COVER SHEET

SEC Registration Number

A	S	0	9	4	-	0	0	0	0	8	8

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
2,497		September 30

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. John Nai Peng C. Ong		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 **September 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**
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 September 30, 2015
and for the Three-Month and Nine-Month Periods Ended September 30, 2015 and 2014
(with Comparative Audited Consolidated Balance Sheet as at December 31, 2014)

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEET

September 30, 2015

(With Comparative Audited Figures as at December 31, 2014)

(Amounts in Thousands)

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 20 and 23)	**₱21,894,010**	₱35,245,206
Investments held for trading (Notes 6, 20, 23 and 24)	**904,111**	967,511
Receivables (Notes 7, 15, 20 and 23)	**30,468,222**	30,686,968
Condominium and residential units for sale (Note 8)	**10,325,861**	7,578,885
Land and development - current portion (Note 9)	**18,151,311**	19,571,526
Available-for-sale investments - current portion (Notes 10, 20, 23 and 24)	**638,206**	676,755
Prepaid expenses and other current assets (Notes 2, 11, 20 and 23)	**9,785,478**	9,289,317
Total Current Assets	**92,167,199**	104,016,168
Noncurrent Assets		
Available-for-sale investments - net of current portion (Notes 10, 20, 23 and 24)	**20,082,739**	28,994,983
Property and equipment - net (Note 12)	**1,684,179**	2,258,387
Investment properties - net (Note 13)	**231,079,803**	202,180,666
Land and development - net of current portion (Note 9)	**23,651,741**	22,886,306
Derivative assets (Notes 23 and 24)	**2,498,534**	1,632,814
Deferred tax assets - net	**765,264**	650,153
Investments in associates and joint ventures (Note 14)	**21,661,721**	6,050,884
Other noncurrent assets (Notes 2, 15, 20, 23 and 24)	**24,134,145**	20,169,798
Total Noncurrent Assets	**325,558,126**	284,823,991
	₱417,725,325	₱388,840,159
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Notes 16, 20 and 23)	**₱15,275,000**	₱2,670,000
Accounts payable and other current liabilities (Notes 17, 20 and 23)	**35,883,424**	36,378,819
Current portion of long-term debt (Notes 18, 20 and 23)	**26,925,051**	11,006,880
Income tax payable	**969,554**	743,506
Total Current Liabilities	**79,053,029**	50,799,205
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 18, 20, 23 and 24)	**105,504,081**	115,606,147
Tenants' and customers' deposits (Notes 23 and 24)	**13,090,555**	13,251,526
Liability for purchased land - net of current portion (Notes 17, 23 and 24)	**2,168,403**	1,170,855
Deferred tax liabilities – net	**2,125,733**	1,934,174
Derivative liabilities (Notes 23 and 24)	**10,512**	58,705
Other noncurrent liabilities (Notes 23 and 24)	**5,178,229**	3,781,344
Total Noncurrent Liabilities	**128,077,513**	135,802,751
Total Liabilities (Carried Forward)	**207,130,542**	186,601,956

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Total Liabilities (Brought Forward)	**₱207,130,542**	₱186,601,956
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**	39,302,194
Cumulative translation adjustment	**1,036,742**	840,430
Net unrealized gain on available-for-sale investments (Note 10)	**17,010,424**	25,905,440
Net fair value changes on cash flow hedges	**438,534**	249,332
Remeasurement loss on defined benefit obligation	**(141,524)**	(141,524)
Retained earnings (Note 19):		
Appropriated	**42,200,000**	42,200,000
Unappropriated	**77,732,708**	60,921,048
Treasury stock (Notes 19 and 25)	**(3,355,474)**	(3,355,530)
Total Equity Attributable to Equity Holders of the Parent	**207,391,737**	199,087,690
Non-controlling Interests	**3,203,046**	3,150,513
Total Equity	**210,594,783**	202,238,203
	₱417,725,325	₱388,840,159

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)

	Nine-Month Periods Ended September 30	
	2015	2014
	(Unaudited)	
REVENUE		
Rent (Note 20)	**₱29,414,862**	₱26,442,415
Sales:		
Real estate	**16,623,795**	15,968,154
Cinema and event ticket	**3,400,394**	3,264,816
Others (Note 20)	**2,760,180**	2,119,951
	52,199,231	47,795,336
COSTS AND EXPENSES (Note 21)	**29,090,732**	27,663,146
INCOME FROM OPERATIONS	**23,108,499**	20,132,190
OTHER INCOME (CHARGES)		
Gain on sale of available-for-sale investments (Notes 10 and 20)	**7,410,704**	2,349
Interest expense (Notes 20 and 22)	**(3,518,058)**	(2,860,546)
Interest and dividend income (Notes 10, 20 and 22)	**958,354**	506,088
Equity in net earnings of associates and joint ventures (Note 14)	**151,225**	123,698
Others - net (Notes 6 and 18)	**(621,596)**	(423,342)
	4,380,629	(2,651,753)
INCOME BEFORE INCOME TAX	**27,489,128**	17,480,437
PROVISION FOR INCOME TAX		
Current	**4,134,721**	3,431,884
Deferred	**47,977**	234,429
	4,182,698	3,666,313
NET INCOME	**₱23,306,430**	₱13,814,124
Attributable to		
Equity holders of the Parent (Notes 19 and 25)	**₱22,866,697**	₱13,456,619
Non-controlling interests	**439,733**	357,505
	₱23,306,430	₱13,814,124
Basic/Diluted earnings per share (Note 25)	**₱0.793**	₱0.485

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Nine-Month Periods Ended September 30	
	2015	2014
	(Unaudited)	
NET INCOME	**₱23,306,430**	₱13,814,124
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income transferred to profit or loss:		
Realized gain from sale of available-for-sale investments (Note 10)	**(7,410,704)**	(2,349)
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)	**(1,484,312)**	5,996,104
Net fair value changes on cash flow hedges	**189,202**	(189,723)
Cumulative translation adjustment	**196,312**	(4,651)
	(8,509,502)	5,799,381
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	**₱14,796,928**	₱19,607,061
Attributable to		
Equity holders of the Parent	**₱14,357,195**	₱19,250,223
Non-controlling interests	**439,733**	356,838
	₱14,796,928	₱19,607,061

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 September 30	
	2015	2014
	(Unaudited)	
REVENUE		
Rent (Note 20)	**₱9,974,903**	₱8,773,011
Sales:		
Real estate	**4,345,915**	4,065,769
Cinema and event ticket	**1,049,402**	913,159
Others (Note 20)	**863,533**	624,459
	16,233,753	14,376,398
COSTS AND EXPENSES (Note 21)	**9,346,780**	8,411,418
INCOME FROM OPERATIONS	**6,886,973**	5,964,980
OTHER INCOME (CHARGES)		
Gain on sale of available-for-sale investments (Notes 10 and 20)	**341**	170
Interest expense (Notes 20 and 22)	**(1,407,208)**	(976,479)
Interest and dividend income (Notes 10, 20 and 22)	**400,036**	230,717
Equity in net earnings of associates and joint ventures (Note 14)	**96,982**	71,967
Others - net (Notes 6 and 18)	**(426,060)**	(363,357)
	(1,335,909)	(1,036,982)
INCOME BEFORE INCOME TAX	**5,551,064**	4,927,998
PROVISION FOR INCOME TAX		
Current	**1,244,625**	1,109,599
Deferred	**(51,281)**	44,253
	1,193,344	1,153,852
NET INCOME	**₱4,357,720**	₱3,774,146
Attributable to		
Equity holders of the Parent (Notes 19 and 25)	**₱4,211,718**	₱3,658,655
Non-controlling interests	**146,002**	115,491
	₱4,357,720	₱3,774,146
Basic/Diluted earnings per share (Note 25)	**₱0.146**	₱0.132

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 September 30	
	2015	2014
	(Unaudited)	
NET INCOME	**₱4,357,720**	₱3,774,146
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income transferred to profit or loss:		
Realized gain from sale of available-for-sale investments (Note 10)	**(341)**	(170)
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)	**(880,314)**	1,580,644
Net fair value changes on cash flow hedges	**41,498**	45,328
Cumulative translation adjustment	**102,432**	329,514
	(736,725)	1,955,316
TOTAL COMPREHENSIVE INCOME	**₱3,620,995**	₱5,729,462
Attributable to		
Equity holders of the Parent	**₱3,474,993**	₱5,613,971
Non-controlling interests	**146,002**	115,491
	₱3,620,995	₱5,729,462

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014

(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, 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	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**22,866,697**	**–**	**22,866,697**	**439,733**	**23,306,430**
Other comprehensive income (loss)	**–**	**–**	**196,312**	**(8,895,016)**	**189,202**	**–**	**–**	**–**	**–**	**(8,509,502)**	**–**	**(8,509,502)**
Total comprehensive income (loss) for the period	**–**	**–**	**196,312**	**(8,895,016)**	**189,202**	**–**	**–**	**22,866,697**	**–**	**14,357,195**	**439,733**	**14,796,928**
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)**
Acquisition of non-controlling interests	**–**	**1,833**	**–**	**–**	**–**	**–**	**–**	**–**	**56**	**1,889**	**–**	**1,889**
At September 30, 2015 (Unaudited)	**₱33,166,300**	**₱39,304,027**	**₱1,036,742**	**₱17,010,424**	**₱438,534**	**(₱141,524)**	**₱42,200,000**	**₱77,732,708**	**(₱3,355,474)**	**₱207,391,737**	**₱3,203,046**	**₱210,594,783**
At December 31, 2013 (Audited)	₱33,166,300	₱22,303,436	₱1,381,268	₱19,958,330	₱429,149	₱771	₱42,200,000	₱47,807,664	(₱3,980,378)	₱163,266,540	₱2,954,985	₱166,221,525
Net income for the period	–	–	–	–	–	–	–	13,456,619	–	13,456,619	357,505	13,814,124
Other comprehensive income (loss)	–	–	(4,651)	5,993,755	(189,723)	(5,777)	–	–	–	5,793,604	(667)	5,792,937
Total comprehensive income (loss) for the period	–	–	(4,651)	5,993,755	(189,723)	(5,777)	–	13,456,619	–	19,250,223	356,838	19,607,061
Cash dividends	–	–	–	–	–	–	–	(5,285,636)	–	(5,285,636)	–	(5,285,636)
Cash dividends received by a subsidiary	–	–	–	–	–	–	–	8,668	–	8,668	–	8,668
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	(309,760)	(309,760)
Acquisition of non-controlling interests	–	(23,013)	–	–	–	–	–	–	932	(22,081)	–	(22,081)
At September 30, 2014 (Unaudited)	₱33,166,300	₱22,280,423	₱1,376,617	₱25,952,085	₱239,426	(₱5,006)	₱42,200,000	₱55,987,315	(₱3,979,446)	₱177,217,714	₱3,002,063	₱180,219,777

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Nine-Month Periods Ended September 30	
	2015	2014
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱27,489,128**	₱17,480,437
Adjustments for:		
Depreciation and amortization (Notes 12 and 13)	**5,123,572**	4,937,126
Interest expense (Note 22)	**3,518,058**	2,860,546
Interest and dividend income (Notes 10 and 22)	**(958,354)**	(506,088)
Equity in net earnings (Note 14)	**(151,225)**	(123,698)
Loss (gain) on:		
Unrealized foreign exchange	**190,663**	14,778
Fair value changes on investment held for trading (Note 6)	**38,519**	96,930
Net fair value changes on derivatives	**(17,711)**	6,794
Sale of available-for-sale investments (Note 10)	**(7,410,704)**	(2,349)
Sale of investment held for trading	**–**	5,775
Operating income before working capital changes	**27,821,946**	24,770,251
Decrease (increase) in:		
Receivables	**940,233**	(3,202,414)
Condominium and residential units for sale	**3,251,864**	1,597,039
Land and development	**(5,079,416)**	(13,717,146)
Prepaid expenses and other current assets	**(492,746)**	1,518,953
Increase (decrease) in:		
Accounts payable and other current liabilities	**109,712**	8,041,711
Tenants' and customers' deposits	**(180,309)**	902,216
Cash generated from operations	**26,371,284**	19,910,610
Income tax paid	**(3,910,145)**	(3,635,224)
Cash provided by operating activities	**22,461,139**	16,275,386
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Available-for-sale investments (Note 10)	**7,466,508**	3,144
Investments held for trading (Note 6)	**35,693**	150,000
Dividends received	**529,821**	223,782
Interest received	**476,238**	308,333
Additions:		
Investment properties (Note 13)	**(31,054,644)**	(24,755,229)
Property and equipment (Note 12)	**(170,162)**	(106,240)
Available-for-sale-investments	**–**	(356,462)
Investments held for trading	**–**	(65,416)
Proceeds from pretermination of short-term investments	**–**	887,900
Increase in investments in associates and joint ventures (Note 14)	**(15,443,151)**	–
Increase in other noncurrent assets	**(3,924,101)**	(1,208,362)
Net cash used in investing activities	**(42,083,798)**	(24,918,550)

(Forward)

	Nine-Month Periods Ended September 30	
	2015	2014
	(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of bank loans and long-term debt (Notes 16 and 18)	**₱22,328,970**	₱37,546,250
Payments of:		
Long-term debt (Note 18)	**(2,074,280)**	(4,864,280)
Interest	**(3,081,707)**	(2,613,175)
Bank loans (Note 16)	**(4,395,000)**	(7,620,000)
Dividends (Note 19)	**(6,442,237)**	(5,586,728)
Net cash provided by financing activities	**6,335,746**	16,862,067
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(64,283)**	324
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(13,351,196)**	8,219,227
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**35,245,206**	27,141,506
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱21,894,010**	₱35,360,733

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

1. Corporate Information

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

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

As at September 30, 2015, SMPH is 49.60% and 25.57% 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.

Statement of Compliance

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual audited consolidated financial statements as at December 31, 2014.

Basis of Consolidation
The interim condensed consolidated financial statements include the accounts of the Parent Company and all of its subsidiaries. As at September 30, 2015, 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 nine-month period ended September 30, 2015.

Reclassification of Accounts
The Company changed the presentation of its consolidated balance sheet as at December 31, 2014 to properly present advances and deposits from other current assets to other noncurrent assets to conform to the 2015 presentation and classification

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, 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 has 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 interim condensed consolidated financial statements.

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

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

Business Segment Data

	Nine-month period ended September 30, 2015 (Unaudited)					
	Mall	**Residential**	**Commercial**	**Hotels and Convention Centers**	**Eliminations/ Adjustments** (see Note 10)	**Consolidated Balances**
			(In Thousands)			
Revenue:						
External customers	**₱30,861,313**	**₱17,186,122**	**₱2,401,807**	**₱1,749,989**	**₱–**	**₱52,199,231**
Inter-segment	**17,568**	**–**	**54,000**	**–**	**(71,568)**	**–**
	₱30,878,881	**₱17,186,122**	**₱2,455,807**	**₱1,749,989**	**(₱71,568)**	**₱52,199,231**
Segment results:						
Income before income tax	**₱14,612,678**	**₱4,161,095**	**₱1,135,738**	**₱346,661**	**₱7,232,956**	**₱27,489,128**
Provision for income tax	**(3,397,753)**	**(409,966)**	**(254,467)**	**(120,512)**	**–**	**(4,182,698)**
Net income	**₱11,214,925**	**₱3,751,129**	**₱881,271**	**₱226,149**	**₱7,232,956**	**₱23,306,430**
Net income attributable to:						
Equity holders of the Parent	**₱10,811,601**	**₱3,751,129**	**₱844,862**	**₱226,149**	**₱7,232,956**	**₱22,866,697**
Non-controlling interests	**403,324**	**–**	**36,409**	**–**	**–**	**439,733**
Other information:						
Capital expenditures	**₱27,077,323**	**₱13,810,465**	**₱859,920**	**₱1,921,729**	**₱–**	**₱43,669,437**
Depreciation and amortization	**4,281,334**	**206,576**	**402,555**	**233,107**	**–**	**5,123,572**

	Nine-month periods ended September 30, 2014 (Unaudited)					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations/ Adjustments	Consolidated Balances
			(In Thousands)			
Revenue:						
External customers	₱28,132,075	₱16,187,381	₱2,012,372	₱1,401,512	₱61,996	₱47,795,336
Inter-segment	55,196	916	55,025	252	(111,389)	–
	₱28,187,271	₱16,188,297	₱2,067,397	₱1,401,764	(₱49,393)	₱47,795,336
Segment results:						
Income (loss) before income tax	₱13,068,358	₱3,675,001	₱781,357	₱105,884	(₱150,163)	₱17,480,437
Provision for income tax	(2,998,712)	(423,038)	(196,278)	(38,188)	(10,097)	(3,666,313)
Net income (loss)	₱10,069,646	₱3,251,963	₱585,079	₱67,696	(₱160,260)	₱13,814,124
Net income (loss) attributable to:						
Equity holders of the Parent	₱9,733,783	₱3,251,963	₱563,437	₱67,696	(₱160,260)	₱13,456,619
Non-controlling interests	335,863	–	21,642	–	–	357,505
Other information:						
Capital expenditures	₱22,109,938	₱13,756,096	₱2,068,256	₱644,325	₱–	₱38,578,615
Depreciation and amortization	4,050,072	200,201	443,203	243,650	–	4,937,126

	September 30, 2015 (Unaudited)					
	Mall	**Residential**	**Commercial**	**Hotels and Convention Centers**	**Eliminations**	**Consolidated Balances**
			(In Thousands)			
Segment assets	**₱271,137,713**	**₱106,678,479**	**₱30,674,257**	**₱10,707,518**	**(₱1,472,642)**	**₱417,725,325**
Segment liabilities	**₱151,283,798**	**₱53,259,976**	**₱3,206,050**	**₱853,360**	**(₱1,472,642)**	**₱207,130,542**

	December 31, 2014 (Audited)					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
			(In Thousands)			
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 nine-month periods ended September 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.

Seasonality
The Company's operations have no significant seasonality.

5. Cash and Cash Equivalents

Cash and cash equivalents comprised the following:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Cash on hand and in banks (see Note 20)	**₱1,595,475**	₱3,002,606
Temporary investments (see Note 20)	**20,298,535**	32,242,600
	₱21,894,010	₱35,245,206

Interest income earned from cash in banks and temporary investments amounted to ₱269 million and ₱150 million for the nine-month periods ended September 30, 2015 and 2014, 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% and 5.88% to 8.64% as at September 30, 2015 and December 31, 2014, respectively. These Philippine peso-denominated and U.S. dollar-denominated investments have maturities in 2017.

The movements in this account are as follows:

	September 30, 2015 (Nine Months) (Unaudited)	December 31, 2014 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱967,511**	₱1,151,464
Disposals – net	**(35,693)**	(84,583)
Mark-to-market loss during the period	**(38,519)**	(101,076)
Unrealized foreign exchange gains	**10,812**	1,706
At end of the period	**₱904,111**	₱967,511

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 ₱14 million and ₱20 million for the nine-month periods ended September 30, 2015 and 2014, respectively (see Note 22).

7. Receivables

This account consists of:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Trade:		
Sale of real estate	**₱29,403,624**	₱29,607,958
Rent:		
Third parties	**3,799,125**	3,878,656
Related parties (see Note 20)	**1,948,186**	2,294,805
Others (see Note 20)	**3,011**	55,237
Due from related parties (see Note 20)	**116,160**	96,713
Receivable from a co-investor	**274,659**	269,161
Accrued interest (see Note 20)	**94,859**	142,878
Nontrade	**56,713**	90,317
Others (see Note 20)	**2,266,281**	2,945,673
	37,962,618	39,381,398
Less allowance for impairment	**448,449**	352,847
	37,514,169	39,028,551
Less noncurrent portion of receivables from sale of real estate (see Note 15)	**7,045,947**	8,341,583
	₱30,468,222	₱30,686,968

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 ₱40 million and ₱33 million for the nine-month periods ended September 30, 2015 and 2014, respectively (see Note 22).

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

	September 30, 2015 (Nine Months) (Unaudited)	December 31, 2014 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱352,847**	₱322,904
Provision for impairment - net	**95,602**	29,943
At end of the period	**₱448,449**	₱352,847

8. Condominium and Residential Units for Sale

This account consists of:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Condominium units for sale	**₱10,220,804**	₱7,177,902
Residential units and subdivision lots	**105,057**	400,983
	₱10,325,861	₱7,578,885

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

	September 30, 2015 (Nine Months) (Unaudited)	December 31, 2014 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱7,177,902**	₱5,788,429
Transfer from land and development (see Note 9)	**5,989,723**	3,997,101
Cost of real estate sold (see Note 21)	**(2,946,821)**	(2,607,628)
At end of the period	**₱10,220,804**	₱7,177,902

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:

	September30, 2015 (Nine Months) (Unaudited)	December 31, 2014 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱400,983**	₱314,224
Transfer from land and development (see Note 9)	**9,117**	156,231
Cost of real estate sold (see Note 21)	**(305,043)**	(69,472)
At end of the period	**₱105,057**	₱400,983

9. **Land and Development**

This account consists of:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Land and development	**₱39,939,403**	₱40,856,084
Land held for future development	**1,863,649**	1,601,748
	41,803,052	42,457,832
Less noncurrent portion	**23,651,741**	22,886,306
	₱18,151,311	₱19,571,526

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

	September 30, 2015 (Nine Months) (Unaudited)	December 31, 2014 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱40,856,084**	₱33,302,111
Development cost incurred	**9,048,162**	14,677,138
Transfer to condominium and residential units for sale (see Note 8)	**(5,998,840)**	(4,153,332)
Cost of real estate sold (see Note 21)	**(5,704,287)**	(9,579,932)
Land acquisitions	**1,408,463**	6,883,083
Capitalized borrowing cost	**315,833**	690,462
Transfer from land held for future development	**70,220**	–
Reclassified to investment properties (see Note 13)	**(50,745)**	(886,597)
Others	**(5,487)**	(76,849)
At end of the period	**₱39,939,403**	₱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:

	September 30, 2015 (Nine Months) (Unaudited)	December 31, 2014 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱1,601,748**	₱1,519,073
Acquisition and transferred-in costs and others	**332,121**	82,675
Transfer to land and development	**(70,220)**	–
At end of the period	**₱1,863,649**	₱1,601,748

The average rates used to determine the amount of borrowing costs eligible for capitalization range from 4.22% to 5.13% in 2015 and 3.47% to 5.27% in 2014.

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

10. **Available-for-sale Investments**

This account consists of investments in:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Shares of stock:		
Listed (see Note 20)	**₱20,712,384**	₱29,663,165
Unlisted	**8,561**	8,573
	20,720,945	29,671,738
Less noncurrent portion	**20,082,739**	28,994,983
	₱638,206	₱676,755

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 ₱530 million and ₱224 million for the nine-month periods ended September 30, 2015 and 2014, respectively.

Unrealized loss on changes in fair value amounting to ₱1,484 million for the nine-month period ended September 30, 2015 and unrealized gain on changes in fair value amounting to ₱5,996 million for the nine-month period ended September 30, 2014 were included under other comprehensive income.

11. **Prepaid Expenses and Other Current Assets**

This account consists of:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Advances and deposits	**₱3,518,882**	₱2,991,975
Input and creditable withholding taxes	**2,913,809**	3,203,920
Prepaid taxes and other prepayments	**2,480,763**	1,948,049
Cash in escrow (see Note 20)	**443,352**	667,778
Supplies and inventories	**366,645**	323,285
Advances for project development	**–**	16,467
Others	**62,027**	137,843
	₱9,785,478	₱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
				(In Thousands)			
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	28,179	51,310	60,693	54,615	2,755	197,759
Disposals/retirements	–	(3,539)	(10)	(3,097)	(33,662)	–	(40,308)
Reclassifications (see Notes 9 and 13)	–	(727,331)	(133,075)	8,725	(551,122)	(10,582)	(1,413,385)
Balance at September 30, 2015	₱217,524	₱1,609,653	₱155,716	₱221,030	₱606,691	₱–	₱2,810,614
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)	52	97,407	23,423	16,656	64,346	–	201,884
Disposals/retirements	–	(712)	(199)	(2,103)	(9,697)	–	(12,711)
Reclassifications (see Notes 9 and 13)	–	(422,637)	(82,981)	14,912	(380,193)	–	(870,899)
Balance at September 30, 2015	₱75	₱580,806	₱97,829	₱109,982	₱337,743	₱–	₱1,126,435
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 September 30, 2015	**217,449**	**1,028,847**	**57,887**	**111,048**	**268,948**	**–**	**1,684,179**

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, 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	13,900,094	8,981,015	1,445,684	8,356,139	32,682,932
Reclassifications (see Notes 9 and 12)	309,075	4,719,612	992,521	(4,562,620)	1,458,588
Translation adjustment	232,943	359,952	46,504	284,287	923,686
Disposals	(275,621)	(1,844)	(86,579)	(1,051)	(365,095)
Balance as at September 30, 2015	₱64,751,125	₱146,448,607	₱27,404,878	₱42,693,030	₱281,297,640
Accumulated Depreciation and Amortization					
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)	156,921	3,133,450	1,631,317	–	4,921,688
Reclassifications (see Notes 9 and 12)	9,907	397,326	459,452	–	866,685
Translation adjustment	15,878	60,887	20,012	–	96,777
Disposals	(4,292)	–	(79,884)	–	(84,176)
Balance as at September 30, 2015	₱1,878,772	₱32,228,402	₱16,110,663	₱–	₱50,217,837
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 September 30, 2015	**62,872,353**	**114,220,205**	**11,294,215**	**42,693,030**	**231,079,803**

In 2015 and 2014, shopping mall complex under construction mainly pertains to cost of land amounting to ₱8,188 million and ₱6,576 million, respectively, and costs incurred for the development of SM Seaside City Cebu, SM City Cabanatuan, SM Center Sangandaan and SM Tianjin and the ongoing expansions and renovations of SM Mall of Asia and SM City Iloilo.

Construction contracts with various contractors related to the construction of the on-going projects amounted to ₱97,937 million and ₱81,977 million as at September 30, 2015 and December 31, 2014, 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 ₱25,210 million and ₱17,272 million as at September 30, 2015 and December 31, 2014, respectively.

Interest capitalized related to the construction of investment properties amounted to ₱450 million and ₱53 million for the nine-month periods ended September 30, 2015 and 2014, respectively. Capitalization rates used range from 4.95% to 5.20% and 4.61% to 5.99% for the periods ended September 30, 2015 and December 31, 2014, 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 measurements.

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

This account consists of:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Investments in associates	**₱16,208,577**	₱748,965
Investment in joint ventures	**5,453,144**	5,301,919
	₱21,661,721	₱6,050,884

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 September 30, 2015, OHI's total assets, total liabilities and total equity amounted to ₱20,102 million, ₱15,618 million and ₱4,484 million, respectively, and the carrying value of investment in OHI amounted to ₱15,433 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 ₱13,772 million.

The carrying value of investment in FHREC, a company incorporated in China and a 50% owned associate, amounted to ₱764 million and ₱749 million as at September 30, 2015 and December 31, 2014, respectively, with cumulative equity in net earnings amounting to ₱483 million and ₱473 million as at September 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 ₱5,453 million and ₱5,302 million as at September 30, 2015 and December 31, 2014, respectively. These consist of the acquisition costs totaling ₱5,115 million and cumulative equity in net earnings totaling ₱338 million and ₱187 million as at September 30, 2015 and December 31, 2014, respectively. The aggregate share in profit and total comprehensive income amounted to ₱151 million and ₱124 million for the nine-month periods ended September 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 associates and joint ventures as at September 30, 2015 and December 31, 2014.

15. **Other Noncurrent Assets**

This account consists of:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Bonds and deposits	**₱9,135,567**	₱6,604,419
Receivables from sale of real estate - net of current portion (see Note 7)	**7,045,947**	8,341,583
Time deposits (see Notes 20 and 22)	**4,250,688**	2,412,190
Capitalized input tax	**2,701,944**	1,583,025
Advances for project development	**44,935**	48,270
Others	**955,064**	1,180,311
	₱24,134,145	₱20,169,798

Interest income earned from time deposits amounted to ₱97 million and ₱35 million for the nine-month periods ended September 30, 2015 and 2014, respectively (see Note 22).

16. **Loans Payable**

This account consists of unsecured Philippine peso-denominated loans obtained from local banks amounting to ₱15,275 million and ₱2,670 million as at September 30, 2015 and December 31, 2014, respectively, with due dates of less than one year. These loans bear interest rates ranging from 2.75% to 4.00% in 2015 and 2.00% to 4.15% in 2014.

For the nine-month period ended September 30, 2015, the Company availed ₱17,000 million and settled ₱4,395 million peso-denominated loans.

Interest expense incurred from loans payable amounted to ₱155 million and ₱108 million for the nine-month periods ended September 30, 2015 and 2014, respectively (see Note 22).

17. **Accounts Payable and Other Current Liabilities**

This account consists of:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Trade:		
Third parties	**₱14,578,410**	₱15,398,110
Related parties (see Note 20)	**18,593**	30,281
Accrued operating expenses:		
Third parties	**7,766,524**	6,991,653
Related parties (see Note 20)	**745,731**	677,047
Liability for purchased land	**6,435,547**	4,774,116
Customers' deposits	**3,483,669**	2,519,661
Nontrade	**1,125,232**	1,018,539
Accrued interest (see Note 20)	**894,271**	591,056
Payable to government agencies	**398,938**	616,300
Deferred output VAT	**201,541**	1,107,056
Due to related parties (see Note 20)	**120,552**	147,432
Others	**2,282,819**	3,678,423
	38,051,827	37,549,674
Less noncurrent portion of liability for purchased land	**2,168,403**	1,170,855
	₱35,883,424	₱36,378,819

Accrued operating expenses - third parties consist of:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Utilities	**₱4,340,989**	₱3,762,036
Marketing and advertising	**649,387**	424,155
Payable to contractors and others	**2,776,148**	2,805,462
	₱7,766,524	₱6,991,653

18. Long-term Debt

This account consists of:

	Availment Date	Maturity Date	Interest Rate	Condition	Outstanding Balance September 30, 2015 (Unaudited)	Outstanding Balance December 31, 2014 (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	London Interbank Offered Rate (LIBOR) + spread; semi-annual	Unsecured	**₱50,011,800**	₱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	**3,739,200**	4,472,000
Other U.S. dollar loans	November 20, 2013	November 20, 2018	LIBOR + spread; semi-annual	Unsecured	**1,168,500**	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	Philippine Dealing System Tresury Fixing (PDST-F) + margin; 5.91%-6.74%; 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 5.50%-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	3.22%-5.94%; 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
China yuan renminbi-denominated loan:						
Five-year loan	July 28, 2015	December 20, 2019	People’s Bank of China (POBC) base rate; monthly	Secured	**36,770**	-
					133,392,070	127,706,280
Less debt issue cost					**962,938**	1,093,253
					132,429,132	126,613,027
Less current portion					**26,925,051**	11,006,880
					₱105,504,081	₱115,606,147

For the nine-month period ended September 30, 2015, the Company availed ₱1,325 million peso-denominated five-year term loans with interest rate ranging from 3.00% to 5.00% per annum; US$90 million (₱3,967 million) dollar-denominated five-year term loans with interest rate of 2.03% and ¥5 million (₱37 million) China yuan renminbi-denominated five-year term loan with interest rate of 5.00% per annum. Settlement of long-term debt during the period amounted to ₱1,180 million peso-denominated loans and US$20 million (₱894 million) dollar-denominated loans.

China yuan renminbi-denominated five-year term loan is a ¥5 million out of ¥400 million loan facility obtained on July 28, 2015 to finance the construction of shopping malls. The loan is payable in quarterly installments until December 2019. The loan has 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 2015 and is secured by a portion of investment properties in China.

Debt issue cost pertaining to the loan availments amounted to ₱109 million. Amortization of debt issue cost for the nine-month period ended September 30, 2015 amounted to ₱239 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 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 September 30, 2015 and December 31, 2014, 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)	
2015	₱9,374,744	(₱304,789)	₱9,069,955
2016	24,854,763	(276,577)	24,578,186
2017	8,973,463	(191,134)	8,782,329
2018	29,333,263	(100,064)	29,233,199
2019	18,954,137	(41,228)	18,912,909
2020	21,866,060	(24,898)	21,841,162
2021	6,930,820	(10,500)	6,920,320
2022	6,083,260	(6,033)	6,077,227
2023	4,419,860	(7,715)	4,412,145
2024	2,601,700	-	2,601,700
	₱133,392,070	(₱962,938)	₱132,429,132

Interest expense incurred from long-term debt amounted to ₱3,285 million and ₱2,637 million for the nine-month periods ended September 30, 2015 and 2014, respectively (see Note 22).

19. **Equity**

Capital Stock

As at September 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 September 30, 2015 and December 31, 2014, 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 September 30, 2015 and December 31, 2014, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42,200 million.

Over the next five years, the Company expects to incur between ₱70,000 million to ₱80,000 million per annum 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 ₱45,400 million and ₱40,453 million as at September 30, 2015 and December 31, 2014, respectively, representing the cost of shares held in treasury (₱3,355 million and ₱3,356 million as at September 30, 2015 and December 31, 2014, respectively) and accumulated equity in net earnings of SMPH subsidiaries, associates and joint ventures totaling ₱42,045 million and ₱37,097 million as at September 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

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 September 30, 2015 and ₱3,356 million as at December 31, 2014.

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)]			
	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)	**September 30, 2015 (Unaudited)**	December 31, 2014 (Audited)	Terms	Conditions
Cash and cash equivalents	**₱331,585,513**	₱63,863,359	**₱13,895,962**	₱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	**8,894,783**	8,240,734			30 days; noninterest-bearing	Unsecured; not impaired
Rent receivable			**1,948,186**	2,294,805		
Other revenues	**7,584**	60,543			Noninterest-bearing	Unsecured; not impaired
Other receivables			**38,638**	43,685	Noninterest-bearing	Unsecured; not impaired
Deferred rent income			**(68,548)**	(83,548)	Noninterest bearing	Unsecured
Interest income	**187,959**	183,267			Interest-bearing	Unsecured; not impaired
Accrued interest receivable			**38,680**	104,836	Noninterest-bearing	Unsecured; not impaired
Due from related parties	**29,125**	2,914	**116,160**	96,713	On demand; noninterest-bearing	Unsecured; not impaired
Receivable financed	**2,912,948**	–	**3,004,336**	3,382,669	Without recourse	Unsecured
AFS investments	**–**	355,785	**13,683,084**	15,524,119	Noninterest-bearing	Unsecured; not impaired
Dividend income	**429,140**	136,465			Noninterest-bearing	Unsecured
Gain on sale of AFS investments	**7,410,301**	–			–	

	Amount of Transactions		Outstanding Amount [Asset (Liability)]			
	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)	**September 30, 2015 (Unaudited)**	December 31, 2014 (Audited)	Terms	Conditions
Cash in escrow	**224,434**	544,912	**443,344**	667,778	Interest bearing based on prevailing rates	Unsecured; not impaired
Time deposits	**1,436,186**	−	**3,685,786**	2,249,600	Interest bearing based on prevailing rates	Unsecured; not impaired
Loans payable and long-term debt	**90,000**	915,000	**(1,051,092)**	(1,230,000)	Interest-bearing	Unsecured; not impaired
Interest expense	**95,666**	345,685			Interest-bearing; fixed and floating interest rates	Unsecured; not impaired
Accrued interest payable			**(653)**	(5,668)	Noninterest-bearing	Unsecured
Rent expense	**81,507**	68,066			Noninterest-bearing	Unsecured
Accrued rent payable			**(1,150)**	(1,561)	Noninterest-bearing	Unsecured
Trade payable	**5,538**	−	**(18,593)**	(30,281)	Noninterest-bearing	Unsecured
Due to related parties	−	6,032	**(120,552)**	(147,432)	Noninterest-bearing	Unsecured
Management fee expense	**769,021**	807,935			Noninterest-bearing	Unsecured
Accrued management fee			**(171,389)**	(102,294)	Noninterest-bearing	Unsecured
Accrued expenses	−	−	**(573,192)**	(573,192)	Noninterest-bearing	Unsecured

Compensation of Key Management Personnel

The aggregate compensation and benefits related to key management personnel for the nine-month periods ended September 30, 2015 and 2014 consist of short-term employee benefits amounting to ₱285 million and ₱275 million, respectively, and post-employment benefits (pension benefits) amounting to ₱33 million and ₱13 million, respectively.

21. Costs and Expenses

This account consists of:

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
	(In Thousands)	
Cost of real estate sold (see Notes 8 and 9)	**₱8,956,151**	₱9,086,176
Depreciation and amortization (see Notes 12 and 13)	**5,123,572**	4,937,126
Administrative	**4,785,845**	4,286,255
Business taxes and licenses	**2,624,304**	2,380,469
Marketing and selling expenses	**2,396,394**	2,203,648
Film rentals	**1,839,565**	1,758,900
Rent (see Note 20)	**944,405**	862,627
Management fees (see Note 20)	**937,135**	836,559
Insurance	**305,385**	268,244
Others	**1,177,976**	1,043,142
	₱29,090,732	₱27,663,146

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:

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
	(In Thousands)	
Interest income on:		
Cash and cash equivalents (see Note 5)	**₱268,864**	₱150,486
Time deposits (see Note 15)	**96,567**	34,761
Investments held for trading (see Note 6)	**13,560**	20,375
Short-term investments	**–**	39,595
Others (see Note 7)	**49,229**	36,715
	₱428,220	₱281,932
Interest expense on:		
Long-term debt (see Note 18)	**₱3,284,604**	₱2,636,618
Loans payable (see Note 16)	**154,999**	107,810
Others	**78,455**	116,118
	₱3,518,058	₱2,860,546

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 September 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 amounted to ₱38,841 million (¥4,856 million and US$67 million) as at September 30, 2015 and ₱33,948 million (¥4,412 million and US$48 million) as at December 31, 2014. The Company's foreign currency-denominated liabilities amounted to ₱38,933 million (US$833 million) and ₱34,184 million (US$764 million) as at September 30, 2015 and December 31, 2014, respectively.

In translating the foreign currency-denominated monetary assets and liabilities, the exchange rates used were ¥6.3560 to US$1.00 and ¥6.2055 to US$1.00, the China Yuan Renminbi to U.S. dollar exchange rate and ₱46.74 to US$1.00 and ₱44.72 to US$1.00, the Philippine peso to U.S. dollar exchange rate as at September 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 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:

	September 30, 2015 (Unaudited)		December 31, 2014 (Audited)	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Financial Assets				
Financial assets at FVPL:				
Investments held for trading	**₱904,111**	**₱904,111**	₱967,511	₱967,511
Derivative assets	**2,498,534**	**2,498,534**	1,632,814	1,632,814
	3,402,645	**3,402,645**	2,600,325	2,600,325
Loans and receivables -				
Noncurrent portion of receivables from sale of real estate	**7,045,947**	**6,811,634**	8,341,583	8,255,073
Time deposits	**4,250,688**	**3,719,897**	2,412,190	2,387,174
Available-for-sale investments	**20,720,945**	**20,720,945**	29,671,738	29,671,738
	₱35,420,225	**₱34,655,121**	₱43,025,836	₱42,914,310
Financial Liabilities				
Financial liabilities at FVPL -				
Derivative liabilities	**₱10,512**	**₱10,512**	₱58,705	₱58,705
Other financial liabilities:				
Liability for purchased land - net of current portion	**2,168,403**	**2,096,293**	1,170,855	1,158,712
Long-term debt - net of current portion	**105,504,081**	**108,146,671**	115,606,147	118,510,996
Tenants' and customers' deposits	**13,090,555**	**12,660,792**	13,251,526	12,972,502
Other noncurrent liabilities*	**4,572,969**	**4,283,061**	3,208,432	3,171,783
	125,336,008	**127,186,817**	133,236,960	135,813,993
	₱125,346,520	**₱127,197,329**	₱133,295,665	₱135,872,698

**Excluding nonfinancial liabilities amounting to ₱605 million and ₱573 million as at September 30, 2015 and December 31, 2014, respectively.*

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

Investments Held for Trading. The fair values are based on the quoted market prices of the instruments.

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

Noncurrent Portion of Receivable from Sale of Real Estate. The estimated fair value of the noncurrent portion of receivables from real estate buyers is based on the discounted value of future cash flows using the prevailing interest rates on sales of the Company's accounts receivable. Average discount rates used is 4.0% and 4.35% as at September 30, 2015 and December 31, 2014, 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 1.85% to 5.16% and 1.93% to 5.32% as at September 30, 2015 and December 31, 2014, 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 1.68% to 4.72% and 1.70% to 4.38% as at September 30, 2015 and December 31, 2014, 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 3.56% to 4.43% and 2.69% to 5.22% as at September 30, 2015 and December 31, 2014, 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.

<u>Fair Value Hierarchy</u>
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Level 2: Those measured using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and, Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	September 30, 2015 (Unaudited)		
	Level 1	**Level 2**	**Level 3**
		(In Thousands)	
Financial Assets			
Financial assets at FVPL:			
Investments held-for-trading:			
Bonds	**₱282,612**	**₱–**	**₱–**
Shares	**621,499**	**–**	**–**
Derivative assets	**–**	**2,498,534**	**–**
	904,111	**2,498,534**	**–**
Loans and receivables -			
Noncurrent portion of receivables from sale of real estate	**–**	**–**	**6,811,634**
Time deposits	**–**	**3,719,897**	**–**
Available-for-sale investments	**20,712,384**	**–**	**8,561**
	₱21,616,495	**₱6,218,431**	**₱6,820,195**
Financial Liabilities			
Financial liabilities at FVPL -			
Derivative liabilities	**₱–**	**₱10,512**	**₱–**
Other financial liabilities:			
Liability for purchased land - net of current portion	**–**	**–**	**2,096,293**
Long-term debt - net of current portion	**–**	**–**	**108,146,671**
Tenants' and customers' deposits	**–**	**–**	**12,660,792**
Other noncurrent liabilities*	**–**	**–**	**4,283,061**
	–	**–**	**127,186,817**
	₱–	**₱10,512**	**₱127,186,817**

**Excluding nonfinancial liabilities amounting to ₱605 million as at September 30, 2015.*

	December 31, 2014 (Audited)		
	Level 1	Level 2	Level 3
		(In Thousands)	
Financial Assets			
Financial assets at FVPL:			
Investments held-for-trading:			
Bonds	₱307,835	₱–	₱–
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	–
Available-for-sale investments	29,663,165	–	8,573
	₱30,630,676	₱4,019,988	₱8,263,646

	December 31, 2014 (Audited)		
	Level 1	Level 2	Level 3
		(In Thousands)	
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 September 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.

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.

As the terms of the swaps have been negotiated to match the terms of the hedged loans, the hedges were assessed to be highly effective. No ineffectiveness was recognized in the unaudited interim consolidated statements of income for the nine months ended September 30, 2015 and 2014.

Details of the hedged loans are as follows:

	Outstanding Principal Balance		Interest Rate	Maturity Date
	(In Thousands)			
Unsecured loan	US$200,000	₱9,348,000	6-month US LIBOR + 1.70%	January 29, 2018
Unsecured loan	150,000	7,011,000	6-month US LIBOR + 1.70%	March 25, 2018

The table below provides the details of SMPH's outstanding cross-currency swaps as at September 30, 2015:

	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	₱1,144,825
Floating-to-Fixed	50,000	2,033,500	6M U.S. LIBOR + 170 bps	3.70%	40.67	January 29, 2018	353,992
Floating-to-Fixed	50,000	2,055,000	6M U.S. LIBOR + 170 bps	3.90%	41.10	March 23, 2018	364,804
Floating-to-Fixed	50,000	2,055,000	6M U.S. LIBOR + 170 bps	3.90%	41.10	March 23, 2018	315,026
Floating-to-Fixed	50,000	2,055,000	6M U.S. LIBOR + 170 bps	3.90%	41.10	March 23, 2018	319,887

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 ₱2,498 million gain and ₱1,602 million gain as at September 30, 2015 and December 31, 2014, respectively, which movement was taken to equity under other comprehensive income. No ineffectiveness was recognized in the interim consolidated statements of income for the nine-month periods ended September 30, 2015 and 2014. Foreign currency translation loss arising from the hedged loan recognized in the interim consolidated statements of income amounted to ₱707 million and ₱1,407 million for the nine-month periods ended September 30, 2015 and 2014, respectively. Foreign exchange gains equivalent to the same amounts were recycled from equity to the interim consolidated statements of income during the same period.

Other Derivative Instruments Not Designated as Hedges

The table below shows information on the Company's interest rate swaps presented by maturity profile as at September 30, 2015 and December 31, 2014.

			Outstanding Notional Amount					Aggregate Fair Value	
Year Obtained	Maturity	Interest Payment	<1 Year	>1-<2 Years	>2-<5 Years	Receive	Pay	**September 30, 2015 (Unaudited)**	December 31, 2014 (Audited)
				(In Thousands)				*(In Thousands)*	
Floating-to-Fixed									
2013	June 2015	Quarterly	₱174,720	–	–	3MPDST-F	3.65%	**₱–**	(₱941)
2013	June 2015	Quarterly	₱174,720	–	–	3MPDST-F	4.95%	**–**	(941)
2011	March 21, 2015	Semi-annual	$145,000	–	–	6 months LIBOR+margin%	2.91%–3.28%	**–**	(37,535)
2010	November 30, 2015	Semi-annual	$30,000	–	–	6 months LIBOR+margin%	3.18%	**(10,512)**	(19,288)
Fixed-to-Floating									
2010	June 2015	Quarterly	₱785,280	–	–	5.44%	3MPDST-F	**₱–**	₱16,728
2010	June 2015	Quarterly	₱785,280	–	–	7.36%	3MPDST-F	**–**	13,754

Interest Rate Swaps. In 2013, SMPH entered into two floating to fixed Philippine peso interest rate swap agreements with a notional amount of ₱175 million each to offset the cash flows of the two fixed to floating Philippine peso interest rate swaps entered in 2010 to reflect SMPH's partial prepayment of US$150 million and US$200 million syndicated loan. The loans bear an interest rate based on LIBOR plus spread, with a bullet maturity on March 25, 2018 and January 29, 2018, respectively. Fair value changes from the matured swap recognized in the interim consolidated statements of income amounted to ₱2 million gain in 2015.

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

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Derivative assets	**₱2,498,534**	₱1,632,814
Derivative liabilities	**(10,512)**	(58,705)
	₱2,488,022	₱1,574,109

25. EPS Computation

Basic/diluted EPS is computed as follows:

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
	(In Thousands, Except Per Share Data)	
Net income attributable to equity holders of the parent (a)	**₱22,866,697**	₱13,456,619
Common shares issued	**33,166,300**	33,166,300
Less weighted average number of treasury stock	**4,332,777**	5,392,787
Weighted average number of common shares outstanding (b)	**28,833,523**	27,773,513
Earnings per share (a/b)	**₱0.793**	₱0.485

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

	September 30 2015	September 30 2014
i. Current ratio		
Total current assets / Total current liabilities	1.17	1.70
ii. Debt-to-equity ratio		
Total interest-bearing liabilities / Total equity attributable to equity holders of the parent + Total interest-bearing liabilities	0.42 : 0.58	0.43 : 0.57
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	0.38 : 0.62	0.35 : 0.65
iii. Asset to equity ratio		
Total assets / Total equity attributable to equity holders of the parent	2.01	2.17

	September 30 2015	September 30 2014
(Annualized)		
iv. Earnings before interest, income taxes, depreciation and amortization (EBITDA) to interest expense		
EBITDA / Interest expense	7.90	8.64
Debt to EBITDA		
Total interest-bearing liabilities / EBITDA	3.99	4.00
v. Return on equity		
Net income attributable to equity holders of the parent / Total average equity attributable to equity holders of the parent	0.10	0.11
Return on investment properties		
Net income attributable to equity holders of the parent / Total average investment properties (excluding shopping mall complex under construction)	0.12	0.12

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

Trade:	
Sale of real estate	**₱29,403,624**
Rent:	
Third parties	**3,799,125**
Related parties	**1,948,186**
Others	**3,011**
Due from related parties (see Note 20)	**116,160**
Receivable from a co-investor	**274,659**
Accrued interest (see Note 20)	**94,859**
Nontrade	**56,713**
Others	**2,266,281**
	37,962,618
Less allowance for doubtful accounts	**448,449**
	37,514,169
Less noncurrent portion of receivables from sale of real estate	**7,045,947**
	₱30,468,222

The aging analyses of receivables follows:

Neither past due nor impaired	**₱30,069,989**
Past due but not impaired:	
Less than 30 days	**2,116,772**
31–90 days	**1,761,465**
91–120 days	**731,002**
Over 120 days	**2,834,941**
Impaired	**448,449**
	₱37,962,618

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

SM Prime's net income up by 70% to P22.9 billion from P13.5 billion last year; excluding one-time trading gain on sale of marketable securities, core net income up by 15% to P15.5 billion

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

	Third Quarter					Nine Months Ended September 30				
	2015	% to Revenues	2014	% to Revenues	% Change	2015	% to Revenues	2014	% to Revenues	% Change
Profit and Loss Data										
Revenues	16,234	100%	14,376	100%	13%	52,199	100%	47,795	100%	9%
Costs and Expenses	9,347	58%	8,411	59%	11%	29,091	56%	27,663	58%	5%
Operating Income	6,887	42%	5,965	41%	15%	23,108	44%	20,132	42%	15%
Net Income	4,212	26%	3,659	25%	15%	15,456	30%	13,457	28%	15%
EBITDA	8,486	52%	7,436	52%	14%	27,792	53%	24,712	52%	12%

	Sep 30 2015	% to Total Assets	Dec 31 2014	% to Total Assets	% Change
Balance Sheet Data					
Total Assets	417,725	100%	388,840	100%	7%
Investment Properties	231,080	55%	202,181	52%	14%
Total Debt	147,704	35%	129,283	33%	14%
Net Debt	124,906	30%	93,070	24%	34%
Total Equity	207,392	50%	199,088	51%	4%

Financial Ratios	Sep 30 2015	Dec 31 2014
Debt to Equity	0.42 : 0.58	0.39 : 0.61
Net Debt to Equity	0.38 : 0.62	0.32 : 0.68

	Sep 30	
	2015	2014
Return on Equity	0.10	0.11
Debt to EBITDA	3.99	4.00
Interest Coverage Ratio	7.90	8.64
Gross Margin on Real Estate	0.46	0.43
Operating Income to Revenues	0.44	0.42
EBITDA Margin	0.53	0.52
Net Income to Revenues	0.30	0.28

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

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Revenue

SM Prime recorded consolidated revenues of ₱52.20 billion for the first nine months of 2015, an increase of 9% from ₱47.80 billion in the same period 2014, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱29.41 billion in 2015, an increase of 11% from ₱26.44 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 E-Com Center. Also, rentals from hotels and convention centers contributed to the increase due to improvement in average room rates and occupancy rates.

Real Estate Sales

SM Prime recorded a 4% increase in real estate sales in 2015 from ₱15.97 billion to ₱16.62 billion primarily due to increase in sales take-up and higher construction accomplishments of projects launched in 2010 up to 2013 namely, Jazz, Wind, Green, Breeze, Grace, Shore and Trees Residences accounting for 60% of total revenues from real estate sales. 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 increased by 4% to ₱3.40 billion in 2015 from ₱3.26 billion in 2014. The major blockbusters screened in 2015 were “Crazy Beautiful You”, “Minions”, “Avengers – Age of Ultron”, “Jurassic World”, and “Fast and Furious 7”. The major blockbusters shown in 2014 were “Transformers: Age of Extinction”, “The Amazing Spiderman 2”, Maleficent”, “Starting Over Again” and “Bride for Rent”.

Other Revenues

Other revenues increased by 30% to ₱2.76 billion in 2015 from ₱2.12 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 ₱29.09 billion for the first nine months of 2015, an increase of 5% from ₱27.66 billion in the same period 2014, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate was ₱8.96 billion in 2015, representing a decrease of 1% from ₱9.09 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 8% to ₱20.13 billion in 2015 compared to last year's ₱18.58 billion. Out of the total operating expenses, 68% 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 9% from ₱3.13 billion in 2014 to ₱3.42 billion in 2015 due to increase in business taxes and licenses and administrative expenses related to its commercial operations.

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 increased by 23% to ₱3.52 billion in 2015 compared to ₱2.86 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.

Interest and Dividend Income

Interest and dividend income increased by 89% to ₱958 million in 2015 from ₱506 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.

Equity in net earnings of associates and joint ventures

SM Prime's equity in net earnings of associates and joint ventures increased by 22% to ₱151 million in 2015 from ₱124 million in 2014 due to increase in net income of associates and joint ventures.

Other income (charges) - net

Other charges – net increased by 47% to ₱622 million in 2015 from ₱423 million in 2014 due to increase in amortization of debt issue 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 14% to ₱4.18 billion in 2015 from ₱3.67 billion in 2014. 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 nine months ended September 30, 2015 increased by 70% to ₱22.87 billion from ₱13.46 billion in the same period last year. Excluding gain on sale of AFS, core net income increased by 15% to ₱15.46 billion.

Balance Sheet Accounts

Cash and cash equivalents significantly decreased by 38% from ₱35.25 billion to ₱21.89 billion as of December 31, 2014 and September 30, 2015, respectively, mainly due to payments for capital expenditure projects during the period.

Investments held for trading decreased by 7% from ₱968 million to ₱904 million as of December 31, 2014 and September 30, 2015, respectively, mainly due to scheduled maturities of investments in bonds and decrease in market prices of the listed shares.

Receivables is flat at ₱30.47 billion in spite of the continuous sale of residential units due to subsequent collections of rent receivables. Out of the total receivables, 73% pertains to sale of real estate and 19% from leases of shopping mall and commercial spaces.

Condominium and residential units increased by 36% from ₱7.58 billion to ₱10.33 billion as of December 31, 2014 and September 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 2% from ₱42.46 billion to ₱41.80 billion as of December 31, 2014 and September 30, 2015, respectively, mainly due to cost of sold units and transfers to completed condominium and residential units net of landbanking and construction accomplishments for the period.

Prepaid expenses and other current assets increased by 5% from ₱9.29 billion to ₱9.79 billion as of December 31, 2014 and September 30, 2015, respectively, mainly due to deposits and advances to contractors related to residential projects and various prepayments.

Investment properties increased by 14% from ₱202.18 billion to ₱231.08 billion as of December 31, 2014 and September 30, 2015, respectively, primarily because of ongoing new mall projects located in Cebu City, Cabanatuan, Cagayan de Oro and Caloocan in the Philippines 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 commercial and hotel groups namely, Three E-Com Center, Conrad Manila and Park Inn by Radisson Clark.

AFS investments decreased by 30% from ₱29.67 billion to ₱20.72 billion as of December 31, 2014 and September 30, 2015, respectively, mainly due to sale of AFS shares to SM Investments Corporation and lower market prices of remaining listed shares held under this portfolio.

Derivative assets increased by 53% from ₱1.63 billion to ₱2.50 billion as of December 31, 2014 and September 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 82% from ₱59 million to ₱11 million as of December 31, 2014 and September 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 18% from ₱650 million to ₱765 million as of December 31, 2014 and September 30, 2015, respectively, mainly due to NOLCO. Deferred tax liabilities increased by 10% from ₱1.93 billion to ₱2.13 billion as of December 31, 2014 and September 30, 2015, respectively, mainly due to unrealized gross profit on sale of real estate for tax purposes.

Investments in associates and joint ventures increased by 258% from ₱6.05 billion to ₱21.66 billion as of December 31, 2014 and September 30, 2015, respectively, mainly due to acquisitions of an equity stake in OCLP Holdings, Inc.

Other noncurrent assets increased by 20% from ₱20.17 billion to ₱24.13 billion as of December 31, 2014 and September 30, 2015, respectively, mainly due to additional bonds and deposits for real estate acquisitions.

Loans payable increased by 472% from ₱2.67 billion to ₱15.28 billion as of December 31, 2014 and September 30, 2015, respectively, due to availment of loans for general corporate purposes.

Long-term debt increased by 5% from ₱126.61 billion to ₱132.43 billion as of December 31, 2014 and September 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 increased by 85% from ₱1.17 billion to ₱2.17 billion as of December 31, 2014 and September 30, 2015, respectively, due to landbanking. Similarly, other noncurrent liabilities increased by 37% from ₱3.78 billion to ₱5.18 billion, 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 increased to 0.42:0.58 as of September 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 0.38:0.62 as of September 30, 2015 from 0.32:0.68 as of December 31, 2014 due to additional borrowings net of payments for capital expenditure projects and working capital.

In terms of profitability, ROE slightly decreased to 10% as of September 30, 2015 from 11% as of September 30, 2014 due to the $400 million top-up placement in November 2014.

Debt to EBITDA slightly decreased to 3.99:1 as of September 30, 2015 from 4.00:1 as of September 30, 2014 due to increase in consolidated operating income. Interest coverage ratio also decreased to 7.90:1 as of September 30, 2015 from 8.64:1 as of September 30, 2014 as a result of increase in interest expense. EBITDA margin improved to 53% as of September 30, 2015 from 52% as of September 30, 2014.

Consolidated operating income to revenues improved to 44% as of September 30, 2015 from 42% as of September 30, 2014. Net income to revenues likewise improved to 30% as of September 30, 2015 from 28% as of September 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 ₱70 billion. This will be funded with internally generated funds and external borrowings.

SM Prime's malls business unit has fifty four shopping malls in the Philippines with 6.8 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 2015, the malls business unit will open one new mall located in SRP Cebu, as well as expansions of SM City Iloilo and SM City Lipa. SM City Cabanatuan and SM Center Sangandaan were opened in October 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 seven residential projects in the market, twenty five of which are in Metro Manila and two in Tagaytay. For 2015, SM Prime's residential unit will launch about 12,000-15,000 units in total in the cities of Taguig, Quezon, Mandaluyong, 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 2018.

For hotels and convention centers, Park Inn by Radisson Clark in Pampanga will open in December 2015 while Conrad Manila in the Mall of Asia Complex in Pasay City is expected to open by first 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: November 2, 2015

John Nai Peng C. Ong
JOHN NAI PENG C. ONG
Chief Finance Officer