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	Mobile Number
	831-1000	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
2,453		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 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **September 30, 2016**

2. SEC Identification Number **AS0940000-88** 3. BIR Tax Identification No. **003-058-789**

4. Exact name of registrant as specified in its charter **SM PRIME HOLDINGS, INC.**

5. **PHILIPPINES**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **10th Floor, Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City** **1300**
Address of principal office Postal Code

8. **(632) 831-1000** ________
Registrant's telephone number, including area code

9. ____
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 4 and 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
CAPITAL STOCK, P 1 PAR VALUE	28,879,231,694

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

12. Indicate by check mark whether the registrant:

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

Yes [**X**] No [ ]

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

SM Prime Holdings, Inc.
and Subsidiaries

Unaudited Interim Condensed Consolidated
Financial Statements
As at September 30, 2016
and for the Three-Month and Nine-Month
Periods Ended September 30, 2016 and 2015
(with Comparative Audited Consolidated
Balance Sheet as at December 31, 2015)

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEET

September 30, 2016
(With Comparative Audited Figures as at December 31, 2015)
(Amounts in Thousands)

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 19 and 22)	**₱27,039,736**	₱25,869,908
Investments held for trading (Notes 6, 19, 22 and 23)	**909,055**	843,256
Receivables (Notes 7, 15, 19, 22 and 23)	**31,910,162**	31,354,286
Condominium and residential units for sale (Note 8)	**6,363,776**	8,164,981
Land and development - current portion (Note 9)	**27,668,944**	19,814,615
Available-for-sale investments - current portion (Notes 10, 19, 22 and 23)	**675,282**	642,274
Prepaid expenses and other current assets (Notes 11, 19, 22 and 23)	**11,855,746**	11,302,871
Total Current Assets	**106,422,701**	97,992,191
Noncurrent Assets		
Investments in associates and joint ventures (Note 13)	**22,680,729**	22,080,000
Available-for-sale investments - net of current portion (Notes 10, 19, 22 and 23)	**21,300,777**	19,689,781
Investment properties - net (Note 12)	**244,147,969**	230,340,399
Land and development - net of current portion (Note 9)	**19,579,310**	23,105,553
Derivative assets (Notes 22 and 23)	**2,868,272**	2,600,799
Deferred tax assets – net	**1,043,089**	846,111
Other noncurrent assets – net (Notes 14, 19, 22 and 23)	**39,123,145**	37,173,605
Total Noncurrent Assets	**350,743,291**	335,836,248
	₱457,165,992	₱433,828,439
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Notes 15, 19, 22 and 23)	**₱877,500**	₱4,675,000
Accounts payable and other current liabilities (Notes 16, 19, 22 and 23)	**39,739,559**	38,819,156
Current portion of long-term debt (Notes 17, 19, 22 and 23)	**7,922,525**	25,041,044
Income tax payable	**1,656,564**	955,533
Total Current Liabilities	**50,196,148**	69,490,733
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 17, 19, 22 and 23)	**156,362,818**	125,952,441
Tenants' and customers' deposits (Notes 16, 22 and 23)	**14,269,583**	13,218,264
Liability for purchased land - net of current portion (Notes 16, 22 and 23)	**1,064,345**	2,081,708
Deferred tax liabilities - net	**2,253,083**	2,488,990
Other noncurrent liabilities (Notes 16, 22 and 23)	**5,605,063**	4,753,456
Total Noncurrent Liabilities	**179,554,892**	148,494,859
Total Liabilities (Carried Forward)	**229,751,040**	217,985,592

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Total Liabilities (Brought Forward)	**₱229,751,040**	₱217,985,592
Equity Attributable to Equity Holders of the Parent		
Capital stock (Notes 18 and 24)	**33,166,300**	33,166,300
Additional paid-in capital - net	**39,304,027**	39,304,027
Cumulative translation adjustment	**882,184**	1,005,978
Net unrealized gain on available-for-sale investments (Note 10)	**18,266,111**	16,621,547
Net fair value changes on cash flow hedges	**(298,136)**	428,799
Remeasurement loss on defined benefit obligation	**(50,458)**	(50,458)
Retained earnings (Note 18):		
Appropriated	**42,200,000**	42,200,000
Unappropriated	**93,989,660**	83,168,103
Treasury stock (Notes 18 and 24)	**(3,355,474)**	(3,355,474)
Total Equity Attributable to Equity Holders of the Parent	**224,104,214**	212,488,822
Non-controlling Interests	**3,310,738**	3,354,025
Total Equity	**227,414,952**	215,842,847
	₱457,165,992	₱433,828,439

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Nine-Month Periods Ended September 30	
	2016	2015
REVENUE		
Rent (Note 19)	**₱33,112,274**	₱29,414,862
Sales:		
Real estate	**18,351,345**	16,623,795
Cinema and event ticket	**3,436,084**	3,400,394
Others (Note 19)	**2,879,721**	2,760,180
	57,779,424	52,199,231
COSTS AND EXPENSES (Note 20)	**31,906,951**	29,090,732
INCOME FROM OPERATIONS	**25,872,473**	23,108,499
OTHER INCOME (CHARGES)		
Interest expense (Notes 19 and 21)	**(3,146,688)**	(3,518,058)
Interest and dividend income (Notes 6, 10, 19 and 21)	**760,086**	958,354
Gain on sale of available-for-sale investments (Notes 10 and 19)	**–**	7,410,704
Others - net (Notes 6 and 17)	**(712,984)**	(470,371)
	(3,099,586)	4,380,629
INCOME BEFORE INCOME TAX	**22,772,887**	27,489,128
PROVISION FOR INCOME TAX		
Current	**4,760,830**	4,134,721
Deferred	**116,766**	47,977
	4,877,596	4,182,698
NET INCOME	**₱17,895,291**	₱23,306,430
Attributable to		
Equity holders of the Parent (Notes 18 and 24)	**₱17,453,287**	₱22,866,697
Non-controlling interests (Note 18)	**442,004**	439,733
	₱17,895,291	₱23,306,430
Basic/Diluted earnings per share (Note 24)	**₱0.605**	₱0.793

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Nine-Month Periods Ended September 30	
	2016	2015
NET INCOME	**₱17,895,291**	₱23,306,430
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)
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)	**1,644,564**	(1,484,312)
Net fair value changes on cash flow hedges	**(726,935)**	189,202
Cumulative translation adjustment	**(123,794)**	196,312
	793,835	(8,509,502)
TOTAL COMPREHENSIVE INCOME	**₱18,689,126**	₱14,796,928
Attributable to		
Equity holders of the Parent (Notes 18 and 24)	**₱18,247,122**	₱14,357,195
Non-controlling interests (Note 18)	**442,004**	439,733
	₱18,689,126	₱14,796,928

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

	Three-Month Periods Ended September 30	
	2016	2015
REVENUE		
Rent (Note 19)	**₱11,157,843**	₱9,974,903
Sales:		
Real estate	**5,322,729**	4,345,915
Cinema and event ticket	**1,060,020**	1,049,402
Others (Note 19)	**1,007,080**	863,533
	18,547,672	16,233,753
COSTS AND EXPENSES (Note 20)	**10,520,366**	9,346,780
INCOME FROM OPERATIONS	**8,027,306**	6,886,973
OTHER INCOME (CHARGES)		
Interest expense (Notes 19 and 21)	**(1,195,001)**	(1,407,208)
Interest and dividend income (Notes 6, 10, 19 and 21)	**231,658**	400,036
Gain on sale of available-for-sale investments (Notes 10 and 19)	**–**	341
Others - net (Notes 6 and 17)	**(467,237)**	(329,078)
	(1,430,580)	(1,335,909)
INCOME BEFORE INCOME TAX	**6,596,726**	5,551,064
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**1,531,115**	1,244,625
Deferred	**58,519**	(51,281)
	1,589,634	1,193,344
NET INCOME	**₱5,007,092**	₱4,357,720
Attributable to		
Equity holders of the Parent (Notes 18 and 24)	**₱4,863,268**	₱4,211,718
Non-controlling interests	**143,824**	146,002
	₱5,007,092	₱4,357,720
Basic/Diluted earnings per share (Note 24)	**₱0.169**	₱0.146

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Three-Month Periods Ended September 30	
	2016	2015
NET INCOME	**₱5,007,092**	₱4,357,720
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income transferred to profit or loss:		
Realized gain from sale of available-for-sale investments (Note 10)	**–**	(341)
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods (net of tax):		
Unrealized gain (loss) due to changes in fair value in available-for-sale investments (Note 10)	**(395,177)**	(880,314)
Net fair value changes on cash flow hedges	**(258,695)**	41,498
Cumulative translation adjustment	**116,716**	102,432
	(537,156)	(736,384)
TOTAL COMPREHENSIVE INCOME	**₱4,469,936**	₱3,620,995
Attributable to		
Equity holders of the Parent	**₱4,326,112**	₱3,474,993
Non-controlling interests	**143,824**	146,002
	₱4,469,936	₱3,620,995

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, 2016 AND 2015

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent (Notes 18 and 24)											
	Capital Stock (Notes 18 and 24)	**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 Loss on Defined Benefit Obligation**	**Retained Earnings** (Note 18) **Appropriated**	**Retained Earnings** (Note 18) **Unappropriated**	**Treasury Stock** (Notes 18 and 24)	**Total**	**Non-controlling Interests**	**Total Equity**
At December 31, 2015 (Audited)	**₱33,166,300**	**₱39,304,027**	**₱1,005,978**	**₱16,621,547**	**₱428,799**	**(₱50,458)**	**₱42,200,000**	**₱83,168,103**	**(₱3,355,474)**	**₱212,488,822**	**₱3,354,025**	**₱215,842,847**
Net income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**17,453,287**	**–**	**17,453,287**	**442,004**	**17,895,291**
Other comprehensive income (loss)	**–**	**–**	**(123,794)**	**1,644,564**	**(726,935)**	**–**	**–**	**–**	**–**	**793,835**	**–**	**793,835**
Total comprehensive income (loss) for the period	**–**	**–**	**(123,794)**	**1,644,564**	**(726,935)**	**–**	**–**	**17,453,287**	**–**	**18,247,122**	**442,004**	**18,689,126**
Cash dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,642,223)**	**–**	**(6,642,223)**	**–**	**(6,642,223)**
Cash dividends received by a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10,493**	**–**	**10,493**	**–**	**10,493**
Cash dividends received by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(485,291)**	**(485,291)**
At September 30, 2016 (Unaudited)	**₱33,166,300**	**₱39,304,027**	**₱882,184**	**₱18,266,111**	**(₱298,136)**	**(₱50,458)**	**₱42,200,000**	**₱93,989,660**	**(₱3,355,474)**	**₱224,104,214**	**₱3,310,738**	**₱227,414,952**
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

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Nine-Month Periods Ended September 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱22,772,887**	₱27,489,128
Adjustments for:		
Depreciation and amortization (Notes 12 and 14)	**5,751,983**	5,123,572
Interest expense (Note 21)	**3,146,688**	3,518,058
Interest and dividend income (Notes 6, 10 and 21)	**(760,086)**	(958,354)
Equity in net earnings of associates and joint ventures (Note 13)	**(551,999)**	(151,225)
Loss (gain) on:		
Unrealized foreign exchange	**203,750**	190,663
Mark-to-market on investments held for trading (Note 6)	**(58,209)**	38,519
Sale of available-for-sale investments (Note 10)	**–**	(7,410,704)
Fair value changes on derivatives – net	**–**	(17,711)
Operating income before working capital changes	**30,505,014**	27,821,946
Decrease (increase) in:		
Receivables	**(537,864)**	940,233
Condominium and residential units for sale	**4,979,837**	3,251,864
Land and development	**(6,587,426)**	(5,079,416)
Prepaid expenses and other current assets	**(552,842)**	(492,746)
Increase (decrease) in:		
Accounts payable and other current liabilities	**1,215,544**	109,712
Tenants' and customers' deposits	**1,048,021**	(180,309)
Cash generated from operations	**30,070,284**	26,371,284
Income tax paid	**(4,060,204)**	(3,910,145)
Cash provided by operating activities	**26,010,080**	22,461,139
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Available-for-sale investments (Note 10)	**849**	7,466,508
Investments held for trading	**–**	35,693
Dividends received	**365,147**	529,821
Interest received	**413,835**	476,238
Additions to investment properties (Note 12)	**(21,387,234)**	(31,054,644)
Increase in investments and advances to associates and joint ventures (Note 13)	**(81,000)**	(15,443,151)
Increase in other noncurrent assets	**(1,752,982)**	(4,094,263)
Net cash used in investing activities	**(22,441,385)**	(42,083,798)

(Forward)

	Nine-Month Periods Ended September 30	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of bank loans and long-term debt (Notes 15 and 17)	**₱33,480,323**	₱22,328,970
Payments of:		
Long-term debt (Note 17)	**(21,501,349)**	(2,074,280)
Dividends (Note 18)	**(7,117,021)**	(6,442,237)
Bank loans (Note 15)	**(4,265,000)**	(4,395,000)
Interest	**(3,018,141)**	(3,081,707)
Net cash provided by (used in) financing activities	**(2,421,188)**	6,335,746
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**22,321**	(64,283)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,169,828**	(13,351,196)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**25,869,908**	35,245,206
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱27,039,736**	₱21,894,010

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, 2016, SMPH is 49.70% and 25.71% directly-owned by SM Investments Corporation (SMIC) and the Sy Family, respectively. SMIC, the ultimate parent company, is a Philippine corporation which listed its common shares with the PSE in 2005. SMIC and all its subsidiaries are herein referred to as the “SM Group”.

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

2. **Basis of Preparation**

The accompanying interim condensed consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, investments held for trading and available-for-sale (AFS) investments which have been measured at fair value.

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, 2015.

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

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

Except as otherwise stated, there were no significant changes in the significant accounting judgments, estimates, and assumptions used by the Company for the nine-month period ended September 30, 2016.

3. **Summary of Significant Accounting and Financial Reporting Policies**

Changes in Accounting Policies and Disclosures
The accounting policies and method of computation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2015, except for the following amendments which the Company has adopted starting January 1, 2016:

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

- PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception* (Amendments), clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments did not have any impact on the Company's interim condensed consolidated financial statements.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments), require that a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained.

In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. These amendments did not have any impact on the Company's interim condensed consolidated financial statements.

- PAS 1, *Presentation of Financial Statements – Disclosure Initiative* (Amendments), are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:
    - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
    - That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
    - That entities have flexibility as to the order in which they present the notes to financial statements
    - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

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

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

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

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

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

4. Segment Information

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

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

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

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the interim condensed consolidated financial statements.

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

Inter-segment Transactions

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

Business Segment Data

	Nine-month period ended September 30, 2016 (Unaudited)					
	Mall	**Residential**	**Commercial**	**Hotels and Convention Centers**	**Eliminations/ Adjustments**	**Consolidated Balances**
			(In Thousands)			
Revenue:						
External customers	**₱35,164,745**	**₱18,662,693**	**₱1,816,270**	**₱2,135,716**	**₱–**	**₱57,779,424**
Inter-segment	**36,641**	**–**	**51,513**	**14,177**	**(102,331)**	**–**
	₱35,201,386	**₱18,662,693**	**₱1,867,783**	**₱2,149,893**	**(₱102,331)**	**₱57,779,424**
Segment results:						
Income before income tax	**₱16,044,257**	**₱4,838,703**	**₱1,385,540**	**₱354,834**	**₱149,553**	**₱22,772,887**
Provision for income tax	**(3,948,571)**	**(584,186)**	**(246,082)**	**(98,757)**	**–**	**(4,877,596)**
Net income	**₱12,095,686**	**₱4,254,517**	**₱1,139,458**	**₱256,077**	**₱149,553**	**₱17,895,291**
Net income attributable to:						
Equity holders of the Parent	**₱11,653,682**	**₱4,254,517**	**₱1,139,458**	**₱256,077**	**₱149,553**	**₱17,453,287**
Non-controlling interests	**442,004**	**–**	**–**	**–**	**–**	**442,004**
Other information:						
Capital expenditures	**₱15,818,388**	**₱12,072,701**	**₱2,800,754**	**₱1,028,002**	**₱–**	**₱31,719,845**
Depreciation and amortization	**5,071,017**	**131,445**	**280,674**	**268,847**	**–**	**5,751,983**

	Nine-month period ended September 30, 2015 (Unaudited)					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations/ Adjustments	Consolidated Balances
			(In Thousands)			
Revenue:						
External customers	₱32,297,183	₱16,917,003	₱1,235,056	₱1,749,989	₱–	₱52,199,231
Inter-segment	32,058	–	59,202	–	(91,260)	–
	₱32,329,241	₱16,917,003	₱1,294,258	₱1,749,989	(₱91,260)	₱52,199,231
Segment results:						
Income before income tax	₱14,682,561	₱4,082,041	₱697,475	₱346,661	₱7,680,390	₱27,489,128
Provision for income tax	(3,545,891)	(378,092)	(138,203)	(120,512)	–	(4,182,698)
Net income	₱11,136,670	₱3,703,949	₱559,272	₱226,149	₱7,680,390	₱23,306,430
Net income attributable to:						
Equity holders of the Parent	₱10,696,937	₱3,703,949	₱559,272	₱226,149	₱7,680,390	₱22,866,697
Non-controlling interests	439,733	–	–	–	–	439,733
Other information:						
Capital expenditures	₱27,132,049	₱13,810,465	₱805,194	₱1,921,729	₱–	₱43,669,437
Depreciation and amortization	4,506,374	140,060	244,031	233,107	–	5,123,572

	September 30, 2016 (Unaudited)					
	Mall	**Residential**	**Commercial**	**Hotels and Convention Centers**	**Eliminations**	**Consolidated Balances**
			(In Thousands)			
Segment assets	**₱302,357,913**	**₱111,977,136**	**₱31,637,442**	**₱12,042,823**	**(₱849,322)**	**₱457,165,992**
Segment liabilities	**₱173,135,159**	**₱53,716,520**	**₱2,548,680**	**₱1,200,003**	**(₱849,322)**	**₱229,751,040**

	December 31, 2015 (Audited)					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
			(In Thousands)			
Segment assets	₱288,016,835	₱106,901,237	₱29,232,120	₱10,804,808	(₱1,126,561)	₱433,828,439
Segment liabilities	₱162,413,919	₱52,698,181	₱3,357,590	₱642,463	(₱1,126,561)	₱217,985,592

For the nine-month periods ended September 30, 2016 and 2015, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

Seasonality
The Company's operations have no significant seasonality.

5. Cash and Cash Equivalents

Cash and cash equivalents comprised the following:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Cash on hand and in banks (see Note 19)	**₱952,080**	₱2,943,394
Temporary investments (see Note 19)	**26,087,656**	22,926,514
	₱27,039,736	₱25,869,908

Interest income earned from cash in banks and temporary investments amounted to ₱321 million and ₱269 million for the nine-month periods ended September 30, 2016 and 2015, respectively (see Note 21).

6. Investments Held for Trading

This account consists of investments in Philippine and United States (U.S.) corporate bonds and listed common shares. The Philippine government and corporate bonds have yields ranging from 2.23% to 3.01% and 3.40% to 8.50% as at September 30, 2016 and December 31, 2015 respectively. Investments in Philippine corporate bonds amounting to ₱10.3 million and ₱25.0 million matured in June and August 2015, respectively. The Philippine-denominated and U.S. dollar-denominated corporate bonds will mature in 2017.

The movements in this account are as follows:

	September 30, 2016 (Nine Months) (Unaudited)	December 31, 2015 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱843,256**	₱967,511
Mark-to-market gain (loss) during the period	**58,209**	(101,087)
Unrealized foreign exchange gain	**7,590**	12,525
Disposals – net	**–**	(35,693)
At end of the period	**₱909,055**	₱843,256

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

Interest income earned from investments held for trading amounted to ₱13 million and ₱14 million for the nine-month periods ended September 30, 2016 and 2015, respectively (see Note 21).

Dividend income earned from investments held for trading amounted to ₱15 million and ₱14 million for the nine-month periods ended September 30, 2016 and 2015, respectively.

7. Receivables

This account consists of:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Trade:		
Sale of real estate	**₱34,399,233**	₱31,073,388
Rent:		
Third parties	**4,003,856**	4,387,765
Related parties (see Note 19)	**2,078,773**	2,422,175
Others	**66,822**	146,823
Receivable from a co-investor	**271,510**	270,674
Due from related parties (see Note 19)	**172,482**	101,069
Accrued interest (see Note 19)	**112,534**	108,998
Nontrade	**27,571**	31,265
Others (see Note 19)	**2,153,107**	1,740,603
	43,285,888	40,282,760
Less allowance for impairment	**1,056,403**	965,859
	42,229,485	39,316,901
Less noncurrent portion of receivables from sale of real estate (see Note 14)	**10,319,323**	7,962,615
	₱31,910,162	₱31,354,286

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

Interest income earned from receivables amounted to ₱40 million and ₱46 million for the nine-month periods ended September 30, 2016 and 2015, respectively (see Note 21).

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

	September 30, 2016 (Nine Months) (Unaudited)	December 31, 2015 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱965,859**	₱352,847
Provision for impairment - net	**90,544**	613,012
At end of the period	**₱1,056,403**	₱965,859

8. Condominium and Residential Units for Sale

This account consists of:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Condominium units for sale	**₱6,057,334**	₱7,780,550
Residential units and subdivision lots	**306,442**	384,431
	₱6,363,776	₱8,164,981

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

	September 30, 2016 (Nine Months) (Unaudited)	December 31, 2015 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱7,780,550**	₱7,177,902
Transfer from land and development (see Note 9)	**3,152,035**	5,720,176
Cost of real estate sold (see Note 20)	**(4,875,251)**	(5,117,528)
At end of the period	**₱6,057,334**	₱7,780,550

Condominium units for sale pertain to the completed projects of SM Development Corporation (SMDC), Highlands Prime, Inc. and Costa Del Hamilo, Inc. These are stated at cost as at September 30, 2016 and December 31, 2015.

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

	September 30, 2016 (Nine Months) (Unaudited)	December 31, 2015 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱384,431**	₱400,983
Transfer from land and development (see Note 9)	**26,598**	304,988
Cost of real estate sold (see Note 20)	**(104,587)**	(321,540)
At end of the period	**₱306,442**	₱384,431

Residential units and subdivision lots for sale are stated at cost as at September 30, 2016 and December 31, 2015.

9. Land and Development

This account consists of:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Land and development	**₱45,497,438**	₱41,053,508
Land held for future development	**1,750,816**	1,866,660
	47,248,254	42,920,168
Less noncurrent portion	**19,579,310**	23,105,553
	₱27,668,944	₱19,814,615

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

	September 30, 2016 (Nine Months) (Unaudited)	December 31, 2015 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱41,053,508**	₱40,856,084
Development cost incurred	**9,623,710**	11,165,617
Land acquisitions	**2,164,157**	1,203,487
Capitalized borrowing cost	**328,534**	407,549
Cost of real estate sold (see Note 20)	**(4,649,778)**	(6,600,008)
Transfer to condominium and residential units for sale (see Note 8)	**(3,178,633)**	(6,025,164)
Reclassified from property and equipment (see Note 14)	**–**	1,327
Others	**155,940**	44,616
At end of the period	**₱45,497,438**	₱41,053,508

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

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

	September 30, 2016 (Nine Months) (Unaudited)	December 31, 2015 (One Year) (Audited)
	(In Thousands)	
At beginning of the period	**₱1,866,660**	₱1,601,748
Acquisition and transferred-in costs and others	**(115,844)**	264,912
At end of the period	**₱1,750,816**	₱1,866,660

The average rates used to determine the amount of borrowing costs eligible for capitalization range from 3.63% to 5.04% and 4.17% to 5.20% for the periods ended September 30, 2016 and December 31, 2015, respectively.

Land and development is stated at cost as at September 30, 2016 and December 31, 2015. There is no allowance for inventory write down as at September 30, 2016 and December 31, 2015.

10. Available-for-sale Investments

This account consists of investments in:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Shares of stock:		
Listed (see Note 19)	**₱21,966,729**	₱20,323,495
Unlisted	**9,330**	8,560
	21,976,059	20,332,055
Less noncurrent portion	**21,300,777**	19,689,781
	₱675,282	₱642,274

In February 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 19).

Dividend income from investments in listed and unlisted shares of stock amounted to ₱328 million and ₱516 million for the nine-month periods ended September 30, 2016 and 2015, respectively.

Unrealized gain on changes in fair value amounting to ₱1,645 million for the nine-month period ended September 30, 2016 and unrealized loss on changes in fair value amounting to ₱1,484 million for the nine-month period ended September 30, 2015 were included under other comprehensive income.

11. Prepaid Expenses and Other Current Assets

This account consists of:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Advances and deposits	**₱5,399,161**	₱4,829,512
Input and creditable withholding taxes	**3,653,316**	3,467,461
Prepaid taxes and other prepayments	**2,199,500**	2,108,087
Supplies and inventories	**441,946**	402,347
Cash in escrow (see Note 19)	**127,927**	437,639
Others	**33,896**	57,825
	₱11,855,746	₱11,302,871

12. Investment Properties

The movements in this account are as follows:

	Land and Improvements	Buildings and Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
			(In Thousands)		
Cost					
Balance as at December 31, 2014	₱40,778,555	₱132,389,872	₱25,006,748	₱38,616,275	₱236,791,450
Additions	18,391,404	16,979,710	1,811,820	9,190,394	46,373,328
Reclassifications (see Note 14)	281,629	14,761,945	2,284,279	(15,920,011)	1,407,842
Translation adjustment	64,091	99,036	12,795	78,218	254,140
Disposals	(310,664)	(2,833,882)	(101,076)	–	(3,245,622)
Balance as at December 31, 2015	59,205,015	161,396,681	29,014,566	31,964,876	281,581,138
Additions	3,174,928	5,523,585	1,741,819	9,282,230	19,722,562
Reclassifications (see Note 14)	(365,327)	8,611,297	413,710	(9,061,615)	(401,935)
Translation adjustment	4,734	69,314	7,826	41,510	123,384
Disposals	(175,961)	–	(29,862)	–	(205,823)
Balance as at September 30, 2016	₱61,843,389	₱175,600,877	₱31,148,059	₱32,227,001	₱300,819,326
Accumulated Depreciation and Amortization					
Balance as at December 31, 2014	₱1,435,566	₱28,636,739	₱14,079,766	₱–	₱44,152,071
Depreciation and amortization (see Note 20)	217,002	4,204,068	2,274,449	–	6,695,519
Reclassifications (see Note 14)	9,908	397,325	459,452	–	866,685
Translation adjustment	4,041	16,752	5,437	–	26,230
Disposals	(41,085)	(360,637)	(98,044)	–	(499,766)
Balance as at December 31, 2015	1,625,432	32,894,247	16,721,060	–	51,240,739
Depreciation and amortization (see Note 20)	140,705	3,675,899	1,738,722	–	5,555,326
Reclassifications (see Note 14)	(53,910)	78,921	(65,725)	–	(40,714)
Translation adjustment	2,666	10,862	3,585	–	17,113
Disposals	(80,203)	–	(20,904)	–	(101,107)
Balance as at September 30, 2016	₱1,634,690	₱36,659,929	₱18,376,738	₱–	₱56,671,357
Net Book Value					
As at December 31, 2015	₱57,579,583	₱128,502,434	₱12,293,506	₱31,964,876	₱230,340,399
As at September 30, 2016	**60,208,699**	**138,940,948**	**12,771,321**	**32,227,001**	**244,147,969**

In 2016, shopping mall complex under construction mainly pertains to costs incurred for the development of SM East Ortigas, SM Cagayan de Oro Premier, SM Puerto Princesa, SM Olongapo 2, SM Tianjin and the ongoing redevelopment of SM Mall of Asia, SM Sucat and expansions of SM Baguio, SM City San Pablo and SM Xiamen.

Construction contracts with various contractors related to the construction of the on-going projects amounted to ₱102,111 million and ₱106,136 million as at September 30, 2016 and December 31, 2015, respectively, inclusive of overhead, cost of labor and materials and all other costs necessary for the proper execution of the works. The outstanding contracts are valued at ₱16,730 million and ₱24,304 million as at September 30, 2016 and December 31, 2015, respectively.

Interest capitalized to the construction of investment properties amounted to ₱1,646 million and ₱2,039 million and capitalization rates used range from 2.35% to 5.40% and from 2.06% to 6.07%, for the periods ended September 30, 2016 and December 31, 2015, respectively.

The fair value of investment properties amounted to ₱540,040 million as at February 28, 2013 as determined by an independent appraiser who holds a recognized and relevant professional qualification. The valuation of investment properties was based on market values using income approach. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards as set out by the International Valuation Standards Committee.

Below are the significant assumptions used in the valuation:

Discount rate	10.00%
Capitalization rate	7.40%
Average growth rate	5.00%

Investment properties are categorized under Level 3 fair value measurement.

While the valuation of the investment properties as at September 30, 2016 is still on-going, the Company's management believes that there were no conditions present in 2016 and 2015 that would significantly reduce the fair value of the investment properties from that determined on February 28, 2013.

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.

13. Investments in Associates and Joint Ventures

This account consists of:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Investments in associates	**₱16,934,125**	₱16,579,209
Investment in joint ventures	**5,746,604**	5,500,791
	₱22,680,729	₱22,080,000

Investments in Associates

This pertains to investments in the following companies:

- OCLP Holdings, Inc. (OHI)
- Fei Hua Real Estate Company (FHREC)

On May 7, 2015, SMPH acquired 39.96% collective ownership interest in OHI, through acquisition of 100% interest in six (6) holding entities, for a total consideration of ₱15,433 million, which approximates the proportionate share of SMPH in the fair values of the identifiable net assets of OHI based on the provisional amounts. OHI owns strategic residential, commercial and landbank areas in key cities in Metro Manila.

As at September 30, 2016, OHI's total assets, total liabilities and total equity amounted to ₱21,126 million, ₱16,086 million and ₱5,040 million, respectively, and the carrying value of investment in OHI amounted to ₱15,821 million, which consists of its proportionate share in the net assets of OHI amounting to ₱1,661 million and fair value adjustments and others totaling ₱14,160 million. The share in profit and total comprehensive income amounted to ₱362 million for the nine-month period ended September 30, 2016.

The carrying value of investment in FHREC amounted to ₱1,113 million and ₱1,109 million as at September 30, 2016 and December 31, 2015, respectively, with cumulative equity in net earnings amounting to ₱835 million as at September 30, 2016 and December 31, 2015.

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

The aggregate carrying values of investments in Waltermart amounted to ₱5,700 million and ₱5,501 million as at September 30, 2016 and December 31, 2015, respectively. These consist of the acquisition costs totaling ₱5,145 million and cumulative equity in net earnings and dividend totaling ₱555 million and ₱386 million as at September 30, 2016 and December 31, 2015, respectively. The aggregate share in profit and total comprehensive income, net of dividend received, amounted to ₱169 million and ₱151 million for the nine-month periods ended September 30, 2016 and 2015, respectively.

Investments in associates and joint ventures are accounted for using the equity method.

The Company has no outstanding contingent liabilities or capital commitments related to its investments in associates and joint ventures as at September 30, 2016 and December 31, 2015.

14. Other Noncurrent Assets

This account consists of:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Receivables from sale of real estate - net of current portion (see Note 7)	**₱10,319,323**	₱7,962,615
Land use rights (see Note 12)	**9,890,672**	9,563,565
Bonds and deposits	**9,838,680**	9,454,397
Time deposits (see Note 19)	**3,799,763**	4,561,849
Deferred input tax	**2,425,615**	2,805,664
Property and equipment - net	**1,645,512**	1,680,382
Others	**1,203,580**	1,145,133
	₱39,123,145	₱37,173,605

Interest income earned from time deposits amounted to ₱40 million and ₱97 million for the nine-month periods ended September 30, 2016 and 2015, respectively (see Note 21).

Property and equipment is net of accumulated depreciation of ₱1,382 million and ₱1,196 million as of September 30, 2016 and December 31, 2015, respectively.

15. Loans Payable

This account consists of unsecured Philippine peso-denominated loans obtained from local banks amounting to ₱878 million and ₱4,675 million as at September 30, 2016 and December 31, 2015, respectively, with due dates of less than one year. These loans bear interest rates of 2.75% in 2016 and 2.50% to 3.00% in 2015.

Interest expense incurred from loans payable amounted to ₱19 million and ₱155 million for the nine-month periods ended September 30, 2016 and 2015, respectively (see Note 21).

16. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Trade:		
Third parties	**₱16,820,602**	₱17,460,938
Related parties (see Note 19)	**37,127**	61,283
Accrued operating expenses:		
Third parties	**11,282,984**	9,655,008
Related parties (see Note 19)	**656,903**	709,479
Tenants' and customers' deposits	**18,474,933**	17,641,578
Liability for purchased land	**4,752,285**	5,602,380
Deferred output VAT	**1,450,058**	1,289,236
Accrued interest (see Note 19)	**993,201**	767,172
Payable to government agencies	**396,728**	630,989
Nontrade	**276,189**	321,988
Due to related parties (see Note 19)	**72,845**	88,869
Others	**1,139,994**	864,100
	56,353,849	55,093,020
Less noncurrent portion	**16,614,290**	16,273,864
	₱39,739,559	₱38,819,156

Accrued operating expenses - third parties consist of:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
	(In Thousands)	
Utilities	**₱4,514,614**	₱3,870,702
Marketing and advertising	**648,125**	650,491
Payable to contractors and others	**6,120,245**	5,133,815
	₱11,282,984	₱9,655,008

17. Long-term Debt

This account consists of:

	Availment Date	Maturity Date	Interest Rate	Condition	Outstanding Balance September 30, 2016 (Unaudited)	Outstanding Balance December 31, 2015 (Audited)
Parent Company					*(In Thousands)*	
U.S. dollar-denominated loans:						
Five-year term loans	May 6, 2011 –September 3, 2013	March 21, 2016 – March 25, 2018	LIBOR + spread; semi-annual	Unsecured	**₱24,250,000**	₱50,354,200
Five-year bilateral loans	December 7, 2012 – August 5, 2013	August 30, 2017	LIBOR + spread; semi-annual	Unsecured	**2,425,000**	2,353,000
Other U.S. dollar loan	November 20, 2013	September 17, 2018	LIBOR + spread; semi-annual	Unsecured	**1,212,500**	1,176,500
Philippine peso-denominated loans:						
Five-year and ten-year retail bonds	November 25, 2015	February 25, 2021 – November 25, 2025	4.51%-4.80%; quarterly	Unsecured	**20,000,000**	20,000,000
Five-year, seven-year and ten-year retail bonds	September 1, 2014	March 1, 2020 – September 1, 2024	5.10%-5.74%; quarterly	Unsecured	**20,000,000**	20,000,000
Seven-year floating rate notes	March 21, 2016 – May 11, 2016	March 21, 2023 – May 11, 2023	PDST-R + margin; quarterly	Unsecured	**10,800,000**	–
Ten-year retail bonds	July 26,2016	July 26, 2026	4.2005%; quarterly	Unsecured	**10,000,000**	–
Five-year and ten-year floating and fixed rate notes	June 19, 2012	June 20, 2017 – June 19, 2022	PDST-R2 + margin; 5.91%-6.74%; quarterly	Unsecured	**6,528,000**	7,226,500
Seven-year and ten-year corporate notes	June 13, 2011 – December 21, 2015	December 20, 2020 – December 21, 2022	PDST-R2 + margin; Fixed 6.65%; quarterly	Unsecured	**5,760,000**	6,520,000
Five-year, seven-year and ten-year fixed and floating rate notes	January 12, 2012	January 13, 2017 – January 12, 2022	PDST-R2 + margin; 5.86%-6.10%; quarterly	Unsecured	**3,993,600**	4,229,200
Five-year floating rate notes	March 18, 2011 – June 17, 2011	March 19, 2016 – June 18, 2016	PDST-R + margin; quarterly	Unsecured	**–**	4,800,000
Other bank loans	August 15, 2006 – June 8, 2015	August 15, 2016 – June 7, 2020	5.00%-9.75%; semi-annual and quarterly	Unsecured	**325,000**	1,525,000
Subsidiaries						
U.S. dollar-denominated loan:						
Five-year term loan	April 23, 2014 – March 21, 2016	April 14, 2019 – January 29, 2021	LIBOR + spread; semi-annual	Unsecured	**27,669,852**	–
Philippine peso-denominated loans:						
Fixed rate term loans	June 3, 2013 – June 29, 2016	October 4, 2016 – June 27, 2023	3.84%-5.94%; semi-annual and quarterly	Unsecured	**19,315,000**	21,443,500
Fixed rate corporate notes	June 3, 2013 – June 28, 2014	June 3, 2020 – June 3, 2023	5.25%-5.88%; semi-annual	Unsecured	**8,674,900**	8,683,100
Four-year and five-year floating rate notes	October 31, 2013 – December 28, 2015	October 31, 2017 – December 28, 2020	PDST-R2 + margin; quarterly	Unsecured	**3,400,000**	3,200,000
Five-year bilateral loan	October 24, 2011	October 24, 2016	PDST-R2 + margin	Unsecured	**500,000**	500,000
China yuan renminbi-denominated loan:						
Five-year loans	July 28, 2015 – June 7, 2016	December 31, 2019 – June 1, 2020	CBC rate less 10%; quarterly	Secured	**578,567**	32,249
					165,432,419	152,043,249
Less debt issue cost					**1,147,076**	1,049,764
					164,285,343	150,993,485
Less current portion					**7,922,525**	25,041,044
					₱156,362,818	₱125,952,441

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

Debt issue cost pertaining to the loan availments amounted to ₱411 million. Amortization of debt issue cost for the nine-month periods ended September 30, 2016 and 2015 amounted to ₱314 million and ₱239 million, respectively.

The loan agreements of the Company provide certain restrictions and requirements principally with respect to maintenance of required financial ratios (i.e., current ratio of not less than 1.00:1.00, debt to equity ratio of not more than 0.70:0.30 to 0.75:0.25 and interest coverage ratio of not less than 2.50:1.00) and material change in ownership or control. As at September 30, 2016 and December 31, 2015, the Company is in compliance with the terms of its loan covenants.

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

	Gross Loan	Debt Issue Cost	Net
		(In Thousands)	
2016	₱1,269,381	(₱48,703)	₱1,220,678
2017	6,975,968	(367,806)	6,608,162
2018	30,610,268	(285,755)	30,324,513
2019	22,613,220	(163,601)	22,449,619
2020	23,331,630	(132,004)	23,199,626
2021	39,242,552	(58,147)	39,184,405
2022	11,379,260	(33,880)	11,345,380
2023	15,377,400	(22,233)	15,355,167
2024	2,601,700	(14,166)	2,587,534
2025	2,031,040	(12,342)	2,018,698
2026	10,000,000	(8,439)	9,991,561
	₱165,432,419	(₱1,147,076)	₱164,285,343

Interest expense incurred from long-term debt amounted to ₱3,115 million and ₱3,285 million for the nine-month periods ended September 30, 2016 and 2015, respectively (see Note 21).

18. **Equity**

Capital Stock
As at September 30, 2016 and December 31, 2015, the Company has an authorized capital stock of 40,000 million with a par value of ₱1 a share, of which 33,166 million shares were issued.

As at September 30, 2016 and December 31, 2015, the Company has 28,834 million outstanding shares.

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

As at September 30, 2016 and December 31, 2015, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42,200 million. This represents a continuing appropriation for land banking activities and planned construction projects. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company.

For the year 2016, the Company expects to incur capital expenditures of at least ₱45 billion.

The retained earnings account is restricted for the payment of dividends to the extent of ₱55,889 million and ₱49,834 million as at September 30, 2016 and December 31, 2015, respectively, representing the cost of shares held in treasury amounting to ₱3,355 million as at September 30, 2016 and December 31, 2015 and accumulated equity in net earnings of SMPH subsidiaries, associates and joint ventures totaling ₱52,534 million and ₱46,479 million as at September 30, 2016 and December 31, 2015, respectively. The accumulated equity in net earnings of subsidiaries, associates and joint ventures is not available for dividend distribution until such time that the Parent Company receives the dividends from its subsidiaries, associates and joint ventures.

Treasury Stock
This includes reacquired capital stock and shares held by a subsidiary totaling 4,333 million shares, stated at acquisition cost of ₱3,355 million as at September 30, 2016 and December 31, 2015.

19. Related Party Transactions

The significant related party transactions entered into by the Company with SMIC, banking and retail group and other related parties and the amounts included in the accompanying interim condensed consolidated financial statements with respect to these transactions follow:

	Amount of Transactions		Outstanding Amount [Asset (Liability)]			
	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)	**September 30, 2016 (Unaudited)**	December 31, 2015 (Audited)	Terms	Conditions
	(In Thousands)					
Ultimate Parent						
Rent income	**₱36,748**	₱6,033	**₱–**	₱–	Noninterest-bearing	Unsecured; not impaired
Rent receivable	**–**	–	**14,112**	22,108		
Service fee receivable	**–**	–	**749**	17	Noninterest-bearing	Unsecured; not impaired
Due from related parties	**–**	–	**–**	449	On demand; noninterest-bearing	Unsecured; not impaired
Rent expense	**69,358**	68,234	**–**	–	Noninterest-bearing	Unsecured
Accrued rent payable	**–**	–	**(753)**	(1,427)	Noninterest-bearing	Unsecured
Due to related parties	**–**	–	**–**	(26,707)	On demand; noninterest-bearing	Unsecured
Trade payable	**–**	–	**(1,969)**	(39,855)	Noninterest-bearing	Unsecured
AFS investments	**–**	–	**98,401**	84,156	Noninterest-bearing	Unsecured; not impaired
Dividend income	**1,035**	1,033	**–**	–	Noninterest-bearing	Unsecured
Gain on sale of AFS investments	**–**	7,410,301	**–**	–	Noninterest-bearing	Unsecured

	Amount of Transactions		Outstanding Amount [Asset (Liability)]			
	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)	**September 30, 2016 (Unaudited)**	December 31, 2015 (Audited)	Terms	Conditions
	(In Thousands)					
Banking and Retail Group						
Cash and cash equivalents	**₱252,882,669**	₱331,585,513	**₱19,681,238**	₱18,907,056	Interest bearing based on prevailing rates	Unsecured; not impaired
Investments held for trading	**–**	–	**622,106**	563,897	Noninterest-bearing	Unsecured; not impaired
Rent income	**9,911,509**	8,839,219	**–**	–	Noninterest-bearing	Unsecured; not impaired
Rent receivable	**–**	–	**1,997,647**	2,371,247		
Service income	**1,038**	1,664	**–**	–	Noninterest-bearing	Unsecured; not impaired
Management fee income	**3,819**	4,549	**–**	–	Noninterest-bearing	Unsecured; not impaired
Management fee receivable	**–**	–	**28,729**	29,405		
Deferred rent income	**–**	–	**–**	(63,548)	Noninterest bearing	Unsecured
Interest income	**125,716**	187,959	**–**	–	Interest-bearing	Unsecured; not impaired
Accrued interest receivable	**–**	–	**58,690**	44,534	Noninterest-bearing	Unsecured; not impaired
Due from related parties	**–**	–	**7,306**	19	On demand; noninterest-bearing	Unsecured; not impaired
Time deposits	**–**	1,436,186	**3,732,443**	4,410,436	Interest-bearing	Unsecured
Loans payable and long-term debt	**467,500**	–	**(467,500)**	(961,624)	Interest-bearing	Combination of secured and unsecured
Interest expense	**18,794**	95,666	**–**	–	Interest-bearing; fixed and floating interest rates	Combination of secured and unsecured
Accrued interest payable	**–**	–	**–**	(638)	Noninterest-bearing	Unsecured
Rent expense	**911**	679	**–**	–	Noninterest-bearing	Unsecured
Trade payable	**16,855**	5,538	**(22,741)**	(5,886)	Noninterest-bearing	Unsecured
Due to related parties	**–**	–	**–**	(3,385)	Noninterest-bearing	Unsecured
Management fee expense	**1,918**	2,357	**–**	–	Noninterest-bearing	Unsecured
Accrued management fee	**–**	–	**(269)**	(876)	Noninterest-bearing	Unsecured
AFS investments	**–**	–	**11,646,419**	10,968,613	Noninterest-bearing	Unsecured; not impaired
Cash in escrow	**–**	224,434	**127,927**	437,639	Interest bearing based on prevailing rates	Unsecured; not impaired
Dividend income	**215,813**	225,830	**–**	–	Noninterest-bearing	Unsecured
Other Related Parties						
Rent income	**46,162**	49,531	**–**	–	Noninterest-bearing	Unsecured; not impaired
Rent receivable	**–**	–	**67,014**	28,820		
Service income	**5,095**	121	**–**	–	Noninterest-bearing	Unsecured; not impaired
Due from related parties	**64,575**	29,125	**165,176**	100,601	On demand; noninterest-bearing	Unsecured; not impaired
Management fee receivable	**–**	–	**7,993**	7,993	Noninterest-bearing	Unsecured; not impaired
Rent expense	**3,855**	12,594	**–**	–	–	–
Due to related parties	**14,068**	–	**(72,845)**	(58,777)	Noninterest-bearing	Unsecured
Accrued expenses	**–**	–	**(573,192)**	(589,774)	Noninterest-bearing	Unsecured
Management fee expense	**939,468**	766,664	**–**	–	Noninterest-bearing	Unsecured
Accrued management fee	**–**	–	**(82,689)**	(117,402)	Noninterest-bearing	Unsecured
Trade payable	**–**	73,702	**(12,417)**	(15,542)	Noninterest-bearing	Unsecured
AFS investments	**–**	–	**2,191,949**	2,140,461	Noninterest-bearing	Unsecured; not impaired
Dividend income	**69,878**	202,277	**–**	–	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, 2016 and 2015 consist of short-term employee benefits amounting to ₱338 million and ₱285 million, respectively, and post-employment benefits (pension benefits) amounting to ₱47 million and ₱33 million in both periods.

20. Costs and Expenses

This account consists of:

	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
	(In Thousands)	
Cost of real estate sold (see Notes 8 and 9)	**₱9,629,616**	₱8,956,151
Depreciation and amortization (see Notes 12 and 14)	**5,751,983**	5,123,572
Administrative	**5,408,390**	4,785,845
Marketing and selling expenses	**3,219,738**	2,396,394
Business taxes and licenses	**2,706,158**	2,624,304
Film rentals	**1,869,233**	1,839,565
Rent (see Note 19)	**1,023,499**	944,405
Management fees (see Note 19)	**1,020,810**	937,135
Insurance	**326,427**	305,385
Others	**951,097**	1,177,976
	₱31,906,951	₱29,090,732

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

21. Interest Income and Interest Expense

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

	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
	(In Thousands)	
Interest income on:		
Cash and cash equivalents (see Note 5)	**₱321,334**	₱268,864
Time deposits (see Note 14)	**40,060**	96,567
Investments held for trading (see Note 6)	**12,967**	13,560
Others (see Note 7)	**43,009**	49,229
	₱417,370	₱428,220
Interest expense on:		
Long-term debt (see Note 17)	**₱3,114,667**	₱3,284,604
Loans payable (see Note 15)	**19,131**	154,999
Others	**12,890**	78,455
	₱3,146,688	₱3,518,058

22. Financial Risk Management Objectives and Policies

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

The Company also enters into derivative transactions, principally, cross currency swaps and principal only swaps. The purpose is to manage the interest rate and foreign currency risks arising from the Company's operations and its sources of finance (see Note 23).

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

Interest Rate Risk

The Company's policy is to manage its interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, it enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to economically hedge underlying debt obligations. As at September 30, 2016 and December 31, 2015, after taking into account the effect of interest rate swaps, approximately 61% of its long-term borrowings are at a fixed rate of interest.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's exposure to foreign currency risk arises mainly from its debt issuances which are denominated in U.S. dollars. To manage its foreign currency risk, the Company enters into foreign currency swap contracts, cross-currency swaps, foreign currency call options, non-deliverable forwards and foreign currency range options aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flow.

The Company's foreign currency-denominated monetary assets amounted to US$271 million (₱13,129 million) as at September 30, 2016 and US$796 million (₱37,457 million) as at December 31, 2015. The Company's foreign currency-denominated monetary liabilities amounted to US$620 million (₱30,094 million) and US$214 million (¥1,427 million) as at September 30, 2016, and US$802 million (₱37,745 million) and US$764 million (¥4,961 million) as at December 31, 2015.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rates used were ¥6.6718 to US$1.00 and ¥6.4937 to US$1.00, the China Yuan Renminbi to U.S. dollar exchange rate and ₱48.50 to US$1.00 and ₱47.06 to US$1.00, the Philippine peso to U.S. dollar exchange rate as at September 30, 2016 and December 31, 2015.

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.

23. 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, 2016 (Unaudited)		December 31, 2015 (Audited)	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Financial Assets				
Financial assets at FVPL:				
Investments held for trading	**₱909,055**	**₱909,055**	₱843,256	₱843,256
Derivative assets	**2,868,272**	**2,868,272**	2,600,799	2,600,799
	3,777,327	**3,777,327**	3,444,055	3,444,055
Loans and receivables:				
Noncurrent portion of receivables from sale of real estate	**10,319,323**	**10,174,046**	7,962,615	7,833,491
Available-for-sale investments	**21,976,059**	**21,976,059**	20,332,055	20,332,055
	₱36,072,709	**₱35,927,432**	₱31,738,725	₱31,609,601

	September 30, 2016 (Unaudited)		December 31, 2015 (Audited)	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
	(In Thousands)			
Financial Liabilities				
Other financial liabilities:				
Liability for purchased land - net of current portion	**1,064,345**	**1,998,082**	2,081,708	2,066,418
Long-term debt - net of current portion	**156,362,818**	**160,055,943**	125,952,441	133,874,562
Tenants' and customers' deposits	**14,269,583**	**14,068,701**	13,218,264	13,121,180
Other noncurrent liabilities*	**3,879,105**	**3,824,494**	3,341,067	3,319,530
	₱175,575,851	**₱179,947,220**	₱144,593,480	₱152,381,690

**Excluding nonfinancial liabilities amounting to ₱1,726 million and ₱1,412 million as at September 30, 2016 and December 31, 2015, respectively.*

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

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

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

Noncurrent Portion of Receivable from Sale of Real Estate. The estimated fair value of the noncurrent portion of receivables from real estate buyers is based on the discounted value of future cash flows using the prevailing interest rates on sales of the Company's accounts receivable. Average discount rates used is 3.21% and 4.10% as at September 30, 2016 and December 31, 2015, respectively.

AFS Investments. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business.

Long-term Debt. Fair value is based on the following:

Debt Type	Fair Value Assumptions
Fixed Rate Loans	Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 2.18% to 5.25% and 2.18% to 5.59% as at September 30, 2016 and December 31, 2015, respectively.
Variable Rate Loans	For variable rate loans that re-price every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For variable rate loans that re-price every six months, the fair value is determined by discounting the principal amount plus the next interest payment amount using the prevailing market rate for the period up to the next repricing date. Discount rates used was 2.06% to 3.97% and 1.95% to 2.37% as at September 30, 2016 and December 31, 2015, respectively.

Tenants' and Customers' Deposits, Liability for Purchased Land and Other Noncurrent Liabilities. The estimated fair value is based on the discounted value of future cash flows using the applicable rates. The discount rates used range from 3.09% to 3.32% and 4.03% to 4.17% as at September 30, 2016 and December 31, 2015, respectively.

The Company assessed that the carrying values of cash and cash equivalents, cash in escrow, bank loans and accounts payable and other current liabilities approximate their fair values due to the short-term nature and maturities of these financial instruments. For AFS investments related to unlisted equity securities, these are carried at cost less allowance for impairment loss since there are no quoted prices and due to the unpredictable nature of future cash flows and lack of suitable methods for arriving at reliable fair value.

There were no financial instruments subject to an enforceable master netting arrangement that were not set-off in the interim consolidated balance sheets.

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Level 2: Those measured using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and,

Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	September 30, 2016 (Unaudited)		
	Level 1	**Level 2**	**Level 3**
		(In Thousands)	
Financial Assets			
Financial assets at FVPL:			
Investments held-for-trading:			
Bonds	**₱286,949**	**₱–**	**₱–**
Shares	**622,106**	**–**	**–**
Derivative assets	**–**	**2,868,272**	**–**
	909,055	**2,868,272**	**–**
Loans and receivables:			
Noncurrent portion of receivables from sale of real estate	**–**	**–**	**10,174,046**
Available-for-sale investments	**21,966,728**	**–**	**9,331**
	₱22,875,783	**₱2,868,272**	**₱10,183,377**
Financial Liabilities			
Other financial liabilities:			
Liability for purchased land - net of current portion	**–**	**–**	**1,998,082**
Long-term debt - net of current portion	**–**	**–**	**160,055,943**
Tenants' and customers' deposits	**–**	**–**	**14,068,701**
Other noncurrent liabilities*	**–**	**–**	**3,824,494**
	₱–	**₱–**	**₱179,947,220**

**Excluding nonfinancial liabilities amounting to ₱1,726 million as at September 30, 2016.*

	December 31, 2015 (Audited)		
	Level 1	Level 2	Level 3
		(In Thousands)	
Financial Assets			
Financial assets at FVPL:			
Investments held-for-trading:			
Bonds	₱279,359	₱–	₱–
Shares	563,897	–	–
Derivative assets	–	2,600,799	–
	843,256	2,600,799	–
Loans and receivables:			
Noncurrent portion of receivables from sale of real estate	–	–	7,833,491
Available-for-sale investments	20,323,495	–	8,560
	₱21,166,751	₱2,600,799	₱7,842,051
Financial Liabilities			
Other financial liabilities:			
Liability for purchased land - net of current portion	–	–	2,066,418
Long-term debt - net of current portion	–	–	133,874,562
Tenants' and customers' deposits	–	–	13,121,180
Other noncurrent liabilities*	–	–	3,319,530
	₱–	₱–	₱152,381,690

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

During the periods ended September 30, 2016 and December 31, 2015, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Derivative Financial Instruments

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

Derivative Financial Instruments Accounted for as Cash Flow Hedges

Cross Currency Swaps. In 2013, SMPH entered into cross-currency swap transactions to hedge both the foreign currency and interest rate exposures on its U.S. dollar-denominated five-year term syndicated loans (the hedged loans) obtained on January 29, 2013 and April 16, 2013 (see Note 18). Details of the hedged loans are as follows:

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

- Swap the face amount of the loans at US$ for their agreed Philippine peso equivalents (₱8,134 million for $200 million and ₱6,165 million for $150 million) with the counterparty banks and to exchange, at maturity date, the principal amount originally swapped.

- Pay fixed interest at the Philippine peso notional amount and receives floating interest on the US$ notional amount, on a semi-annual basis, simultaneous with the interest payments on the hedged loans.

Principal only Swaps. In 2016, SM Land (China) Limited entered into principal only swap transactions to hedge the foreign currency exposures on its U.S. dollar-denominated five-year term syndicated loan and advances (the hedged items) obtained on February 16, 2016 to March 22, 2016 (see Note 17).

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

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

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

The table below provides the details of SM Land's outstanding principal only swap as at September 30, 2016:

	Notional Amounts	US$:¥ Rate	Maturity	Fair Value Loss
	(In Thousands)			
Principal only	US$150,000	6.528 – 6.569	March 23, 2018	(₱139,298)
Principal only	180,000	6.458 – 6.483	January 29, 2021	171,242
Principal only	50,000	6.514	August 30, 2017	4,754

As the terms of the swaps have been negotiated to match the terms of the hedged items, the hedges were assessed to be highly effective. No ineffectiveness was recognized in the interim consolidated statements of income for the nine months ended September 30, 2016.

Details of the hedged loans and advances are as follows:

	Outstanding Principal Balance		Interest Rate	Maturity Date
	(In Thousands)			
Unsecured loan	US$530,000	₱25,712,848	6-month US LIBOR + 1.45% - 1.70%	January 29, 2018 - January 29, 2021
Unsecured advances	200,000	9,708,720	3.520% - 4.050%	August 30, 2017 - March 23, 2018

The table below provides the details of SMPH's outstanding cross-currency swaps as at September 30, 2016:

	Notional Amounts		Receive	Pay	US$:₱ Rate	Maturity	Fair Value Gain
	(In Thousands)						*(In Thousands)*
Floating-to-Fixed	US$200,000	₱8,134,000	6M U.S. LIBOR + 170 bps	3.70%	40.67	January 29, 2018	₱1,681,106
Floating-to-Fixed	150,000	6,165,000	6M U.S. LIBOR + 170 bps	3.90%	41.10	March 23, 2018	1,150,468

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 ₱2,868 million gain and ₱2,601 million gain as at September 30, 2016 and December 31, 2015, respectively, which movement was taken to equity under other comprehensive income. No ineffectiveness was recognized in the interim consolidated statements of income for the nine-month periods ended September 30, 2016 and 2015. Foreign currency translation gain arising from the hedged loan recognized in the interim consolidated statements of income amounted to ₱994 million and ₱130 million for the nine-month periods ended September 30, 2016 and 2015, respectively. Foreign exchange loss equivalent to the same amounts were recycled from equity to the interim consolidated statements of income during the same period.

24. **EPS Computation**

Basic/diluted EPS is computed as follows:

	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
	(In Thousands, Except Per Share Data)	
Net income attributable to equity holders of the parent (a)	**₱17,453,287**	₱22,866,697
Common shares issued	**33,166,300**	33,166,300
Less weighted average number of treasury stock	**4,332,692**	4,332,777
Weighted average number of common shares outstanding (b)	**28,833,608**	28,833,523
Earnings per share (a/b)	**₱0.605**	₱0.793

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
FINANCIAL RATIOS - KEY PERFORMANCE INDICATORS
AS OF SEPTEMBER 30, 2016 and 2015

		September 30 2016	September 30 2015
i.	**Current ratio**		
	Total current assets / Total current liabilities	2.12	1.17
	Acid - Test Ratio		
	Total current assets less inventory and prepaid expenses / Total current liabilities	1.21	0.68
ii.	**Debt-to-equity ratio**		
	Total interest-bearing liabilities / Total equity attributable to equity holders of the parent + Total interest-bearing liabilities	42:58	42:58
	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	38:62	38:62
	Solvency Ratio		
	Total assets / Total liabilities	1.99	2.02
iii.	**Asset to equity ratio**		
	Total assets / Total equity attributable to equity holders of the parent	2.04	2.01
(Annualized)			
iv.	**Interest Service Coverage**		
	Earnings before interest, income taxes, depreciation and amortization (EBITDA) / Interest expense	9.91	7.90
	Debt to EBITDA		
	Total interest-bearing liabilities / EBITDA	3.97	3.99
v.	**Return on equity**		
	Net income attributable to equity holders of the parent / Total average equity attributable to equity holders of the parent	11%	10%
	Return on investment properties		
	Net income attributable to equity holders of the parent / Total average investment properties (excluding shopping mall complex under construction)	11%	12%

SM Prime Holdings, Inc. and Subsidiaries
Aging of Accounts Receivables
As at September 30, 2016
(Amounts in Thousands)

Trade:	
Sale of real estate	**₱34,399,233**
Rent:	
Third parties	**4,003,856**
Related parties	**2,078,773**
Others	**66,822**
Receivable from a co-investor	**271,510**
Due from related parties	**172,482**
Accrued interest	**112,534**
Nontrade	**27,571**
Others	**2,153,107**
	43,285,888
Less allowance for doubtful accounts	**1,056,403**
	42,229,485
Less noncurrent portion of receivables from sale of real estate	**10,319,323**
	₱31,910,162

The aging analyses of receivables follows:

Neither past due nor impaired	**₱34,108,349**
Past due but not impaired:	
Less than 30 days	**1,802,358**
31–90 days	**1,922,537**
91–120 days	**1,088,698**
Over 120 days	**3,307,543**
Impaired	**1,056,403**
	₱43,285,888

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

SM Prime’s Net Income up 15% in Q3 to P4.86 billion

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

	Third Quarter					Nine Months Ended September 30				
	2016	**% to Revenues**	**2015**	**% to Revenues**	**% Change**	**2016**	**% to Revenues**	**2015**	**% to Revenues**	**% Change**
Profit and Loss Data										
Revenues	18,548	100%	16,234	100%	14%	57,779	100%	52,199	100%	11%
Costs and Expenses	10,520	57%	9,347	58%	13%	31,907	55%	29,091	56%	10%
Operating Income	8,027	43%	6,887	42%	17%	25,872	45%	23,108	44%	12%
Net Income	4,863	26%	4,212	26%	15%	17,453	30%	15,456	30%	13%
EBITDA	9,891	53%	8,486	52%	17%	31,183	54%	27,792	53%	12%

	Sep 30 2016	**% to Total Assets**	**Dec 31 2015**	**% to Total Assets**	**% Change**
Balance Sheet Data					
Total Assets	457,166	100%	433,828	100%	5%
Investment Properties	244,148	53%	230,340	53%	6%
Total Debt	165,163	36%	155,668	36%	6%
Net Debt	137,214	30%	128,955	30%	6%
Total Equity	224,104	49%	212,489	49%	5%

Financial Ratios	**Sep 30 2016**	**Dec 31 2015**
Debt to Equity	0.42 : 0.58	0.42 : 0.58
Net Debt to Equity	0.38 : 0.62	0.38 : 0.62

	Sep 30 2016	**Sep 30 2015**
Return on Equity	0.11	0.10
Debt to EBITDA	3.97	3.99
Interest Coverage Ratio	9.91	7.90
Operating Income to Revenues	0.45	0.44
EBITDA Margin	0.54	0.53
Net Income to Revenues*	0.30	0.30

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

Revenue

SM Prime recorded consolidated revenues of ₱57.78 billion for the first nine months of 2016, an increase of 11% from ₱52.20 billion in the same period in 2015, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱33.11 billion in 2016, an increase of 13% from ₱29.41 billion in 2015. The increase in rental revenue was primarily due to the new malls and expansion opened in 2015 and 2016, namely, SM Seaside City Cebu, SM City Cabanatuan, SM City San Mateo, SM Center Sangandaan, SM San Jose Del Monte, SM Trece Martires, SM City Iloilo Expansion, SM City Lipa Expansion and SM Center Molino Expansion with a total gross floor area of 1 million square meters. In addition, retail podiums of Light, Shine, Shell and Green Residences also opened in 2015 and 2016. Out of the total rental revenues, 90% is contributed by the malls and the rest from office and hotels and convention centers. Excluding the new malls and expansions, same-store rental growth is at 7%. Rent from commercial operations also increased due to the opening of Five E-Com Center, and the expansion of SM Clark office tower in 2015. Room rentals from hotels and convention centers contributed to the increase due to the opening of Park Inn Clark in December 2015 and Conrad Manila in June 2016 and the improvement in average room rates and occupancy rates.

Real Estate Sales

SM Prime recorded a 10% increase in real estate sales in 2016 from ₱16.62 billion to ₱18.35 billion primarily due to higher construction accomplishments of projects launched in 2012 up to 2015 namely Grace, Grass, Air and South Residences and continued increase in sales take-up of Ready-for-Occupancy (RFO) projects namely Princeton, Jazz, M Place and Mezza II Residences. Actual construction of projects usually starts within twelve to eighteen months from launch date and revenues are recognized in the books based on percentage of completion.

Cinema and Event Ticket Sales

SM Prime cinema and event ticket sales slightly increased to ₱3.44 billion in 2016 from ₱3.40 billion in 2015. The major blockbusters screened in 2016 were “Captain America: Civil War”, “Batman vs. Superman: Dawn of Justice”, “X-Men: Apocalypse”, “Suicide Squad” and “Beauty and the Bestie” accounting for 27% of gross ticket sales. The major blockbusters shown in 2015 were Avengers: Age of Ultron”, “Jurassic World”, “Fast & Furious 7”, ”Minions“ and “Crazy Beautiful You” accounting for 29% of gross ticket sales.

Other Revenues

Other revenues increased by 4% to ₱2.88 billion in 2016 from ₱2.76 billion in 2015. The increase was mainly due to opening of new amusement centers as a result of new malls, increase in merchandise sales and hotels’ food and beverages income due to opening of Park Inn Clark and Conrad Manila. 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 ₱31.91 billion for the first nine months of 2016, an increase of 10% from ₱29.09 billion in the same period in 2015, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate increased by 8% to ₱9.63 billion in 2016 from ₱8.96 billion in 2015 primarily due to costs related to higher recognized real estate sales. Gross profit margin for residential improved to 48% in 2016 compared to 46% in 2015 as a result of improving cost efficiencies, tighter monitoring and control of construction costs.

Operating Expenses

SM Prime's consolidated operating expenses increased by 11% to ₱22.28 billion in 2016 compared to last year's ₱20.13 billion. Out of the total operating expenses, 71% is contributed by the malls where same-store mall growth in operating expenses is 2%. Contributors to the increase are administrative expenses, depreciation and amortization, management fees and marketing and selling expenses, in line with related increase in revenues from same-store as well as the opening of new malls and expansions.

Other Income (Charges)

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

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

Interest Expense

SM Prime's consolidated interest expense decreased by 11% to ₱3.15 billion in 2016 compared to ₱3.52 billion in 2015 despite the retail bonds issued and new bank loans availed for working capital and capital expenditure requirements mainly due to capitalized interest on proceeds spent for construction of investment properties.

Interest and Dividend Income

Interest and dividend income decreased by 21% to ₱0.76 billion in 2016 from ₱0.96 billion in 2015. This account is mainly composed of dividend and interest income received from cash and cash equivalents, investments held for trading and AFS investments. The decrease in interest income is due to lower average balance of cash and cash equivalents in 2016 as compared to same period last year. The decrease in dividend income is due to less dividends received on available-for-sale investments held compared to the same period last year.

Other income (charges) - net

Other charges – net increased by 52% to ₱713 million in 2016 from ₱470 million in 2015 due to increase in amortization of debt issue cost as a result of the new loans and other incidental costs partly offset by increase in equity in net earnings of associates and joint ventures.

Provision for income tax

SM Prime's consolidated provision for income tax increased by 17% to ₱4.88 billion in 2016 from ₱4.18 billion in 2015 due to the related increase in taxable income as well as expiration of income tax holiday incentives on certain residential projects.

Net income

SM Prime's consolidated net income for the nine months ended September 30, 2016 increased by 13% to ₱17.45 billion in 2016 as compared to ₱15.46 billion in 2015 as a result of the foregoing and excluding one-time gain on sale of AFS in 2015.

Balance Sheet Accounts

Cash and cash equivalents increased by 5% from ₱25.87 billion as of December 31, 2015 to ₱27.04 billion as of September 30, 2016. Part of this account still includes portion of the proceeds from the issuance of bonds in July 2016 amounting to ₱10.00 billion to finance working capital and capital expenditures requirements.

Receivables increased by 2% from ₱31.35 billion as of December 31, 2015 to ₱31.91 billion as of September 30, 2016 mainly due to increase in construction accomplishments of reservation sales and RFO units, offset by subsequent collections of rental receivables. Out of the total receivables, 75% pertains to sale of real estate and 19% from leases of shopping mall and commercial spaces.

Condominium and residential units decreased by 22% from ₱8.16 billion as of December 31, 2015 to ₱6.36 billion as of September 30, 2016 mainly due to subsequent sales of RFO units.

Land and development increased by 10% from ₱42.92 billion as of December 31, 2015 to ₱47.25 billion as of September 30, 2016 mainly due to landbanking and construction accomplishments for the period net of cost of sold units and transfers to condominium and residential units for sale inventories.

Prepaid expenses and other current assets increased by 5% from ₱11.30 billion as of December 31, 2015 to ₱11.86 billion as of September 30, 2016 mainly due to deposits and advances to contractors related to residential projects and various prepayments.

Investment properties increased by 6% from ₱230.34 billion as of December 31, 2015 to ₱244.15 billion as of September 30, 2016 primarily because of ongoing new mall projects located in Cagayan de Oro, Puerto Princesa, Olongapo and Ortigas in the Philippines and Tianjin in China and the ongoing expansions and renovations of SM Mall of Asia, SM City Sucat and SM City San Pablo. Also, the increase is attributable to landbanking and construction costs incurred for ongoing projects including the commercial group's Three E-Com and Four E-Com Centers and the hotel group's Conrad Manila.

AFS investments increased by 8% from ₱20.33 billion as of December 31, 2015 to ₱21.98 billion as of September 30, 2016 due to unrealized gain on changes in fair values under this portfolio.

Derivative assets increased by 10% from ₱2.60 billion as of December 31, 2015 to ₱2.87 billion as of September 30, 2016 mainly resulting from net fair value changes on cross currency / principal only swap transaction designated as a cash flow hedge.

Deferred tax assets increased by 23% from ₱0.85 billion as of December 31, 2015 to ₱1.04 billion as of September 30, 2016 mainly due to NOLCO. Deferred tax liabilities decreased by 9% from ₱2.49 billion as of December 31, 2015 to ₱2.25 billion as of September 30, 2016 mainly due to higher collections on real estate sales.

Other noncurrent assets, which includes the noncurrent portion of receivable from sale of real estate, increased by 5% from ₱37.17 billion as of December 31, 2015 to ₱39.12 billion as of September 30, 2016 due to construction accomplishments of sold units as well as new sales for the period.

Loans payable decreased by 81% from ₱4.68 billion as of December 31, 2015 to ₱0.88 billion as of September 30, 2016 due to payment of maturing loans.

Long-term debt increased by 9% from ₱150.99 billion as of December 31, 2015 to ₱164.29 billion as of September 30, 2016 due to net loan availments to fund capital expenditures and for working capital requirements.

Tenants' and customers' deposits increased by 8% from ₱13.22 billion as of December 31, 2015 to ₱14.27 billion as of September 30, 2016 due to the new malls and expansions and increase in customers' deposits from residential buyers.

Liability for purchased land decreased by 49% from ₱2.08 billion as of December 31, 2015 to ₱1.06 billion as of September 30, 2016 due to subsequent payments. While other noncurrent liabilities increased by 18% from ₱4.75 billion as of December 31, 2015 to ₱5.61 billion and September 30, 2016 due to increase in retention payable and output VAT on residential sales.

The Company's key performance indicators are measured in terms of the following: (1) debt to equity which measures the ratio of interest bearing liabilities to equity; (2) net debt to equity which measures the ratio of interest bearing liabilities net of cash and cash equivalents and investment held for trading to equity; (3) return on equity (ROE) which measures the ratio of net income to capital provided by stockholders; (4) earnings before interest expense, income taxes, depreciation and amortization (EBITDA); (5) debt to EBITDA which measures the ratio of EBITDA to total interest-bearing liabilities; (6) interest coverage ratio which measures the ratio of EBITDA to interest expense; (7) operating income to revenues which basically measures the gross profit ratio; (8) EBITDA margin which measures the ratio of EBITDA to gross revenues and (9) net income to revenues which measures the ratio of net income to gross revenues. The following discuss in detail the key financial indicators of the Company.

Interest-bearing debt to equity is steady at 0.42:0.58 as of September 30, 2016 and December 31, 2015. Likewise, net interest-bearing debt to equity remains steady at 0.38:0.62 as of September 30, 2016 and December 31, 2015.

ROE increased to 11% as of September 30, 2016 from 10% as of September 30, 2015.

Debt to EBITDA improved to 3.97:1 as of September 30, 2016 from 3.99:1 as of September 30, 2015 due to increase in consolidated operating income. Interest coverage ratio increased to 9.91:1 as of September 30, 2016 from 7.90:1 as of September 30, 2015 as a result of decrease in interest expense and higher EBITDA. EBITDA margin increased to 54% as of September 30, 2016 from 53% as of September 30, 2015.

Consolidated operating income to revenues improved to 45% as of September 30, 2016 from 44% as of September 30, 2015. Net income to revenues remains steady at 30% as of September 30, 2016 and September 30, 2015.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the Company's continuing operations.

For the year 2016, the Company expects to incur capital expenditures of approximately ₱45 billion. This will be funded with internally generated funds and external borrowings.

SM Prime’s malls business unit has fifty eight shopping malls in the Philippines with 7.5 million square meters of gross floor area and six shopping malls in China with 0.9 million square meters of gross floor area. For the rest of 2016, SM Prime will open one new mall in the Philippines, as well as expansions of SM Center Molino and SM City San Pablo. By end 2016, the malls business unit will have 59 malls in the Philippines and six malls in China with an estimated combined gross floor area of 8.6 million square meters.

SM Prime currently has twenty seven residential projects in the market, twenty six of which are in Metro Manila and one in Tagaytay. As of September 30, 2016, SM Prime has already launched 3 new projects and expansion of existing developments equivalent to 6,000 units in the areas of Mall of Asia Complex, along Roxas Boulevard, Las Pinas, Bicutan and Tagaytay, and for the rest of the year, SM Prime is still set to launch an additional of about 4,500 units located in the Mall of Asia Complex, Quezon City, Paranaque and Bulacan.

SM Prime’s Commercial Properties Group has six office buildings with an estimated gross leasable area of 225,000 square meters. Currently, Three E-Com and Four E-Com Centers are under construction and scheduled for completion in 2017 and 2018, respectively.

SM Prime’s hotels and convention centers business unit currently has a portfolio of six hotels with 1,510 saleable rooms, including Conrad Manila in the Mall of Asia Complex in Pasay City which opened in June 2016, and four convention centers with 35,623 sq. m. of leasable space.

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 7, 2016

John Nai Peng C. Ong

JOHN NAI PENG C. ONG
Chief Finance Officer