

COVER SHEET

SEC Registration Number

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Company Name

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

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

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Company's Telephone Number/s

831-1000

Mobile Number

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No. of Stockholders

2,497

Annual Meeting
Month/Day

--

Fiscal Year
Month/Day

June 30

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. John Nai Peng C. Ong

Email Address

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Telephone Number/s

831-1000

Mobile Number

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Contact Person's Address

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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 **June 30, 2015**
2. SEC Identification Number **AS0940000-88** 3. BIR Tax Identification No. **003-058-789**
4. Exact name of registrant as specified in its charter **SM PRIME HOLDINGS, INC.**
5. **PHILIPPINES** 6. (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. **10th Floor, Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of
Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City** **1300**
Address of principal office Postal Code
8. **(632) 831-1000**
Registrant's telephone number, including area code
9. _____
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 4 and 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
CAPITAL STOCK, P 1 PAR VALUE	28,879,137,294

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

12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

SM Prime Holdings, Inc. and Subsidiaries

Unaudited Interim Consolidated Financial Statements
As at June 30, 2015
(with Comparative Audited Figures as at December 31, 2014)
and for the Three Months and Six Months Ended June 30, 2015 and 2014

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**INTERIM CONSOLIDATED BALANCE SHEET****JUNE 30, 2015****(With Comparative Audited Figures as at December 31, 2014)***(Amounts in Thousands)*

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 20 and 25)	₱19,590,553	₱35,245,206
Investments held for trading (Notes 6, 20, 25 and 26)	935,143	967,511
Receivables (Notes 7, 15, 20, 25 and 26)	36,111,250	30,686,968
Condominium and residential units for sale (Note 8)	10,183,937	7,578,885
Land and development - current portion (Note 9)	14,173,950	19,571,526
Available-for-sale investments (Notes 10, 20, 25 and 26)	683,875	676,755
Prepaid expenses and other current assets (Notes 11, 20, 25 and 26)	9,666,149	9,289,317
Total Current Assets	91,344,857	104,016,168
Noncurrent Assets		
Available-for-sale investments - net of current portion (Notes 10, 20, 25 and 26)	20,918,354	28,994,983
Property and equipment - net (Note 12)	2,140,457	2,258,387
Investment properties - net (Note 13)	219,731,723	202,180,666
Land and development - net of current portion (Note 9)	24,845,235	22,886,306
Derivative assets (Notes 25 and 26)	1,879,536	1,632,814
Deferred tax assets - net (Note 23)	787,527	650,153
Investments and advances to associates and joint ventures (Note 14)	21,556,186	6,050,884
Other noncurrent assets (Notes 15, 20, 25 and 26)	22,653,493	20,169,798
Total Noncurrent Assets	314,512,511	284,823,991
	₱405,857,368	₱388,840,159
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Notes 16, 20, 25 and 26)	₱10,815,000	₱2,670,000
Accounts payable and other current liabilities (Notes 17, 20, 25 and 26)	35,372,081	36,378,819
Current portion of long-term debt (Notes 18, 20, 25 and 26)	26,323,800	11,006,880
Income tax payable	934,622	743,506
Total Current Liabilities	73,445,503	50,799,205
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 18, 20, 25 and 26)	104,060,885	115,606,147
Tenants' and customers' deposits (Notes 24, 25 and 26)	13,660,077	13,251,526
Liability for purchased land - net of current portion (Notes 17, 25 and 26)	863,661	1,170,855
Deferred tax liabilities - net (Note 23)	2,208,619	1,934,174
Derivative liabilities (Notes 25 and 26)	10,132	58,705
Other noncurrent liabilities (Notes 25 and 26)	4,636,592	3,781,344
Total Noncurrent Liabilities	125,439,966	135,802,751
Total Liabilities (Carried Forward)	198,885,469	186,601,956

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Total Liabilities (Brought Forward)	₱198,885,469	₱186,601,956
Equity Attributable to Equity Holders of the Parent		
Capital stock (Notes 19 and 27)	33,166,300	33,166,300
Additional paid-in capital - net	39,302,194	39,302,194
Cumulative translation adjustment	934,310	840,430
Net unrealized gain on available-for-sale investments (Note 10)	17,891,079	25,905,440
Net fair value changes on cash flow hedges	397,036	249,332
Remeasurement loss on defined benefit obligation	(141,524)	(141,524)
Retained earnings (Note 19):		
Appropriated	42,200,000	42,200,000
Unappropriated	73,520,990	60,921,048
Treasury stock (Notes 19 and 27)	(3,355,530)	(3,355,530)
Total Equity Attributable to Equity Holders of the Parent	203,914,855	199,087,690
Non-controlling Interests (Note 19)	3,057,044	3,150,513
Total Equity	206,971,899	202,238,203
	₱405,857,368	₱388,840,159

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME***(Amounts in Thousands, Except Per Share Data)*

	For the Six Months Ended June 30	
	2015	2014
REVENUE		
Rent (Notes 20 and 24)	₱19,439,959	₱17,669,404
Sales:		
Real estate	12,277,880	11,902,385
Cinema and event ticket	2,350,992	2,351,657
Others (Note 20)	1,790,990	1,402,577
	35,859,821	33,326,023
COSTS AND EXPENSES (Note 21)	19,649,578	19,168,083
INCOME FROM OPERATIONS	16,210,243	14,157,940
OTHER INCOME (CHARGES)		
Gain on sale of available-for-sale investments (Note 10)	7,410,363	2,179
Interest expense (Notes 20, 22 and 25)	(2,110,850)	(1,884,067)
Interest and dividend income (Notes 10, 20 and 22)	558,318	275,371
Others - net (Notes 6, 15, 18 and 20)	(130,010)	1,016
	5,727,821	(1,605,501)
INCOME BEFORE INCOME TAX	21,938,064	12,552,439
PROVISION FOR INCOME TAX (Note 23)		
Current	2,890,096	2,322,285
Deferred	99,258	190,176
	2,989,354	2,512,461
NET INCOME	₱18,948,710	₱10,039,978
Attributable to		
Equity holders of the Parent (Notes 19 and 27)	₱18,654,979	₱9,797,964
Non-controlling interests (Note 19)	293,731	242,014
	₱18,948,710	₱10,039,978
Basic/Diluted earnings per share (Note 27)	₱0.647	₱0.353

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME***(Amounts in Thousands)*

	For the Six Months Ended June 30	
	2015	2014
NET INCOME	₱18,948,710	₱10,039,978
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income transferred to profit or loss:		
Realized gain from sale of available-for-sale investments (Note 10)	(7,410,363)	(2,179)
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)	(603,998)	4,415,460
Net fair value changes on cash flow hedges	147,704	(235,051)
Cumulative translation adjustment	93,880	(334,165)
	(7,772,777)	3,844,065
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods -		
Remeasurement loss on defined benefit obligation	-	(6,444)
TOTAL COMPREHENSIVE INCOME	₱11,175,933	₱13,877,599
Attributable to		
Equity holders of the Parent (Notes 19 and 27)	₱10,882,202	₱13,636,253
Non-controlling interests (Note 19)	293,731	241,346
	₱11,175,933	₱13,877,599

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME***(Amounts in Thousands, Except Per Share Data)*

	For the Three Months Ended June 30	
	2015	2014
REVENUE		
Rent (Notes 20 and 24)	₱10,000,084	₱9,113,674
Sales:		
Real estate	6,923,155	6,886,017
Cinema and event ticket	1,371,944	1,287,466
Others (Note 20)	914,339	737,175
	19,209,522	18,024,332
COSTS AND EXPENSES (Note 21)	10,474,748	10,394,052
INCOME FROM OPERATIONS	8,734,774	7,630,280
OTHER INCOME (CHARGES)		
Gain on sale of available-for-sale investments (Note 10)	62	2,179
Interest expense (Notes 20, 22, 25 and 26)	(1,022,868)	(1,031,326)
Interest and dividend income (Notes 10, 20 and 22)	221,229	125,964
Others - net (Notes 6, 15, 18, 20 and 26)	(114,314)	(66,338)
	(915,891)	(969,521)
INCOME BEFORE INCOME TAX	7,818,883	6,660,759
PROVISION FOR INCOME TAX (Note 23)		
Current	1,407,232	1,148,515
Deferred	235,463	166,011
	1,642,695	1,314,526
NET INCOME	₱6,176,188	₱5,346,233
Attributable to		
Equity holders of the Parent (Notes 19 and 27)	₱6,023,639	₱5,219,513
Non-controlling interests (Note 19)	152,549	126,720
	₱6,176,188	₱5,346,233
Basic/Diluted earnings per share (Note 27)	₱0.209	₱0.188

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME***(Amounts in Thousands)*

	For the Three Months Ended June 30	
	2015	2014
NET INCOME	₱6,176,188	₱5,346,233
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income transferred to profit or loss:		
Realized gain from sale of available-for-sale investments (Note 10)	(62)	(2,179)
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)	(2,008,222)	1,555,216
Net fair value changes on cash flow hedges (Note 26)	98,341	(355,465)
Cumulative translation adjustment	91,732	(209,326)
	(1,818,211)	988,246
TOTAL COMPREHENSIVE INCOME	₱4,357,977	₱6,334,479
Attributable to		
Equity holders of the Parent (Notes 19 and 27)	₱4,205,428	₱6,207,759
Non-controlling interests (Note 19)	152,549	126,720
	₱4,357,977	₱6,334,479

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent (Notes 19 and 27)											
	Capital Stock (Notes 19 and 27)	Additional Paid-in Capital - Net	Cumulative Translation Adjustment	Net Unrealized Gain (Loss) on Available- for-Sale Investments (Note 10)	Remeasurement Gain (Loss) on Defined Benefit Obligation	Net Fair Value Changes on Cash Flow Hedges	Retained Earnings (Note 19)		Treasury Stock (Notes 19 and 27)	Total	Non-controlling Interests (Note 19)	Total Equity
At January 1, 2015	₱33,166,300	₱39,302,194	₱840,430	₱25,905,440	(₱141,524)	₱249,332	₱42,200,000	₱60,921,048	(₱3,355,530)	₱199,087,690	₱3,150,513	₱202,238,203
Net income for the period	-	-	-	-	-	-	-	18,654,979	-	18,654,979	293,731	18,948,710
Other comprehensive income (loss)	-	-	93,880	(8,014,361)	-	147,704	-	-	-	(7,772,777)	-	(7,772,777)
Total comprehensive income (loss) for the period	-	-	93,880	(8,014,361)	-	147,704	-	18,654,979	-	10,882,202	293,731	11,175,933
Cash dividends	-	-	-	-	-	-	-	(6,064,618)	-	(6,064,618)	-	(6,064,618)
Cash dividends received by a subsidiary	-	-	-	-	-	-	-	9,581	-	9,581	-	9,581
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(387,200)	(387,200)
At June 30, 2015	₱33,166,300	₱39,302,194	₱934,310	₱17,891,079	(₱141,524)	₱397,036	₱42,200,000	₱73,520,990	(₱3,355,530)	₱203,914,855	₱3,057,044	₱206,971,899
At January 1, 2014	₱33,166,300	₱22,303,436	₱1,381,268	₱19,958,330	₱771	₱429,149	₱42,200,000	₱47,807,664	(₱3,980,378)	₱163,266,540	₱2,954,985	₱166,221,525
Net income for the period	-	-	-	-	-	-	-	9,797,964	-	9,797,964	242,014	10,039,978
Other comprehensive income (loss)	-	-	(334,165)	4,413,281	(5,777)	(235,051)	-	-	-	3,838,288	(667)	3,837,621
Total comprehensive income (loss) for the period	-	-	(334,165)	4,413,281	(5,777)	(235,051)	-	9,797,964	-	13,636,252	241,347	13,877,599
Cash dividends	-	-	-	-	-	-	-	(5,285,636)	-	(5,285,636)	-	(5,285,636)
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(309,760)	(309,760)
Re-issuance of treasury shares	-	(23,013)	-	-	-	-	-	-	932	(22,081)	-	(22,081)
At June 30, 2014	₱33,166,300	₱22,280,423	₱1,047,103	₱24,371,611	(₱5,006)	₱194,098	₱42,200,000	₱52,319,992	(₱3,979,446)	₱171,595,075	₱2,886,572	₱174,481,647

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

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

	For the Six Months Ended June 30	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax and non-controlling interests	₱21,938,064	₱12,552,439
Adjustments for:		
Depreciation and amortization (Notes 12 and 13)	3,378,546	3,350,636
Interest expense (Note 22)	2,110,850	1,884,067
Interest and dividend income (Note 22)	(558,318)	(275,371)
Equity in net earnings (Note 14)	(54,243)	(51,731)
Loss (gain) on:		
Unrealized foreign exchange	91,700	30,834
Fair value changes on investment held-for-trading (Note 6)	24,349	45,140
Net fair value changes on derivatives	(18,091)	(7,501)
Sale of available-for-sale investments (Note 10)	(7,410,363)	(2,179)
Operating income before working capital changes	19,502,494	17,526,334
Decrease (increase) in:		
Receivables	(5,183,982)	(4,356,495)
Condominium and residential units for sale	1,463,934	1,636,726
Land and development	(377,251)	(6,017,877)
Prepaid expenses and other current assets	(375,327)	1,614,570
Increase (decrease) in:		
Accounts payable and other current liabilities	(135,080)	4,204,926
Tenants' and customers' deposits	400,025	554,624
Cash generated from operations	15,294,813	15,162,808
Income tax paid	(2,699,629)	(2,509,761)
Interest paid	(26,669)	(20,369)
Cash provided by operating activities	12,568,515	12,632,678
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Available-for-sale investments (Note 10)	7,465,539	2,621
Investments held for trading	10,000	–
Interest received	384,524	192,563
Dividends received	225,035	68,036
Additions:		
Investment properties (Note 13)	(21,260,725)	(17,148,679)
Property and equipment (Note 12)	(105,188)	(14,170)
Available-for-sale-investments	–	(356,618)
Held-for-trading investments	–	(65,416)
Proceeds from pretermination of short-term investments	–	887,900
Increase in investments and advances to associates and joint ventures (Note 14)	(15,443,151)	–
Increase in other noncurrent assets	(2,476,796)	(2,154,753)
Net cash used in investing activities	(31,200,762)	(18,588,516)
(Forward)		

CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of loans (Notes 16 and 18)	16,792,200	11,914,800
Payments of:		
Interest	(1,918,377)	(1,875,300)
Long-term debt (Note 18)	(2,074,280)	(2,869,523)
Bank loans (Note 16)	(3,355,000)	(965,000)
Dividends	(6,442,237)	(5,466,329)
Net cash provided by financing activities	3,002,306	738,648
EFFECT OF EXCHANGE RATE CHANGES ON		
CASH AND CASH EQUIVALENTS	(24,712)	1,496
NET DECREASE IN CASH AND CASH		
EQUIVALENTS	(15,654,653)	(5,215,694)
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF PERIOD	35,245,206	27,141,506
CASH AND CASH EQUIVALENTS		
AT END OF PERIOD	₱19,590,553	₱21,925,812

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM 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 June 30, 2015, SMPH is 49.60% and 23.66% 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 unaudited interim consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, investments held for trading and available-for-sale (AFS) investments which have been measured at fair value.

Statement of Compliance

The unaudited interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. The unaudited interim 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 peso, except when otherwise indicated.

The unaudited interim 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, 2014.

Basis of Consolidation

The unaudited interim consolidated financial statements include the accounts of the Parent Company and all of its subsidiaries. There were no changes in the Parent Company's ownership interests in its subsidiaries from December 31, 2014 to June 30, 2015.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the unaudited interim 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.

Certain comparative amounts in the consolidated balance sheet and consolidated statement of income have been reclassified to conform with the current period's presentation.

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 unaudited interim 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, 2014, except for the following amendments which the Company has adopted starting January 1, 2015:

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments), requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is not relevant to the Company, since none of the entities within the Company has defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010–2012 cycle)

The annual improvements contain non-urgent but necessary amendments to the following standards and are applied prospectively:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*, is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
 - A performance condition must contain a service condition
 - A performance target must be met while the counterparty is rendering service
 - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
 - A performance condition may be a market or non-market condition

- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This amendment does not apply to the Company as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Company shall consider this amendment for future business combinations.
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets* (Amendments) are applied retrospectively and clarify that:
 - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
 - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The amendment affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*, is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment has no impact on the Company's financial position or performance.
- PAS 24, *Related Party Disclosures – Key Management Personnel*, is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

Annual Improvements to PFRSs (2011–2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) have no material impact on the Company.

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*, is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
 - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.

- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- PFRS 13, *Fair Value Measurement – Portfolio Exception*, is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PFRS 9.
- PAS 40, *Investment Property*, is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

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 unaudited interim 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 unaudited interim consolidated financial statements, which is in accordance with PFRS.

Inter-segment Transactions

Transfer prices between business segments are set on an arm's length basis similar to transactions with nonrelated parties. Such transfers are eliminated in the unaudited interim consolidated financial statements.

Business Segment Data

Six months ended June 30, 2015 (Unaudited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations / Adjustments	Consolidated Balances
<i>(In Thousands)</i>						
Revenue:						
External customers	₱20,600,712	₱12,653,217	₱1,581,875	₱1,024,017	₱-	₱35,859,821
Inter-segment	12,328	-	34,503	1,500	(48,331)	-
	₱20,613,040	₱12,653,217	₱1,616,378	₱1,025,517	(₱48,331)	₱35,859,821
Segment results:						
Income before income tax	₱10,128,333	₱3,373,495	₱720,832	₱233,792	₱7,481,612	₱21,938,064
Provision for income tax	(2,369,686)	(389,172)	(165,392)	(65,104)	-	(2,989,354)
Net income	₱7,758,647	₱2,984,323	₱555,440	₱168,688	₱7,481,612	₱18,948,710
Net income attributable to:						
Equity holders of the Parent	₱7,487,989	₱2,984,323	₱532,367	₱168,688	₱7,481,612	₱18,654,979
Non-controlling interests	270,658	-	23,073	-	-	293,731
Other information:						
Capital expenditures	₱15,864,486	₱8,377,236	₱839,114	₱1,032,851	₱-	₱26,113,687
Depreciation and amortization	2,823,134	136,951	259,940	158,521	-	3,378,546

Six months ended June 30, 2014 (Unaudited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations / Adjustments	Consolidated Balances
<i>(In Thousands)</i>						
Revenue:						
External customers	₱18,949,988	₱12,084,535	₱1,386,257	₱905,243	₱-	₱33,326,023
Inter-segment	47,534	916	28,322	245	(77,017)	-
	₱18,997,522	₱12,085,451	₱1,414,579	₱905,488	(₱77,017)	₱33,326,023
Segment results:						
Income (loss) before income tax	₱8,990,978	₱3,100,454	₱527,355	₱56,270	(₱122,618)	₱12,552,439
Provision for income tax	(2,035,599)	(324,810)	(127,428)	(24,624)	-	(2,512,461)
Net income (loss)	₱6,955,379	₱2,775,644	₱399,927	₱31,646	(₱122,618)	₱10,039,978
Net income (loss) attributable to:						
Equity holders of the Parent	₱6,734,752	₱2,775,644	₱378,540	₱31,646	(₱122,618)	₱9,797,964
Non-controlling interests	220,627	-	21,387	-	-	242,014
Other information:						
Capital expenditures	₱14,373,947	₱6,006,272	₱1,810,952	₱989,555	₱-	₱23,180,726
Depreciation and amortization	2,707,382	126,078	313,086	204,090	-	3,350,636

June 30, 2015 (Unaudited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
Segment assets	₱260,696,750	₱107,121,613	₱29,767,869	₱9,739,403	(₱1,468,267)	₱405,857,368
Segment liabilities	₱142,790,000	₱54,317,097	₱2,793,442	₱453,197	(₱1,468,267)	₱198,885,469

December 31, 2014 (Audited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
Segment assets	₱244,909,574	₱106,187,067	₱28,617,113	₱9,391,400	(₱264,995)	₱388,840,159
Segment liabilities	₱127,760,583	₱55,362,092	₱3,092,728	₱651,548	(₱264,995)	₱186,601,956

For the six months ended June 30, 2015 and 2014, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

5. **Cash and Cash Equivalents**

This account consists of:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	<i>(In Thousands)</i>	
Cash on hand and in banks (see Note 20)	₱1,617,014	₱3,002,606
Temporary investments (see Note 20)	17,973,539	32,242,600
	₱19,590,553	₱35,245,206

Cash in banks earn interest at the respective bank deposit rates. Temporary investments are made for varying periods of up to six months depending on the immediate cash requirements of the Company, and earn interest at the respective temporary investment rates.

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 5.88% to 7.20% and 5.88% to 8.64% as at June 30, 2015 and December 31, 2014, respectively. These Philippine peso-denominated and U.S. dollar-denominated investments have various maturities ranging from 2015 to 2017.

7. **Receivables**

This account consists of:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	<i>(In Thousands)</i>	
Trade:		
Sale of real estate	₱33,745,572	₱29,607,958
Rent:		
Third parties	3,645,365	3,878,656
Related parties (see Note 20)	2,157,377	2,294,805
Others (see Note 20)	141,115	55,237
Nontrade	56,451	90,317
Receivable from a co-investor (see Note 15)	271,585	269,161
Accrued interest (see Note 20)	75,075	142,878
Due from related parties (see Note 20)	419,752	96,713
Others	3,165,072	2,945,673
	43,677,364	39,381,398
Less allowance for impairment	418,509	352,847
	43,258,855	39,028,551
Less noncurrent portion of receivables from sale of real estate (see Note 15)	7,147,605	8,341,583
	₱36,111,250	₱30,686,968

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

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

This account consists of:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	<i>(In Thousands)</i>	
Condominium units for sale	₱10,079,222	₱7,177,902
Residential units and subdivision lots	104,715	400,983
	₱10,183,937	₱7,578,885

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

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	<i>(In Thousands)</i>	
At beginning of period	₱7,177,902	₱5,788,429
Transfer from land and development (see Note 9)	4,332,024	3,997,101
Cost of real estate sold (see Note 21)	(1,430,704)	(2,607,628)
At end of period	₱10,079,222	₱7,177,902

Condominium units for sale pertain to the completed projects of SMDC, HPI and Costa.

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

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	<i>(In Thousands)</i>	
At beginning of period	₱400,983	₱314,224
Transfer (to) from land and development (see Note 9)	(263,038)	156,231
Cost of real estate sold (see Note 21)	(33,230)	(69,472)
At end of period	₱104,715	₱400,983

9. Land and Development

This account consists of:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	<i>(In Thousands)</i>	
Land and development	₱37,156,789	₱40,856,084
Land held for future development	1,862,396	1,601,748
	39,019,185	42,457,832
Less noncurrent portion	24,845,235	22,886,306
	₱14,173,950	₱19,571,526

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

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	<i>(In Thousands)</i>	
At beginning of period	₱40,856,084	₱33,302,111
Development cost incurred	4,909,676	14,677,138
Land acquisitions	438,374	6,883,083
Capitalized borrowing cost	210,746	690,462
Cost of real estate sold (see Note 21)	(5,209,649)	(9,579,932)
Transfer to condominium and residential units for sale (see Note 8)	(4,068,986)	(4,153,332)
Reclassified to investment properties (see Note 13)	(50,745)	(886,597)
Transfer from land held for future development	70,220	-
Others	1,069	(76,849)
At end of period	₱37,156,789	₱40,856,084

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

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

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	<i>(In Thousands)</i>	
At beginning of period	₱1,601,748	₱1,519,073
Acquisition and transferred-in costs and others	330,868	82,675
Transfer to land and development	(70,220)	-
At end of period	₱1,862,396	₱1,601,748

There is no allowance for inventory write down as at June 30, 2015 and December 31, 2014.

10. Available-for-sale Investments

This account consists of investments in:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	<i>(In Thousands)</i>	
Shares of stock:		
Listed (see Note 20)	₱21,593,668	₱29,663,165
Unlisted	8,561	8,573
	21,602,229	29,671,738
Less noncurrent portion	20,918,354	28,994,983
	₱683,875	₱676,755

On February 25, 2015, the Company sold a portion of its listed shares of stock to SMIC based on a 30-day volume-weighted average price as of trade date resulting to a realized gain amounting to ₱7,410 million shown in the unaudited interim consolidated statements of income.

11. Prepaid Expenses and Other Current Assets

This account consists of:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	<i>(In Thousands)</i>	
Advances and deposits	₱2,893,433	₱2,991,975
Input and creditable withholding taxes	3,598,053	3,203,920
Prepaid taxes and other prepayments	2,165,160	1,948,049
Cash in escrow (see Note 20)	623,191	667,778
Supplies and inventories	351,397	323,285
Advances for project development	–	16,467
Others	34,915	137,843
	₱9,666,149	₱9,289,317

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
	<i>(In Thousands)</i>						
Cost							
Balance at December 31, 2013	₱270,871	₱1,245,729	₱143,240	₱98,999	₱1,065,210	₱–	₱2,824,049
Additions	609	45,537	47,905	12,881	115,600	7,827	230,359
Disposals/retirements	–	(92,576)	(6,295)	(1,443)	(24,529)	–	(124,843)
Reclassifications	(54,163)	1,113,654	52,641	44,272	(19,421)	–	1,136,983
Balance at December 31, 2014	217,317	2,312,344	237,491	154,709	1,136,860	7,827	4,066,548
Additions	207	25,191	47,666	12,453	45,092	2,755	133,364
Disposals/retirements	–	(5,703)	(10)	(2,425)	(33,662)	–	(41,800)
Reclassifications (see Note 13)	6,524	(75,921)	(25,149)	30,630	(26,724)	–	(90,640)
Balance at June 30, 2015	₱224,048	₱2,255,911	₱259,998	₱195,367	₱1,121,566	₱10,582	₱4,067,472
Accumulated Depreciation and Amortization							
Balance at December 31, 2013	₱105,932	₱542,690	₱80,077	₱53,832	₱462,625	₱–	₱1,245,156
Depreciation and amortization	23	211,202	67,506	13,878	184,817	–	477,426
Disposals/retirements	–	(39,323)	(3,343)	(1,325)	(8,509)	–	(52,500)
Reclassifications	(105,932)	192,179	13,346	14,132	24,354	–	138,079
Balance at December 31, 2014	23	906,748	157,586	80,517	663,287	–	1,808,161
Depreciation and amortization (see Note 21)	31	89,013	25,412	10,573	84,146	–	209,175
Disposals/retirements	–	(1,623)	216	(2,524)	(9,693)	–	(13,624)
Reclassifications (see Note 13)	4,553	(50,453)	(36,202)	31,185	(25,780)	–	(76,697)
Balance at June 30, 2015	₱4,607	₱943,685	₱147,012	₱119,751	₱711,960	₱–	₱1,927,015
Net Book Value							
As at December 31, 2014	₱217,294	₱1,405,596	₱79,905	₱74,192	₱473,573	₱7,827	₱2,258,387
As at June 30, 2015	219,441	1,312,226	112,986	75,616	409,606	10,582	2,140,457

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
<i>(In Thousands)</i>					
Cost					
Balance as at December 31, 2013	₱40,545,314	₱125,915,788	₱23,824,105	₱23,359,266	₱213,644,473
Additions	10,104,016	8,054,234	1,719,211	17,379,564	37,257,025
Reclassifications	42,399	(1,135,278)	(452,511)	(1,966,846)	(3,512,236)
Translation adjustment	(107,095)	(299,725)	(37,595)	(155,709)	(600,124)
Disposals	–	(145,147)	(46,462)	–	(191,609)
Balance as at December 31, 2014	50,584,634	132,389,872	25,006,748	38,616,275	246,597,529
Additions	9,445,103	2,018,121	663,954	8,174,227	20,301,405
Reclassifications (see Notes 9 and 12)	23,517	3,752,970	294,734	(3,933,214)	138,007
Translation adjustment	102,704	158,702	20,504	125,341	407,251
Disposals	(569)	(1,844)	(86,579)	(1,051)	(90,043)
Balance as at June 30, 2015	₱60,155,389	₱138,317,821	₱25,899,361	₱42,981,578	₱267,354,149
Accumulated Depreciation, Amortization and Impairment Loss					
Balance as at December 31, 2013	₱1,196,248	₱28,323,309	₱12,458,507	₱–	₱41,978,064
Depreciation and amortization	292,576	3,912,221	1,897,558	–	6,102,355
Reclassifications	220,565	(3,505,401)	(227,400)	–	(3,512,236)
Translation adjustment	(9,031)	(43,422)	(15,047)	–	(67,500)
Disposals	–	(49,968)	(33,852)	–	(83,820)
Balance as at December 31, 2014	1,700,358	28,636,739	14,079,766	–	44,416,863
Depreciation and amortization (see Note 21)	98,432	2,051,949	1,018,990	–	3,169,371
Reclassifications (see Notes 9 and 12)	–	20,407	52,912	–	73,319
Translation adjustment	7,113	26,845	8,878	–	42,836
Disposals	(79)	–	(79,884)	–	(79,963)
Balance as at June 30, 2015	₱1,805,824	₱30,735,940	₱15,080,662	₱–	₱47,622,426
Net Book Value					
As at December 31, 2014	₱48,884,276	₱103,753,133	₱10,926,982	₱38,616,275	₱202,180,666
As at June 30, 2015	58,349,565	107,581,881	10,818,699	42,981,578	219,731,723

In 2015, shopping mall complex under construction mainly pertains to cost of land and costs incurred for the development of SM Seaside City Cebu, SM City Cabanatuan, SM Center Sangandaan, SM Tianjin and SM Zibo and the ongoing expansions and renovations of SM Mall of Asia and SM City Iloilo.

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

14. Investments and Advances to Associates and Joint Ventures

This account consists of:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	<i>(In Thousands)</i>	
Investments in and advances to associates	₱16,200,024	₱748,965
Investment in joint ventures	5,356,162	5,301,919
	₱21,556,186	₱6,050,884

Investments in and Advances to Associates

This pertains to investments and advances to the following companies:

- Ortigas and Company Limited Partnership (OCLP)
- Fei Hua Real Estate Company (FHREC)

The carrying value of investment in OCLP, a company that owns strategic landbank areas in key cities in Metro Manila, amounted to ₱15,433 million as at June 30, 2015.

The carrying value of investment in FHREC, a company incorporated in China and a 50% owned associate, amounted to ₱756 million and ₱749 million as at June 30, 2015 and December 31, 2014, respectively, with cumulative equity in net earnings amounting to ₱478 million and ₱473 million as at June 30, 2015 and December 31, 2014, 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 19 malls across Metro Manila and Luzon.

The aggregate carrying values of investments in joint ventures amounted to ₱5,356 million and ₱5,302 million as at June 30, 2015 and December 31, 2014, respectively. These consist of the acquisition costs totaling ₱5,115 million and cumulative equity in net earnings totaling ₱241 million and ₱187 million as at June 30, 2015 and December 31, 2014, respectively. The aggregate share in profit and total comprehensive income amounted to ₱54 million and ₱52 million for the six months ended June 30, 2015 and 2014, 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 associate and joint ventures as at June 30, 2015 and December 31, 2014.

15. Other Noncurrent Assets

This account consists of:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	<i>(In Thousands)</i>	
Bonds and deposits	₱8,875,830	₱6,604,419
Receivables from sale of real estate - net of current portion (see Note 7)	7,147,605	8,341,583
Time deposits (see Note 20)	3,847,200	2,412,190
Advances for project development	44,887	48,270
Others	2,737,971	2,763,336
	₱22,653,493	₱20,169,798

16. Loans Payable

This account consists of unsecured Philippine peso-denominated loans obtained from local banks amounting to ₱10,815 million and ₱2,670 million as at June 30, 2015 and December 31, 2014, respectively, with due dates of less than one year. These loans bear interest rates ranging from 2.50% to 4.15% in 2015 and 2.00% to 4.15% in 2014.

17. Accounts Payable and Other Current Liabilities

This account consists of:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	<i>(In Thousands)</i>	
Trade:		
Third parties	₱13,969,452	₱15,398,110
Related parties (see Note 20)	104,527	30,281
Accrued operating expenses:		
Third parties	7,992,436	6,991,653
Related parties (see Note 20)	727,530	677,047
Liability for purchased land	4,108,549	4,774,116
Customers' deposits	3,152,834	2,519,661
Deferred output VAT	1,217,316	1,107,056
Payable to government agencies	975,944	616,300
Nontrade	809,936	1,018,539
Accrued interest (see Note 20)	698,179	591,056
Due to related parties (see Note 20)	132,658	147,432
Others	2,346,381	3,678,423
	36,235,742	37,549,674
Less noncurrent portion of liability for purchased land	863,661	1,170,855
	₱35,372,081	₱36,378,819

Accrued operating expenses - third parties consist of:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	<i>(In Thousands)</i>	
Utilities	₱5,275,446	₱3,762,036
Payable to contractors	1,080,453	2,598,905
Marketing and advertising	369,960	424,155
Others	1,266,577	206,557
	₱7,992,436	₱6,991,653

18. Long-term Debt

This account consists of:

	Availment Date	Maturity Date	Interest Rate	Condition	Outstanding Balance	
					June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Parent Company						
U.S. dollar-denominated loans:						
Five-year term loans	May 6, 2011 – April 23, 2014	March 21, 2016 – April 14, 2019	London Interbank Offered Rate (LIBOR) + spread; semi-annual	Unsecured	₱48,246,300	₱43,825,600
Five-year, three-year and two-year bilateral loans	November 30, 2010 – December 7, 2012	November 30, 2015 – August 30, 2017	LIBOR + spread; semi-annual	Unsecured	3,607,200	4,472,000
Other U.S. dollar loans	November 20, 2013	November 20, 2018	LIBOR + spread; semi-annual	Unsecured	1,127,250	1,118,000
Philippine peso-denominated loans:						
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-F + margin; 6.22%-6.81%; quarterly	Unsecured	7,226,500	7,301,000
Five-year, seven-year and ten-year corporate notes	December 20, 2010 – June 13, 2011	December 21, 2015 – December 20, 2020	PDST-F + margin; Fixed 5.79%-6.65%; quarterly	Unsecured	6,528,000	6,528,000
Five-year floating rate notes	March 18, 2011 – June 17, 2011	March 19, 2016 – June 18, 2016	PDST-F + margin; quarterly	Unsecured	4,800,000	4,850,000
Five-year, seven-year and ten-year fixed and floating rate notes	January 12, 2012	January 13, 2017 – January 12, 2022	PDST-F + margin; 5.86%-6.10%; quarterly	Unsecured	4,229,200	4,272,800
Other bank loans	August 15, 2006 – June 8, 2015	June 24, 2015 – June 8, 2020	PDST-F + margin; 5.00%-9.75%; semi-annual and quarterly	Unsecured	1,525,000	1,985,280
Subsidiaries						
Philippine peso-denominated loans:						
Fixed rate term loans	December 27, 2012 – December 29, 2014	December 23, 2015 – June 25, 2023	4.00%-5.88%; semi-annual and quarterly	Unsecured	22,643,500	23,323,000
Fixed rate corporate notes	June 3, 2013 – June 28, 2014	June 3, 2020 – June 3, 2023	5.25%-5.88%; semi-annual	Unsecured	8,683,600	8,691,800
Four-year and five-year floating rate notes	October 31, 2013 – June 23, 2015	October 31, 2017 – June 23, 2020	PDST-F + margin; quarterly	Unsecured	2,300,000	800,000
Five-year bilateral loans	February 2, 2010 – October 24, 2011	February 2, 2015 – October 24, 2016	PDST-F + margin; 5.00%; quarterly	Unsecured	500,000	538,800
					131,416,550	127,706,280
Less debt issue cost					1,031,865	1,093,253
					130,384,685	126,613,027
Less current portion					26,323,800	11,006,880
					₱104,060,885	₱115,606,147

U.S. Dollar-denominated Five-Year Term Loans

This includes the following:

- A US\$300 million syndicated loan obtained on various dates in 2013. The loans bear an interest rate based on LIBOR plus spread, with a bullet maturity on March 25, 2018. A portion of the loan amounting to US\$150 million is hedged against interest rate and foreign exchange risks using cross currency swap contracts (see Notes 25 and 26).
- A US\$200 million syndicated loan obtained on January 29, 2013. The loan bears an interest rate based on LIBOR plus spread, with a bullet maturity on January 29, 2018. This loan is hedged against interest rate and foreign exchange risks using cross currency swap contracts (see Notes 25 and 26).

Philippine Peso-denominated Five-Year, Seven-Year and Ten-Year Retail Bonds

- This represents a ₱20 billion fixed rate bonds issued on September 1, 2014. The issue consists of the five-year and six months or Series A Bonds amounting to ₱15,036 million with a fixed interest rate equivalent to 5.1000% per annum due on March 1, 2020, seven-year or Series B Bonds amounting to ₱2,362 million with a fixed interest rate equivalent to 5.2006% per annum due on September 1, 2021, and ten-year or Series C Bonds amounting to ₱2,602 million with a fixed interest rate equivalent to 5.7417% per annum due on September 1, 2024.

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 0.50:1.00, 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 June 30, 2015 and December 31, 2014, the Company is in compliance with the terms of its loan covenants.

The re-pricing frequencies of floating rate loans of the Company range from three to six months.

Repayment Schedule

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

	Gross Loan	Debt Issue Cost	Net
	<i>(In Thousands)</i>		
2015	₱9,221,200	(₱328,107)	₱8,893,093
2016	24,401,100	(277,170)	24,123,930
2017	8,882,800	(217,750)	8,665,050
2018	28,458,850	(117,293)	28,341,557
2019	18,450,900	(48,497)	18,402,403
2020	21,966,060	(19,513)	21,946,547
2021	6,930,820	(12,394)	6,918,426
2022	6,083,260	(6,193)	6,077,067
2023	4,419,860	(4,452)	4,415,408
2024	2,601,700	(496)	2,601,204
	₱131,416,550	(₱1,031,865)	₱130,384,685

19. Equity

Capital Stock

As at June 30, 2015 and December 31, 2014, 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 June 30, 2015 and December 31, 2014, the 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 June 30, 2015 and December 31, 2014, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱27,000 million. Appropriated retained earnings also include appropriations for landbanking and commercial buildings construction scheduled from 2015 to 2017 amounting to ₱15,200 million.

In 2015, the Company expects to incur around ₱60,000 million for its capital expenditures in the Philippines and in China.

The retained earnings account is restricted for the payment of dividends to the extent of ₱44,141 million and ₱39,793 million as at June 30, 2015 and December 31, 2014, respectively, representing the cost of shares held in treasury (₱3,356 million as at June 30, 2015 and December 31, 2014, respectively) and accumulated equity in net earnings of SMPH subsidiaries totaling ₱40,785 million and ₱36,437 million as at June 30, 2015 and December 31, 2014, 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

As at June 30, 2015 and December 31, 2014, this includes reacquired capital stock and shares held by a subsidiary totaling 4,333 million shares, stated at acquisition cost of ₱3,356 million.

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 unaudited interim consolidated financial statements with respect to these transactions follow:

	Amount of Transactions		Outstanding Amount [Asset (Liability)]		Terms	Conditions
	June 30, 2015 (Unaudited)	June 30, 2014 (Unaudited)	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)		
Cash and cash equivalents	260,762,631	30,643,985	11,920,588	29,377,591	Interest bearing based on prevailing rates	Unsecured; not impaired
Investments held for trading	–	65,416	635,816	659,676	Noninterest-bearing	Unsecured; not impaired
Rent income	5,873,993	5,494,649			30 days; noninterest-bearing	Unsecured; not impaired
Rent receivable			2,157,377	2,294,805		
Other revenues	6,495	44,422			Noninterest-bearing	Unsecured; not impaired
Other receivables			39,844	43,685	Noninterest-bearing	Unsecured; not impaired

	Amount of Transactions		Outstanding Amount [Asset (Liability)]		Terms	Conditions
	June 30, 2015 (Unaudited)	June 30, 2014 (Unaudited)	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)		
Deferred rent income			(78,548)	(83,548)	Noninterest bearing	Unsecured
Interest income	174,518	102,927			Interest-bearing	Unsecured; not impaired
Accrued interest receivable			28,507	104,836	Noninterest-bearing	Unsecured; not impaired
Due from related parties	330,459	649	419,752	96,713	On demand; noninterest-bearing	Unsecured; not impaired
Receivable financed			2,121,293	3,382,669	Without recourse	Unsecured
AFS investments	–	355,785	14,130,132	15,524,119	Noninterest-bearing	Unsecured; not impaired
Dividend income	178,586	47,167			Noninterest-bearing	Unsecured
Cash in escrow	–	304,794	623,191	667,778	Interest bearing based on prevailing rates	Unsecured; not impaired
Time deposits	1,456,402	–	3,706,002	2,249,600	Interest bearing based on prevailing rates	Unsecured; not impaired
Loans payable and long-term debt	–	–	(962,500)	(1,230,000)	Interest-bearing	Unsecured; not impaired
Interest expense	34,418	199,449			Interest-bearing; fixed and floating interest rates	Unsecured; not impaired
Accrued interest payable			(4,837)	(5,668)	Noninterest-bearing	Unsecured
Rent expense	62,586	63,612			Noninterest-bearing	Unsecured
Accrued rent payable			(1,619)	(1,561)	Noninterest-bearing	Unsecured
Trade payable	1,020	–	(104,527)	(30,281)	Noninterest-bearing	Unsecured
Due to related parties	–	22,635	(132,658)	(147,432)	Noninterest-bearing	Unsecured
Management fee expense	600,124	549,988			Noninterest-bearing	Unsecured
Accrued management fee			(147,557)	(102,294)	Noninterest-bearing	Unsecured
Accrued expenses	5,162	–	(578,354)	(573,192)	Noninterest-bearing	Unsecured

Compensation of Key Management Personnel

The aggregate compensation and benefits related to key management personnel for the six months ended June 30, 2015 and 2014 consist of short-term employee benefits amounting to ₱190 million and ₱185 million, respectively, and post-employment benefits (pension benefits) amounting to ₱12 million and ₱7 million, respectively.

21. Costs and Expenses

This account consists of:

	June 30, 2015 (Unaudited)	June 30, 2014 (Unaudited)
	<i>(In Thousands)</i>	
Cost of real estate sold (see Notes 8 and 9)	₱6,673,583	₱6,754,185
Depreciation and amortization (see Notes 12 and 13)	3,378,546	3,350,636
Administrative	2,967,882	2,772,355
Business taxes and licenses	1,759,935	1,590,798
Marketing and selling expenses	1,471,578	1,399,767
Film rentals	1,268,977	1,269,906
Rent (see Notes 20 and 24)	650,200	595,631
Management fees (see Note 20)	617,709	564,716
Insurance	190,927	179,500
Others	670,241	690,589
	₱19,649,578	₱19,168,083

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:

	June 30, 2015 (Unaudited)	June 30, 2014 (Unaudited)
	<i>(In Thousands)</i>	
Interest income on:		
Cash and cash equivalents (see Note 5)	₱214,873	₱127,982
Short-term investments	-	8,463
Time deposits (see Note 15)	57,896	25,516
Investments held for trading (see Note 6)	9,105	3,675
Others	34,847	26,927
	₱316,721	₱192,563
Interest expense on:		
Long-term debt (see Note 18)	₱2,044,320	₱1,763,263
Loans payable (see Note 16)	46,172	48,989
Others	20,358	71,815
	₱2,110,850	₱1,884,067

23. Income Tax

The details of the Company's deferred tax assets and liabilities are as follows:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
<i>(In Thousands)</i>		
Deferred tax assets:		
Unrealized foreign exchange loss and others	₱461,572	₱438,231
NOLCO	372,166	302,679
Accrued marketing and rent expenses	208,978	181,792
Provision for doubtful accounts	108,238	106,817
Deferred rent income	33,267	40,241
MCIT	24,138	21,066
Unamortized past service cost	5,939	9,137
	₱1,214,298	₱1,099,963
Deferred tax liabilities:		
Undepreciated capitalized interest, unrealized foreign exchange gains and others	(₱1,411,884)	(₱1,499,054)
Unrealized gross profit on sale of real estate	(1,055,043)	(783,354)
Pension asset	(11,952)	(15,953)
Others	(156,511)	(85,623)
	(2,635,390)	(2,383,984)
Net deferred tax liabilities	(₱1,421,092)	(₱1,284,021)

The net deferred tax assets and liabilities presented in the consolidated balance sheets as follows:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
<i>(In Thousands)</i>		
Deferred tax assets	₱787,527	₱650,153
Deferred tax liabilities	(2,208,619)	(1,934,174)
	(₱1,421,092)	(₱1,284,021)

24. Lease Agreements

Company as Lessor

The Company's lease agreements with its mall tenants are generally granted for a term of one year, with the exception of some of the larger tenants operating nationally, which are granted initial lease terms of five years, renewable on an annual basis thereafter. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay either a fixed monthly rent, which is calculated by reference to a fixed sum per square meter of area leased, or pay rent on a percentage rental basis, which comprises of a basic monthly amount and a percentage of gross sales or a minimum set amount, whichever is higher.

Also, the Company's lease agreements with its commercial property tenants are generally granted for a term of one year, with the exception of some tenants, which are granted initial lease terms of

2 to 20 years, renewable on an annual basis thereafter. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants pay either a fixed monthly rent or a percentage of sales, depending on the terms of the lease agreements, whichever is higher.

Company as Lessee

The Company also leases certain parcels of land where some of their malls are situated or constructed. The terms of the lease are for periods ranging from 15 to 50 years, renewable for the same period under the same terms and conditions. Rental payments are generally computed based on a certain percentage of the gross rental income or a certain fixed amount, whichever is higher.

Also, the Company has various operating lease commitments with third party and related parties. The noncancellable periods of the lease range from 2 to 30 years, mostly containing renewal options. Several lease contracts provide for the payment of additional rental based on certain percentage of sales of the tenants.

25. 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 26).

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

Interest Rate Risk

The Company's policy is to manage its interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, it enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to economically hedge underlying debt obligations. As at June 30, 2015 and December 31, 2014, after taking into account the effect of interest rate swaps, approximately 59% and 67%, respectively, 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 and liabilities amounted to ₱37,249 million (US\$826 million) and ₱37,510 million (US\$832 million), respectively, as at June 30, 2015, and ₱33,948 million (US\$759 million) and ₱34,184 million (US\$764 million), respectively, as at December 31, 2014.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rates used were ₱45.09 to US\$1.00 and ₱44.72 to US\$1.00, the Philippine peso to U.S. dollar exchange rate as at June 30, 2015 and December 31, 2014, 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 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.

26. 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:

	June 30, 2015 (Unaudited)		December 31, 2014 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>(In Thousands)</i>				
Financial Assets				
Financial assets at FVPL:				
Investments held for trading	₱935,143	₱935,143	₱967,511	₱967,511
Derivative assets	1,879,536	1,879,536	1,632,814	1,632,814
	2,814,679	2,814,679	2,600,325	2,600,325
Loans and receivables -				
Noncurrent portion of receivables from sale of real estate	7,147,605	7,029,156	8,341,583	8,255,073
Time deposits	3,847,200	3,798,739	2,412,190	2,387,174
AFS investments -				
Listed shares of stocks	21,593,668	21,593,668	29,663,165	29,663,165
	₱35,403,152	₱35,236,242	₱43,017,263	₱42,905,737
Financial Liabilities				
Financial liabilities at FVPL -				
Derivative liabilities	₱10,132	₱10,132	₱58,705	₱58,705
Other financial liabilities:				
Liability for purchased land - net of current portion	863,661	853,267	1,170,855	1,158,712
Long-term debt - net of current portion	104,060,885	106,695,897	115,606,147	118,510,996
Tenants' and customers' deposits	13,660,077	12,031,587	13,251,526	12,972,502
Other noncurrent liabilities*	4,048,060	3,994,477	3,208,432	3,171,783
	122,632,683	123,575,228	133,236,960	135,813,993
	₱122,642,815	₱123,585,360	₱133,295,665	₱135,872,698

*Excluding nonfinancial liabilities amounting to ₱589 million and ₱573 million as at June 30, 2015 and December 31, 2014, respectively.

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

	June 30, 2015 (Unaudited)		
	Level 1	Level 2	Level 3
	<i>(In Thousands)</i>		
Financial Assets			
Financial assets at FVPL:			
Investments held-for-trading:			
Bonds	P299,327	P-	P-
Shares	635,816	-	-
Derivative assets	-	1,879,536	-
	935,143	1,879,536	-
Loans and receivables -			
Noncurrent portion of receivables from sale of real estate	-	-	7,029,156
Time deposits	-	3,798,739	-
AFS investments -			
Shares of stocks	21,593,668	-	-
	P22,528,811	P5,678,275	P7,029,156
Financial Liabilities			
Financial liabilities at FVPL -			
Derivative liabilities	P-	P10,132	P-
Other financial liabilities:			
Liability for purchased land - net of current portion	-	-	853,267
Long-term debt - net of current portion	-	-	106,695,897
Tenants' and customers' deposits	-	-	12,031,587
Other noncurrent liabilities*	-	-	3,994,477
	-	-	123,575,228
	P-	P10,132	P123,575,228

*Excluding nonfinancial liabilities amounting to P589 million as at June 30, 2015.

	December 31, 2014 (Audited)		
	Level 1	Level 2	Level 3
	<i>(In Thousands)</i>		
Financial Assets			
Financial assets at FVPL:			
Investments held-for-trading:			
Bonds	P307,835	P-	P-
Shares	659,676	-	-
Derivative assets	-	1,632,814	-
	967,511	1,632,814	-
Loans and receivables -			
Noncurrent portion of receivables from sale of real estate	-	-	8,255,073
Time deposits	-	2,387,174	-
AFS investments -			
Shares of stocks	29,663,165	-	-
	P30,630,676	P4,019,988	P8,255,073

	December 31, 2014 (Audited)		
	Level 1	Level 2	Level 3
	<i>(In Thousands)</i>		
Financial Liabilities			
Financial liabilities at FVPL -			
Derivative liabilities	₱-	₱58,705	₱-
Other financial liabilities:			
Liability for purchased land - net of current portion	-	-	1,158,712
Long-term debt - net of current portion	-	-	118,510,996
Tenants' and customers' deposits	-	-	12,972,502
Other noncurrent liabilities*	-	-	3,171,783
	-	-	135,813,993
	₱-	₱58,705	₱135,813,993

*Excluding nonfinancial liabilities amounting to ₱573 million as at December 31, 2014.

During the periods ended June 30, 2015 and December 31, 2014, 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.

27. EPS Computation

Basic/diluted EPS is computed as follows:

	June 30, 2015 (Unaudited)	June 30, 2014 (Unaudited)
	<i>(In Thousands, Except Per Share Data)</i>	
Net income attributable to equity holders of the parent (a)	₱18,654,979	₱9,797,964
Common shares issued	33,166,300	33,166,300
Less treasury stock (see Note 19)	4,332,787	5,392,787
Weighted average number of common shares outstanding (b)	28,833,513	27,773,513
Earnings per share (a/b)	₱0.647	₱0.353

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
FINANCIAL RATIOS - KEY PERFORMANCE INDICATORS
AS OF JUNE 30, 2015 AND 2014

	June 30	June 30
	2015	2014
i. Current ratio		
$\frac{\text{Total current assets}}{\text{Total current liabilities}}$	1.24	1.32
ii. Debt-to-equity ratio		
$\frac{\text{Total interest-bearing liabilities}}{\text{Total equity attributable to equity holders of the parent} + \text{Total interest-bearing liabilities}}$	0.41 : 0.59	0.40 : 0.60
Net debt-to-equity ratio		
$\frac{\text{Total interest-bearing liabilities less cash and cash equivalents and investment securities}}{\text{Total equity attributable to equity holders of the parent} + \text{Total interest-bearing liabilities less cash and cash equivalents and investment securities}}$	0.37 : 0.63	0.35 : 0.65
iii. Asset to equity ratio		
$\frac{\text{Total assets}}{\text{Total equity attributable to equity holders of the parent}}$	1.99	2.06
	June 30	June 30
	2015	2014
<i>(Annualized)</i>		
iv. Earnings before interest, income taxes, depreciation and amortization (EBITDA) to interest expense		
$\frac{\text{EBITDA}}{\text{Interest expense}}$	9.14	9.16
Debt to EBITDA		
$\frac{\text{Total interest-bearing liabilities}}{\text{EBITDA}}$	3.66	3.29
v. Return on equity		
$\frac{\text{Net income attributable to equity holders of the parent}}{\text{Total average equity attributable to equity holders of the parent}}$	0.11	0.12
Return on investment properties		
$\frac{\text{Net income attributable to equity holders of the parent}}{\text{Total average investment properties (excluding shopping mall complex under construction)}}$	0.13	0.13

SM Prime Holdings, Inc. and Subsidiaries
Aging of Accounts Receivables
As at June 30, 2015
(Amounts in Thousands)

Trade:		
	Sale of real estate	₱33,745,572
	Rent:	
	Third parties	3,645,365
	Related parties	2,157,377
	Others	141,115
Nontrade		56,451
	Receivable from a co-investor	271,585
	Accrued interest	75,075
	Due from related parties	419,752
	Others	3,165,072
		43,677,364
	Less allowance for doubtful accounts	418,509
		43,258,855
	Less noncurrent portion of receivables from sale of real estate	7,147,605
		₱36,111,250

The aging analyses of receivables follows:

	Neither past due nor impaired	₱35,726,841
	Past due but not impaired:	
	Less than 30 days	1,975,444
	31–90 days	1,636,860
	91–120 days	547,794
	Over 120 days	3,371,916
	Impaired	418,509
		₱43,677,364

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

SM Prime's net income up by 90% to P18.7 billion from P9.8 billion last year; excluding one-time trading gain on sale of marketable securities, core net income up by 15% to P11.2 billion

Financial and Operational Highlights

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

	Second Quarter					Six Months Ended June 30				
	2015	% to Revenues	2014	% to Revenues	% Change	2015	% to Revenues	2014	% to Revenues	% Change
Profit and Loss Data										
Revenues	19,210	100%	18,024	100%	7%	35,860	100%	33,326	100%	8%
Costs and Expenses	10,475	55%	10,394	58%	1%	19,650	55%	19,168	58%	3%
Operating Income	8,735	45%	7,630	42%	14%	16,210	45%	14,158	42%	14%
Net Income	6,024	31%	5,220	29%	15%	11,245	31%	9,798	29%	15%
EBITDA	10,224	53%	9,171	51%	11%	19,295	54%	17,267	52%	12%
Balance Sheet Data										
			Jun 30 2015	% to Total Assets	Dec 31 2014	% to Total Assets	% Change			
Total Assets			405,857	100%	388,840	100%	4%			
Investment Properties			219,732	54%	202,181	52%	9%			
Total Debt			141,200	35%	129,283	33%	9%			
Net Debt			120,674	30%	93,070	24%	30%			
Total Equity			203,915	50%	199,088	51%	2%			
Financial Ratios										
			Jun 30 2015	Dec 31 2014						
Debt to Equity			0.41 : 0.59	0.39 : 0.61						
Net Debt to Equity			0.37 : 0.63	0.32 : 0.68						
Return Ratios										
			Jun 30							
			2015	2014						
Return on Equity			0.11	0.12						
Debt to EBITDA			3.66	3.29						
Interest Coverage Ratio			9.14	9.16						
Operating Income to Revenues			0.45	0.42						
EBITDA Margin			0.54	0.52						
Net Income to Revenues			0.31	0.29						

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

Revenue

SM Prime recorded consolidated revenues of ₱35.86 billion for the first six months of 2015, an increase of 8% from ₱33.33 billion in the same period 2014, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱19.44 billion in 2015, an increase of 10% from ₱17.67 billion in 2014. The increase in rental revenue was primarily due to the new malls and expansions opened in 2013 and 2014, namely, SM Aura Premier, SM City BF Parañaque, Mega Fashion Hall in SM Megamall, SM City Cauayan, SM Center Angono and SM City Bacolod Expansion, with a total gross floor area of 652,000 square meters. 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 Ecom. Also, rentals from hotels and convention centers contributed to the increase due to improvement in average rates and occupancy rates.

Real Estate Sales

SM Prime recorded a 3% increase in real estate sales in 2015 from ₱11.90 billion to ₱12.28 billion primarily due to increase in sales take-up and higher construction accomplishments of projects launched in 2010 up to 2013 namely, Wind, Green, Breeze, Grace, Shore and Trees Residences accounting for 60% of total revenues. Actual construction of projects usually starts within one year 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 is flat at ₱2.35 billion in 2015. The major blockbusters screened in 2015 were “Crazy Beautiful You,” “You’re My Boss,” “Avengers – Age of Ultron,” “Jurassic World,” and “Fast and Furious 7.” The major blockbusters shown in 2014 were “The Amazing Spiderman 2,” “Maleficent,” “Captain America: The Winter Soldier,” “Starting Over Again,” and “Bride for Rent.”

Other Revenues

Other revenues increased by 28% to ₱1.79 billion in 2015 from ₱1.40 billion in 2014. The increase was mainly due to opening of Sky Ranch Pampanga, increase in hotels’ food and beverages income as well as increase 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 ₱19.65 billion for the first six months of 2015, an increase of 3% from ₱19.17 billion in the same period 2014, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate was ₱6.67 billion in 2015, representing a decrease of 1% from ₱6.75 billion in 2014. Despite the higher revenues from real estate sales, costs of real estate sales decreased as a result of improving cost efficiencies, tighter monitoring and control of construction costs hence, leading to improved gross profit margin on real estate sales from 43% in 2014 to 46% in 2015.

Operating Expenses

SM Prime's consolidated operating expenses increased by 5% to ₱12.98 billion in 2015 compared to last year's ₱12.41 billion. Out of the total operating expenses, 69% is contributed by the malls where same-store mall growth in operating expenses is 2%. Similarly, the residential segment accounting for 17% of total operating expenses increased by 7% from ₱2.04 billion in 2014 to ₱2.18 billion in 2015 due to increase in business taxes and licenses.

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 and Dividend Income

Interest and dividend income increased by 103% to ₱558 million in 2015 from ₱275 million in 2014. This account is mainly composed of dividend and interest income received from cash and cash equivalents, investments held for trading and AFS investments. The increase in interest income is due to higher average balance of cash and cash equivalents in 2015 as compared to last year. The increase in dividend income is due to dividends received in 2015 on AFS investments held which was not present in 2014.

Interest Expense

SM Prime's consolidated interest expense increased by 12% to ₱2.11 billion in 2015 compared to ₱1.88 billion in 2014 due to the ₱20.0 billion retail bond availed in September 2014 and new bank loans availed during 2015 for working capital and capital expenditure requirements.

Other income (charges) - net

This account reversed to a ₱130 million other expense in 2015 from a ₱1 million other income in 2014 due to increase in amortization of debt issuance cost as a result of the new loans and other charges.

Provision for income tax

SM Prime's consolidated provision for income tax increased by 19% to ₱2.99 billion in 2015 from ₱2.51 billion in 2014. The increase is due to the related increase in taxable income and higher real estate revenues realized from projects with expired income tax holiday incentives.

Net income

As a result of the foregoing, consolidated net income for the six months ended June 30, 2015 increased by 90% to ₱18.65 billion from ₱9.80 billion in the same period last year. Excluding gain on sale of AFS, core net income increased by 15% to ₱11.24 billion.

Balance Sheet Accounts

Cash and cash equivalents significantly decreased by 44% from ₱35.25 billion to ₱19.59 billion as of December 31, 2014 and June 30, 2015, respectively, mainly due to payments for capital expenditure projects during the period.

Receivables increased by 18% from ₱30.69 billion to ₱36.11 billion as of December 31, 2014 and June 30, 2015, respectively, mainly due to increase in construction accomplishments of sold units as well as new sales for the period. Out of the total receivables, 74% pertains to sale of real estate and 16% from leases of shopping mall and commercial spaces.

Condominium and residential units increased by 34% from ₱7.58 billion to ₱10.18 billion as of December 31, 2014 and June 30, 2015, respectively, mainly due to completion of condominium towers in M Place @ South Triangle, Jazz, Mezza II and Light Residences.

Land and development decreased by 8% from ₱42.46 billion to ₱39.02 billion as of December 31, 2014 and June 30, 2015, respectively, mainly due to landbanking and construction accomplishments for the period net of cost of sold units and transfers to completed condominium and residential units.

Investment properties increased by 9% from ₱202.18 billion to ₱219.73 billion as of December 31, 2014 and June 30, 2015, respectively, primarily because of ongoing new mall projects located in Cebu City, Cabanatuan, Cagayan de Oro and Caloocan in the Philippines and Zibo and Tianjin in China and the ongoing expansions and renovations of SM Mall of Asia and SM City Iloilo. Also, the increase is attributable to landbanking and construction costs incurred for ongoing projects of the hotel groups namely, Conrad Manila and Park Inn by Radisson Clark.

AFS investments decreased by 27% from ₱29.67 billion to ₱21.60 billion as of December 31, 2014 and June 30, 2015, respectively, mainly due to sale of listed shares held under this portfolio.

Derivative assets increased by 15% from ₱1.63 billion to ₱1.88 billion as of December 31, 2014 and June 30, 2015, respectively, mainly resulting from net fair value changes on a \$350 million cross currency swap transaction designated as a cash flow hedge. While, derivative liabilities decreased by 83% from ₱59 million to ₱10 million as of December 31, 2014 and June 30, 2015, respectively, due to marked-to-market gains on interest rate swaps used to hedge interest rate exposure on loans and maturity of various interest rate swaps in March and June 2015.

Deferred tax assets increased by 21% from ₱650 million to ₱788 million as of December 31, 2014 and June 30, 2015, respectively, mainly due to NOLCO. Deferred tax liabilities increased by 14% from ₱1.93 billion to ₱2.21 billion as of December 31, 2014 and June 30, 2015, respectively, mainly due to unrealized gross profit on sale of real estate for tax purposes.

Investments and advances to associates and joint ventures increased by 256% from ₱6.05 billion to ₱21.56 billion as of December 31, 2014 and June 30, 2015, respectively, mainly due to acquisitions.

Other noncurrent assets increased by 12% from ₱20.17 billion to ₱22.65 billion as of December 31, 2014 and June 30, 2015, respectively, mainly due to additional bonds and deposits for land acquired.

Loans payable increased by 305% from ₱2.67 billion to ₱10.82 billion as of December 31, 2014 and June 30, 2015, respectively, due to availment of loans for general corporate purposes.

Long-term debt increased by 3% from ₱126.61 billion to ₱130.38 billion as of December 31, 2014 and June 30, 2015, respectively, due to drawdown on an existing loan facility amounting to US\$90 million loan last January 2015 to fund capital expenditures and for working capital requirements.

Liability for purchased land decreased by 26% from ₱1.17 billion to ₱0.86 billion as of December 31, 2014 and June 30, 2015, respectively, due to subsequent payments. While other noncurrent liabilities increased by 23% from ₱3.78 billion to ₱4.64 billion, respectively, due to increase in retention payable.

The Company's key financial 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 increased to 0.41:0.59 as of June 30, 2015 from 0.39:0.61 as of December 31, 2014 due to additional borrowings. Likewise, net interest-bearing debt to equity increased to 0.37:0.63 as of June 30, 2015 from 0.32:0.68 as of December 31, 2014 due to payments for capital expenditure projects and working capital.

In terms of profitability, ROE slightly decreased to 11% as of June 30, 2015 from 12% as of June 30, 2014 due to the \$400 million top-up placement in November 2014.

Debt to EBITDA increased to 3.66:1 as of June 30, 2015 from 3.29:1 as of June 30, 2014 due to new borrowings, while interest coverage ratio slightly decreased to 9.14:1 as of June 30, 2015 from 9.16:1 as of June 30, 2014 as a result of increase in interest expense. EBITDA margin improved to 54% as of June 30, 2015 from 52% as of June 30, 2014.

Consolidated operating income to revenues improved to 45% as of June 30, 2015 from 42% as of June 30, 2014. Net income to revenues likewise improved to 31% as of June 30, 2015 from 29% as of June 30, 2014.

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 2015, 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 two shopping malls in the Philippines with 6.6 million square meters of gross floor area and five shopping malls in China with 0.8 million square meters of gross floor area. For the rest of 2015, the malls business unit will open four new malls, located in SRP Cebu, Sangandaan, Cabanatuan and Zibo, as well as expansions of SM City Iloilo and SM City Lipa. SM Megacenters Cabanatuan was also re-launched last April 24, 2015. By end 2015, the malls business unit will have 55 malls in the Philippines and six in China with an estimated combined gross floor area of 8.3 million square meters.

SM Prime currently has twenty six residential projects in the market, twenty four of which are in Metro Manila and two in Tagaytay. For 2015, SM Prime's residential unit will launch at least five new condominiums with about 12,000-15,000 units in total in the cities of Taguig, Quezon, Mandaluyong, Tagaytay, Las Piñas, Parañaque and Pasay at the Mall of Asia Complex.

SM Prime's Commercial Properties Group has five office buildings with an estimated gross leasable area of 203,000 square meters. Currently, Three E-Com Center is under construction scheduled for opening in 2017.

For hotels and convention centers, Conrad Manila in the Mall of Asia Complex in Pasay and Park Inn by Radisson Clark in Pampanga are expected to open in the last quarter of 2015.

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: August 3, 2015


JOHN NAI PENG C. ONG
Chief Finance Officer