Note 15)	**38,070**	33,241
Investments held for trading (see Note 6)	**4,317**	8,124
Others (see Note 7)	**17,242**	15,877
	₱135,705	₱157,790
Interest expense on:		
Long-term debt (see Note 18)	**₱980,310**	₱1,057,233
Loans payable (see Note 16)	**11,953**	17,892
Others	**3,030**	12,857
	₱995,293	₱1,087,982

23. 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, interest rate swaps, foreign currency call options, non-deliverable forwards and foreign currency range options. 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.

<u>Interest Rate Risk</u>
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, 2016 and December 31, 2015, after taking into account the effect of interest rate swaps, approximately 63% 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$531 million (₱24,475 million) as at March 31, 2016 and US$796 million (₱37,457 million) as at December 31, 2015. The Company's foreign currency-denominated monetary liabilities amounted to US$811 million (₱37,360 million) and US$499 million (¥3,218 million) as at March 31, 2016, and US$802 million (₱37,745 million) and US$764 million (¥4,961 million) as at December 31, 2015.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rates used were ¥6.4536 to US$1.00 and ¥6.4937 to US$1.00, the China Yuan Renminbi to U.S. dollar exchange rate and ₱46.07 to US$1.00 and ₱47.06 to US$1.00, the Philippine peso to U.S. dollar exchange rate as at March 31, 2016 and December 31, 2015, 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.

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, 2016 (Unaudited)		December 31, 2015 (Audited)	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Financial Assets				
Financial assets at FVPL:				
Investments held for trading	**₱867,596**	**₱867,596**	₱843,256	₱843,256
Derivative assets	**2,237,103**	**2,237,103**	2,600,799	2,600,799
	3,104,699	**3,104,699**	3,444,055	3,444,055
Loans and receivables -				
Noncurrent portion of receivables from sale of real estate	**8,784,130**	**8,637,958**	7,962,615	7,833,491
Time deposits (included under "Other noncurrent assets")	**4,555,715**	**4,479,906**	4,561,849	4,528,341
Available-for-sale investments	**20,299,115**	**20,299,115**	20,332,055	20,332,055
	₱36,743,659	**₱36,521,678**	₱36,300,574	₱36,137,942
Financial Liabilities				
Financial liabilities at FVPL -				
Derivative liabilities	**₱412,980**	**₱412,980**	₱–	₱–
Other financial liabilities:				
Liability for purchased land - net of current portion	**2,026,613**	**1,992,889**	2,081,708	2,066,418
Long-term debt - net of current portion	**140,010,885**	**143,223,012**	125,952,441	133,874,562
Tenants' and customers' deposits	**13,956,118**	**13,723,890**	13,218,264	13,121,180
Other noncurrent liabilities*	**3,489,479**	**3,431,412**	3,341,067	3,319,530
	159,483,095	**162,371,203**	144,593,480	152,381,690
	₱159,896,075	**₱162,784,183**	₱144,593,480	₱152,381,690

**Excluding nonfinancial liabilities amounting to ₱1,498 million and ₱1,412 million as at March 31, 2016 and December 31, 2015, 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 3.39% and 4.10% as at March 31, 2016 and December 31, 2015, 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 2.69% to 5.41% and 2.18% to 5.59% as at March 31, 2016 and December 31, 2015, 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 1.94% to 4.81% and 1.95% to 2.37% as at March 31, 2016 and December 31, 2015, 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 3.15% to 3.63% and 4.03% to 4.17% as at March 31, 2016 and December 31, 2015, 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 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, 2016 (Unaudited)		
	Level 1	**Level 2**	**Level 3**
		(In Thousands)	
Financial Assets			
Financial assets at FVPL:			
Investments held-for-trading:			
Bonds	**₱274,140**	**₱–**	**₱–**
Shares	**593,456**	**–**	**–**
Derivative assets	**–**	**2,237,103**	**–**
	867,596	**2,237,103**	**–**
Loans and receivables -			
Noncurrent portion of receivables from sale of real estate	**–**	**–**	**8,637,958**
Time deposits	**–**	**4,479,906**	**–**
Available-for-sale investments	**20,289,784**	**–**	**9,331**
	₱21,157,380	**₱6,717,009**	**₱8,647,289**
Financial Liabilities			
Financial liabilities at FVPL -			
Derivative liabilities	**₱–**	**₱412,980**	**₱–**
Other financial liabilities:			
Liability for purchased land - net of current portion	**–**	**–**	**1,992,889**
Long-term debt - net of current portion	**–**	**–**	**143,223,012**
Tenants' and customers' deposits	**–**	**–**	**13,723,890**
Other noncurrent liabilities*	**–**	**–**	**3,431,412**
	–	**–**	**162,371,203**
	₱–	**₱412,980**	**₱162,371,203**

**Excluding nonfinancial liabilities amounting to ₱1,498 million as at March 31, 2016.*

	December 31, 2015 (Audited)		
	Level 1	Level 2	Level 3
		(In Thousands)	
Financial Assets			
Financial assets at FVPL:			
Investments held-for-trading:			
Bonds	₱279,359	₱–	₱–
Shares	563,897	–	–
Derivative assets	–	2,600,799	–
	843,256	2,600,799	–
Loans and receivables -			
Noncurrent portion of receivables from sale of real estate	–	–	7,833,491
Time deposits (included under "Other noncurrent assets")	–	4,528,341	–
Available-for-sale investments	20,323,495	–	8,560

	December 31, 2015 (Audited)		
	Level 1	Level 2	Level 3
	(In Thousands)		
	₱21,166,751	₱7,129,140	₱7,842,051

Financial Liabilities			
Financial liabilities at FVPL -			
Derivative liabilities	₱–	₱–	₱–
Other financial liabilities:			
Liability for purchased land - net of current portion	–	–	2,066,418
Long-term debt - net of current portion	–	–	133,874,562
Tenants' and customers' deposits	–	–	13,121,180
Other noncurrent liabilities*	–	–	3,319,530
	–	–	152,381,690
	₱–	₱–	₱152,381,690

**Excluding nonfinancial liabilities amounting to ₱1,412 million as at December 31, 2015.*

During the periods ended March 31, 2016 and December 31, 2015, 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

To address the Company's exposure to market risk for changes in interest rates arising primarily from its long-term floating rate debt obligations and to manage its foreign currency risk, the Company entered into various derivative transactions such as interest rate swaps, cross-currency swaps, non-deliverable forwards and non-deliverable currency swaps.

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 hedged loans are as follows:

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

- Swap the face amount of the loans at US$ for their agreed Philippine peso equivalents (₱8,134 million and ₱6,165 million) 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.

Principal only Swaps. In 2016, SM Land (China) Limited entered into principal only swap transactions 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).

Under the principal only swap, it effectively converted the hedged US dollar-denominated loan and advances into China renminbi-denominated loan. Details of the principal only swap are as follow:

- Swap the face amount of the loans and advances at US$ for their agreed China renminbi equivalents (¥2,472 million for US$380 million) with the counterparty banks and net settled at maturity date.

- Pay premium interest based on China renminbi notional amount on a semi-annual basis.

The table below provides the details of SM Land's outstanding principal only swap as at March 31, 2016:

	Notional Amounts	US$:¥ Rate	Maturity	Fair Value (Loss)
	(In Thousands)			
Principal only	US$100,000	6.528	March 23, 2018	(₱169,830)
Principal only	50,000	6.569	March 23, 2018	(124,470)
Principal only	50,000	6.458	January 29, 2021	(13,412)
Principal only	50,000	6.369	January 29, 2021	(2,343)
Principal only	50,000	6.480	January 29, 2021	(9,021)
Principal only	30,000	6.483	January 29, 2021	(7,172)
Principal only	25,000	6.514	August 31, 2017	(43,280)
Principal only	15,000	6.514	August 31, 2017	(26,046)
Principal only	10,000	6.514	August 31, 2017	(17,406)

As the terms of the swaps have been negotiated to match the terms of the hedged items, the hedges were assessed to be highly effective. No ineffectiveness was recognized in the unaudited interim consolidated statements of income for the three months ended March 31, 2016 and 2015.

Details of the hedged loans are as follows:

	Outstanding Principal Balance		Interest Rate	Maturity Date
	(In Thousands)			
Unsecured loan	US$200,000	₱9,214,000	6-month US LIBOR + 1.70%	January 29, 2018
Unsecured loan	150,000	6,910,500	6-month US LIBOR + 1.70%	March 25, 2018
Secured loan	180,000	8,302,422	6-month US LIBOR + 1.45%	January 29, 2021

The table below provides the details of SMPH's outstanding cross-currency swaps as at March 31, 2016:

	Notional Amounts		Receive	Pay	US$:₱ Rate	Maturity	Fair Value Gain
	(In Thousands)						*(In Thousands)*
Floating-to-Fixed	US$150,000	₱6,100,500	6M U.S. LIBOR + 170 bps	3.70%	40.67	January 29, 2018	₱1,029,037
Floating-to-Fixed	50,000	2,033,500	6M U.S. LIBOR + 170 bps	3.70%	40.67	January 29, 2018	318,418
Floating-to-Fixed	50,000	2,055,000	6M U.S. LIBOR + 170 bps	3.90%	41.10	March 23, 2018	326,637
Floating-to-Fixed	50,000	2,055,000	6M U.S. LIBOR + 170 bps	3.90%	41.10	March 23, 2018	280,249
Floating-to-Fixed	50,000	2,055,000	6M U.S. LIBOR + 170 bps	3.90%	41.10	March 23, 2018	282,762

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 ₱1,824 million gain and ₱2,601 million gain as at March 31, 2016 and December 31, 2015, 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, 2016 and 2015. Foreign currency translation gain arising from the hedged loan recognized in the unaudited interim consolidated statements of income amounted to ₱453 million and ₱7 million for the three-month periods ended March 31, 2016 and 2015, respectively. Foreign exchange loss equivalent to the same amounts were recycled from equity to the unaudited interim consolidated statements of income during the same period.

The reconciliation of the amounts of derivative assets and liabilities recognized in the interim consolidated balance sheets follows:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Derivative assets	**₱2,237,103**	₱2,600,799
Derivative liabilities	**(412,980)**	–
	₱1,824,123	₱2,600,799

25. EPS Computation

Basic/diluted EPS is computed as follows:

	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
	(In Thousands, Except Per Share Data)	
Net income attributable to equity holders of the parent (a)	**₱5,835,882**	₱12,631,340
Common shares issued	**33,166,300**	33,166,300
Less weighted average number of treasury stock	**4,332,693**	4,332,787
Weighted average number of common shares outstanding (b)	**28,833,607**	28,833,513
Earnings per share (a/b)	**₱0.202**	₱0.438

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
FINANCIAL RATIOS - KEY PERFORMANCE INDICATORS
AS OF MARCH 31, 2016 and 2015

		March 31 2016	March 31 2015
i.	**Current ratio**		
	Total current assets / Total current liabilities	1.93	1.67
ii.	**Debt-to-equity ratio**		
	Total interest-bearing liabilities / Total equity attributable to equity holders of the parent + Total interest-bearing liabilities	41:59	39:61
	Net debt-to-equity ratio		
	Total interest-bearing liabilities less cash and cash equivalents and investment securities / Total equity attributable to equity holders of the parent + Total interest-bearing liabilities less cash and cash equivalents and investment securities	37:63	30:70
iii.	**Asset to equity ratio**		
	Total assets / Total equity attributable to equity holders of the parent	1.99	1.96

	(Annualized)		
iv.	**Earnings before interest, income taxes, depreciation and amortization (EBITDA) to interest expense**	10.18	8.34
	EBITDA / Interest expense		
	Debt to EBITDA		
	Total interest-bearing liabilities / EBITDA	3.71	3.64
v.	**Return on equity**		
	Net income attributable to equity holders of the parent / Total average equity attributable to equity holders of the parent	11%	10%
	Return on investment properties		
	Net income attributable to equity holders of the parent / Total average investment properties (excluding shopping mall complex under construction)	12%	13%

SM Prime Holdings, Inc. and Subsidiaries
Aging of Accounts Receivables
As at March 31, 2016
(Amounts in Thousands)

Trade:	
Sale of real estate	**₱32,896,519**
Rent:	
Third parties	**4,205,586**
Related parties	**1,981,954**
Others	**8,533**
Receivable from a co-investor	**266,629**
Due from related parties (see Note 20)	**231,654**
Nontrade	**123,141**
Accrued interest (see Note 20)	**89,175**
Others (see Note 20)	**1,788,251**
	41,591,442
Less allowance for doubtful accounts	**966,325**
	40,625,117
Less noncurrent portion of receivables from sale of real estate	**8,784,130**
	₱31,840,987

The aging analyses of receivables follows:

Neither past due nor impaired	**₱31,902,556**
Past due but not impaired:	
Less than 30 days	**2,261,758**
31–90 days	**2,200,402**
91–120 days	**1,370,571**
Over 120 days	**2,889,830**
Impaired	**966,325**
	₱41,591,442

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

SM Prime's Recurring Net Income up 12% in Q1 2016 to P5.8 billion

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

	Three months ended Mar 31				
	2016	**% to Revenues**	**2015**	**% to Revenues**	**% Change**
Profit & Loss Data					
Revenues	18,246	100%	16,650	100%	10%
Costs and expenses	9,859	54%	9,175	55%	7%
Operating Income	8,387	46%	7,475	45%	12%
Net Income*	5,836	32%	5,221	31%	12%
EBITDA	10,130	56%	9,071	54%	12%

	Mar 31 2016	**% to Total Assets**	**Dec 31 2015**	**% to Total Assets**	**% Change**
Balance Sheet Data					
Total Assets	433,567	100%	433,828	100%	0%
Investment Properties	233,716	54%	230,340	53%	1%
Total Debt	150,145	35%	155,668	36%	-4%
Net Debt	128,253	30%	128,955	30%	-1%
Total Equity	217,812	50%	212,489	49%	3%

Financial Ratios	**Mar 31 2016**	**Dec 31 2015**
Debt to Equity	0.41 : 0.59	0.42 : 0.58
Net Debt to Equity	0.37 : 0.63	0.38 : 0.62

	Mar 31 2016	**Mar 31 2015**
Return on Equity	0.11	0.10
Debt to EBITDA	3.71	3.64
Interest Coverage Ratio	10.18	8.34
Operating Income to Revenues	0.46	0.45
EBITDA Margin	0.56	0.54
Net Income to Revenues*	0.32	0.31

** Above financial data reflects core operating income and excludes one-time trading gain on sale of marketable securities amounting to ₱7.41 billion in 2015.*

Revenue

SM Prime recorded consolidated revenues of ₱18.25 billion for the first three months of 2016, an increase of 10% from ₱16.65 billion in the same period 2015, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱10.74 billion in 2016, an increase of 14% from ₱9.44 billion in 2015. The increase in rental revenue was primarily due to the new malls and expansion opened in 2015, namely, SM Seaside City Cebu, SM City Cabanatuan, SM City San Mateo, SM Center Sangandaan and SM City Iloilo Expansion with a total gross floor area of 738,000 square meters. In addition, retail podiums of Light, Shine and Shell Residences also opened in 2015. Out of the total rental revenues, 87% is contributed by the malls. Excluding the new malls and expansions, same-store rental growth is at 7%. Rent from commercial operations also increased due to the opening of SM Cyber West and Five E-Com Center which now enjoy an average occupancy rate of 99%. Also, room rentals from hotels and convention centers contributed to the increase due to improvement in average room rates and occupancy rates and opening of Park Inn Clark in December 2015.

Real Estate Sales

SM Prime recorded a 4% increase in real estate sales in 2016 from ₱5.35 billion to ₱5.55 billion primarily due to higher construction accomplishments of projects launched in 2013 up to 2015 namely Shore, Grass and Air Residences and increase in sales take-up in Field, Jazz and M Place Residences accounting for 57% of total revenues. 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 8% to ₱1.06 billion in 2016 from ₱0.98 billion in 2015. The major blockbusters screened 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. The major blockbusters shown in 2015 were “Crazy Beautiful You”, “The Amazing Praybeyt Benjamin”, “Cinderella”, “Taken 3” and “That Thing Called Tadhana”, accounting for 45% of gross ticket sales.

Other Revenues

Other revenues increased by 2% to ₱0.90 billion in 2016 from ₱0.88 billion in 2015. The increase was mainly due to improvements in bowling operations, merchandise sales and hotels’ food and beverages income offset by the decrease in sponsorship income. This account is mainly composed of 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 ₱9.86 billion for the first three months of 2016, an increase of 7% from ₱9.17 billion in the same period 2015, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate increased by 2% to ₱2.92 billion in 2016 from ₱2.87 billion in 2015 primarily due to costs related to higher recognized real estate sales. Gross profit margin for residential improved to 47% in 2016 compared to 46% in 2015 as a result of improving cost efficiencies, tighter monitoring and control of construction costs.

Operating Expenses

SM Prime's consolidated operating expenses increased by 10% to ₱6.94 billion in 2016 compared to last year's ₱6.31 billion. Out of the total operating expenses, 68% is contributed by the malls where same-store mall growth in operating expenses is 4%. Contributors to the increase are administrative expenses, depreciation and amortization, business taxes and licenses and marketing and selling expenses, in line with related increase in revenues as well as the opening of new malls and expansions.

Other Income (Charges)

Gain on Sale of Available-for-Sale (AFS) Investments

In 2015, SM Prime recorded a ₱7.41 billion realized gain on sale of AFS investments.

Interest Expense

SM Prime's consolidated interest expense decreased by 9% to ₱1.00 billion in 2016 compared to ₱1.09 billion in 2015 despite the ₱20.0 billion retail bond and new bank loans availed during 2015 for working capital and capital expenditure requirements mainly due to capitalized interest related to the construction of investment properties.

Interest and Dividend Income

Interest and dividend income decreased by 20% to ₱0.27 billion in 2016 from ₱0.34 billion in 2015. This account is mainly composed of dividend and interest income received from cash and cash equivalents, investments held for trading and AFS investments. The decrease in interest income is due to lower average balance of cash and cash equivalents in 2016 as compared to same period last year. The decrease in dividend income is due to less dividends received on available-for-sale investments held compared to the same period last year.

Equity in net earnings of associates and joint ventures

SM Prime's equity in net earnings of associates and joint ventures increased by 101% to ₱92 million in 2016 from ₱46 million in 2015 due to increase in net income of associates and joint ventures and 2016 share in net income of OCLP Holdings, Inc. not present in same period last year.

Other income (charges) - net

Other charges – net increased by 130% to ₱142 million in 2016 from ₱62 million in 2015 due to increase in amortization of debt issue cost as a result of the new loans and other incidental costs related to mall and commercial projects.

Provision for income tax

SM Prime's consolidated provision for income tax increased by 21% to ₱1.63 billion in 2016 from ₱1.35 billion in 2015. The increase is due to the related increase in taxable income as well as expiration of income tax holiday incentives on a number of residential projects.

Net income

As a result of the foregoing, consolidated net income for the three months ended March 31, 2016 decreased by 54% to ₱5.84 billion from ₱12.63 billion in the same period last year. Excluding gain on sale of AFS, core net income increased by 12% from ₱5.22 billion.

Balance Sheet Accounts

Cash and cash equivalents significantly decreased by 19% from ₱25.87 billion to ₱21.02 billion as of December 31, 2015 and March 31, 2016, respectively. This account includes the remaining proceeds from retail bond issued in 2015 which were subsequently used for working capital and capital expenditure in 2016.

Receivables increased by 2% from ₱31.35 billion to ₱31.84 billion as of December 31, 2015 and March 31, 2016, respectively, mainly due to increase in construction accomplishments of sold units as well as new sales for the period offset by subsequent collections of rental receivables. Out of the total receivables, 76% pertains to sale of real estate and 19% from leases of shopping mall and commercial spaces.

Condominium and residential units decreased by 7% from ₱8.16 billion to ₱7.36 billion as of December 31, 2015 and March 31, 2016, respectively, mainly due to subsequent sales of Ready-For-Occupancy (RFO) units.

Derivative assets decreased by 14% from ₱2.60 billion to ₱2.24 billion as of December 31, 2015 and March 31, 2016, respectively, mainly resulting from net fair value changes on a $350 million cross currency swap transaction designated as a cash flow hedge. While the increase in derivative liabilities is due to the Principal Only Swap transaction entered into in 2016 to hedge a portion of the Company's foreign currency USD/CNY exposure on some of its USD denominated loans.

Deferred tax assets increased by 9% from ₱846 million to ₱923 million as of December 31, 2015 and March 31, 2016, respectively, mainly due to NOLCO. Deferred tax liabilities increased by 9% from ₱2.49 billion to ₱2.71 billion as of December 31, 2015 and March 31, 2016, respectively, mainly due to unrealized gross profit on sale of real estate for tax purposes.

Other noncurrent assets increased by 4% from ₱35.49 billion to ₱36.87 billion as of December 31, 2015 and March 31, 2016, respectively, mainly due to additional bonds and deposits for real estate acquisitions.

Loans payable decreased by 83% from ₱4.68 billion to ₱0.78 billion as of December 31, 2015 and March 31, 2016, respectively, due to subsequent payment of maturing loans.

Accounts payable and other current liabilities decreased by 5% from ₱38.82 billion to ₱36.80 billion as of December 31, 2015 and March 31, 2016, respectively, mainly due to subsequent payment of trade payables.

Tenants' and customers' deposits increased by 6% from ₱13.22 billion to ₱13.96 billion as of December 31, 2015 and March 31, 2016, respectively, due to the new malls and expansions which opened in the latter part of 2015. Likewise, other noncurrent liabilities increased by 5% from ₱4.75 billion to ₱4.99 billion as of December 31, 2015 and March 31, 2016, respectively, due to increase in retention payable.

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, 2016 from 0.42:0.58 as of December 31, 2015. Likewise, net interest-bearing debt to equity decreased to 0.37:0.63 as of March 31, 2016 from 0.38:0.62 as of December 31, 2015 due to net loan payments.

In terms of profitability, ROE slightly increased to 11% as of March 31, 2016 from 10% as of December 31, 2015.

Debt to EBITDA increased to 3.71:1 as of March 31, 2016 from 3.64:1 as of March 31, 2015 due to issuance of ₱20.0 billion retail bond in November 2015. Interest coverage ratio also increased to 10.18:1 as of March 31, 2016 from 8.34:1 as of March 31, 2015 as a result of decrease in interest expense and higher EBITDA. EBITDA margin improved to 56% as of March 31, 2016 from 54% as of March 31, 2015.

Consolidated operating income to revenues improved to 46% as of March 31, 2016 from 45% as of March 31, 2015. Net income to revenues likewise improved to 32% as of March 31, 2016 from 31% as of March 31, 2015.

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 2016, the Company expects to incur capital expenditures of approximately ₱60 billion. This will be funded with internally generated funds and external borrowings.

SM Prime's malls business unit has fifty six shopping malls in the Philippines with 7.3 million square meters of gross floor area and six shopping malls in China with 0.9 million square meters of gross floor area. For the rest of 2016, SM Prime will open new five malls in the Philippines, as well as expansions of SM City Calamba and SM City Naga. By end 2016, the malls business unit will have 61 malls in the Philippines and six malls in China with an estimated combined gross floor area of 8.6 million square meters.

SM Prime currently has twenty eight residential projects in the market, twenty six of which are in Metro Manila and two in Tagaytay. As of March 31, 2016, SM Prime has already launched 2 new projects and an expansion of existing developments equivalent to 4,000 units to the market in Las Pinas, Bicutan and along Roxas Boulevard and for the rest of the year, SM Prime is still set to launch an additional 10,000 to 12,000 units located in the Mall of Asia Complex, Tagaytay, Quezon City, Bulacan, Cavite and Cabanatuan.

SM Prime's Commercial Properties Group has five office buildings with an estimated gross leasable area of 205,000 square meters. Currently, Three E-Com and Four E-Com Centers are under construction and scheduled for completion in 2017 and 2019, respectively.

For hotels and convention centers, Conrad Manila in the Mall of Asia Complex in Pasay City is expected to open within second half of 2016.

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 2, 2016

John Nai Peng C. Ong

JOHN NAI PENG C. ONG
Chief Finance Officer