

COVER SHEET

SEC Registration Number

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COMPANY NAME

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B	S	I	D	I	A	R	I	E	S																				

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

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Company's Telephone Number

831-1000

Mobile Number

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No. of Stockholders

2,413

Annual Meeting
Month/Day

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Fiscal Year
Month/Day

March 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. John Nai Peng C. Ong

Email Address

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Telephone Number/s

831-1000

Mobile Number

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CONTACT PERSON'S ADDRESS

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NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2018
2. SEC Identification Number AS0940000-88 3. BIR Tax Identification No. 003-058-789
4. Exact name of registrant as specified in its charter SM PRIME HOLDINGS, INC.
5. PHILIPPINES 6. (SEC Use Only)
- Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. 10th Floor, Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of
Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City 1300
Address of principal office Postal Code
8. (632) 831-1000
Registrant's telephone number, including area code
9. _____
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 4 and 8 of the SRC

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

11. Are any or all of these securities listed on the Philippine Stock Exchange.

Yes [] No []

12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

SM Prime Holdings, Inc.
and Subsidiaries

Unaudited Interim Condensed Consolidated
Financial Statements
As at March 31, 2018
and for the Three-Month Periods Ended
March 31, 2018 and 2017
(with Comparative Audited Consolidated
Balance Sheet as at December 31, 2017)

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**INTERIM CONSOLIDATED BALANCE SHEET****MARCH 31, 2018****(With Comparative Audited Figures as at December 31, 2017)***(Amounts in Thousands)*

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 20 and 24)	₱45,558,637	₱44,371,534
Investments held for trading (Notes 7, 20, 24 and 25)	772,789	731,076
Receivables (Notes 8, 20, 24 and 25)	31,228,466	34,277,281
Condominium and residential units for sale (Note 9)	8,543,602	8,733,299
Land and development (Note 10)	24,705,142	22,518,138
Available-for-sale investments (Notes 11, 20 and 25)	649,735	641,300
Prepaid expenses and other current assets (Notes 12 and 20)	15,631,032	14,303,412
Total Current Assets	127,089,403	125,576,040
Noncurrent Assets		
Investments in associates and joint ventures (Note 14)	24,925,806	24,566,239
Available-for-sale investments - net of current portion (Notes 11, 20, 24 and 25)	27,729,734	30,464,845
Investment properties - net (Note 13)	280,764,329	273,084,146
Land and development - net of current portion (Note 10)	37,164,241	36,148,036
Derivative assets (Notes 24 and 25)	545,938	3,546,694
Deferred tax assets - net	1,065,842	1,114,291
Other noncurrent assets - net (Notes 15, 20, 24 and 25)	59,659,822	43,917,307
Total Noncurrent Assets	431,855,712	412,841,558
	₱558,945,115	₱538,417,598
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Notes 16, 20, 24 and 25)	₱39,400	₱744,400
Accounts payable and other current liabilities (Notes 17, 20, 24 and 25)	53,921,347	51,084,082
Current portion of long-term debt (Notes 18, 20, 24 and 25)	5,373,011	25,344,035
Income tax payable	2,070,442	1,035,215
Total Current Liabilities	61,404,200	78,207,732
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 18, 20, 24 and 25)	196,579,155	167,509,484
Tenants' and customers' deposits - net of current portion (Notes 17, 24 and 25)	17,149,736	16,376,024
Liability for purchased land - net of current portion (Notes 17, 24 and 25)	2,214,503	2,170,998
Deferred tax liabilities - net	3,045,906	2,877,971
Derivative liabilities (Notes 24 and 25)	1,726,262	777,408
Other noncurrent liabilities (Notes 17, 24 and 25)	8,315,689	7,624,067
Total Noncurrent Liabilities	229,031,251	197,335,952
Total Liabilities (<i>Carried Forward</i>)	₱290,435,451	₱275,543,684

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Total Liabilities (<i>Brought Forward</i>)	₱290,435,451	₱275,543,684
Equity Attributable to Equity Holders of the Parent		
Capital stock (Notes 19 and 26)	33,166,300	33,166,300
Additional paid-in capital - net	39,866,525	39,662,168
Cumulative translation adjustment	3,027,250	2,110,745
Net unrealized gain on available-for-sale investments (Note 11)	22,763,636	25,489,705
Net fair value changes on cash flow hedges	(371,693)	(311,429)
Remeasurement gain on defined benefit obligation	(199,126)	(199,126)
Retained earnings (Note 19):		
Appropriated	42,200,000	42,200,000
Unappropriated	127,723,354	120,125,945
Treasury stock (Notes 19 and 26)	(3,038,911)	(3,287,087)
Total Equity Attributable to Equity Holders of the Parent	265,137,335	258,957,221
Non-controlling Interests	3,372,329	3,916,693
Total Equity	268,509,664	262,873,914
	₱558,945,115	₱538,417,598

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

	Three-Month Periods Ended March 31	
	2018	2017
	(Unaudited)	
REVENUE		
Rent (Note 20)	₱13,498,912	₱12,071,460
Sales:		
Real estate	7,382,763	5,923,992
Cinema and event ticket	1,116,630	1,229,855
Others (Notes 20 and 21)	1,357,084	1,282,393
	23,355,389	20,507,700
COSTS AND EXPENSES (Note 22)	12,262,552	10,941,188
INCOME FROM OPERATIONS	11,092,837	9,566,512
OTHER INCOME (CHARGES)		
Interest expense (Notes 20 and 23)	(1,628,869)	(1,249,974)
Interest and dividend income (Notes 6, 7, 8, 11, 15, 20 and 23)	440,869	279,259
Others - net (Notes 7, 14 and 18)	19,451	88,889
	(1,168,549)	(881,826)
INCOME BEFORE INCOME TAX	9,924,288	8,684,686
PROVISION FOR INCOME TAX		
Current	2,171,861	1,868,351
Deferred	4,974	71,417
	2,176,835	1,939,768
NET INCOME	₱7,747,453	₱6,744,918
Attributable to		
Equity holders of the Parent (Notes 19 and 26)	₱7,597,409	₱6,595,093
Non-controlling interests (Note 19)	150,044	149,825
	₱7,747,453	₱6,744,918
Basic/Diluted earnings per share (Note 26)	₱0.263	₱0.229

See accompanying Notes to Interim Consolidated Financial Statements.

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

	Three-Month Periods Ended March 31	
	2018	2017
	(Unaudited)	
NET INCOME	₱7,747,453	₱6,744,918
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Unrealized gain (loss) due to changes in fair value in available- for-sale investments (Note 11)	(2,726,069)	2,755,939
Net fair value changes on cash flow hedges	(60,264)	(570,544)
Cumulative translation adjustment	916,505	172,298
	(1,869,828)	2,357,693
TOTAL COMPREHENSIVE INCOME	₱5,877,625	₱9,102,611
Attributable to		
Equity holders of the Parent (Notes 19 and 26)	₱5,727,581	₱8,952,786
Non-controlling interests (Note 19)	150,044	149,825
	₱5,877,625	₱9,102,611

See accompanying Notes to Interim Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2018 AND 2017

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent (Notes 19 and 26)											
	Capital Stock (Notes 19 and 26)	Additional Paid-in Capital - Net	Cumulative Translation Adjustment	Net Unrealized Gain on Available- for-Sale Investments (Note 11)	Net Fair Value Changes on Cash Flow Hedges	Remeasurement Gain (Loss) on Defined Benefit Obligation	Retained Earnings (Note 19)		Treasury Stock (Notes 19 and 26)	Non-controlling Interests	Total Equity	
							Appropriated	Unappropriated		Total		
At December 31, 2017 (Audited)	P33,166,300	P39,662,168	P2,110,745	P25,489,705	(P311,429)	(P199,126)	P42,200,000	P120,125,945	(P3,287,087)	P258,957,221	P3,916,693	P262,873,914
Net income for the period	-	-	-	-	-	-	-	7,597,409	-	7,597,409	150,044	7,747,453
Other comprehensive income (loss)	-	-	916,505	(2,726,069)	(60,264)	-	-	-	-	(1,869,828)	-	(1,869,828)
Total comprehensive income (loss) for the period	-	-	916,505	(2,726,069)	(60,264)	-	-	7,597,409	-	5,727,581	150,044	5,877,625
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(516,200)	(516,200)
Sale of treasury shares held by subsidiary	-	204,357	-	-	-	-	-	-	248,176	452,533	-	452,533
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	-	(178,208)	(178,208)
At March 31, 2018 (Unaudited)	P33,166,300	P39,866,525	P3,027,250	P22,763,636	(P371,693)	(P199,126)	P42,200,000	P127,723,354	(P3,038,911)	P265,137,335	P3,372,329	P268,509,664
At December 31, 2016 (Audited)	P33,166,300	P39,545,625	P1,400,373	P17,502,410	P811,625	P39,687	P42,200,000	P100,170,486	(P3,355,474)	P231,481,032	P3,882,512	P235,363,544
Net income for the period	-	-	-	-	-	-	-	6,595,093	-	6,595,093	149,825	6,744,918
Other comprehensive income (loss)	-	-	172,298	2,755,939	(570,544)	-	-	-	-	2,357,693	-	2,357,693
Total comprehensive income (loss) for the period	-	-	172,298	2,755,939	(570,544)	-	-	6,595,093	-	8,952,786	149,825	9,102,611
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(530,791)	(530,791)
Sale (acquisition) of non-controlling interest	-	2,157	-	-	-	-	-	-	-	2,157	(87,565)	(85,408)
At March 31, 2017 (Unaudited)	P33,166,300	P39,547,782	P1,572,671	P20,258,349	P241,081	P39,687	P42,200,000	P106,765,579	(P3,355,474)	P240,435,975	P3,413,981	P243,849,956

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Three-Month Periods Ended March 31	
	2018	2017
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱9,924,288	₱8,684,686
Adjustments for:		
Depreciation and amortization (Notes 13, 15 and 22)	2,291,213	2,141,191
Interest expense (Note 23)	1,628,869	1,249,974
Interest and dividend income (Notes 7, 11 and 23)	(440,869)	(279,259)
Equity in net earnings of associates and joint ventures (Note 14)	(243,231)	(215,205)
Loss (gain) on:		
Unrealized foreign exchange	(149,593)	(141,640)
Fair value changes on derivatives - net	55,975	-
Mark-to-market on investments held for trading (Note 7)	(41,713)	(44,202)
Operating income before working capital changes	13,024,939	11,395,545
Decrease (increase) in:		
Receivables	3,085,820	2,255,539
Condominium and residential units for sale	531,658	801,803
Land and development	(3,125,139)	(8,132,959)
Prepaid expenses and other current assets	(1,310,572)	(404,613)
Increase in:		
Accounts payable and other current liabilities	3,842,995	4,975,106
Tenants' and customers' deposits	652,488	447,874
Cash generated from operations	16,702,189	11,338,295
Income tax paid	(1,153,764)	(980,744)
Cash provided by operating activities	15,548,425	10,357,551
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of :		
Available-for-sale investments (Note 11)	677	-
Interest received	296,695	128,254
Dividends received	144,965	56,470
Additions to:		
Investment properties (Note 13)	(7,054,080)	(7,559,202)
Available-for-sale investments (Note 11)	-	(1,237,004)
Increase in investments in associates and joint ventures (Note 14)	(9,282)	(775,500)
Increase in other noncurrent assets	(14,839,491)	(3,314,096)
Net cash used in investing activities	(21,460,516)	(12,701,078)

(Forward)

	Three-Month Periods Ended March 31	
	2018	2017
	(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of bank loans and long-term debt (Notes 16 and 18)	₱26,485,385	₱6,450,880
Payments of:		
Long-term debt (Note 18)	(20,830,209)	(770,289)
Interest (Notes 17 and 23)	(1,625,782)	(924,816)
Dividends (Note 19)	(516,200)	(530,791)
Bank loans (Note 16)	(185,000)	(135,000)
Proceeds from:		
Maturity of derivatives	3,212,542	-
Reissuance of treasury shares (Note 19)	452,533	-
Net cash provided by financing activities	6,993,269	4,089,984
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	105,925	24,883
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,187,103	1,771,340
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	44,371,534	25,200,982
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱45,558,637	₱26,972,322

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

1. Corporate Information

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

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

As at March 31, 2018, SMPH is 49.70% and 25.85% directly-owned by SM Investments Corporation (SMIC) and the Sy Family, respectively. SMIC, the ultimate parent company, is a Philippine corporation which listed its common shares with the PSE in 2005. SMIC and all its subsidiaries are herein referred to as the “SM Group”.

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

2. Basis of Preparation

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

Statement of Compliance

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual audited consolidated financial statements as at December 31, 2017.

Basis of Consolidation

The interim condensed consolidated financial statements include the accounts of the Parent Company and all of its subsidiaries. As at March 31, 2018, there were no significant changes in the composition of the Company and in the Parent Company's ownership interests in its subsidiaries.

Significant Accounting Judgments, Estimates and Assumptions

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

Except as otherwise stated, there were no significant changes in the significant accounting judgments, estimates, and assumptions used by the Company for the three-month period ended March 31, 2018.

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, 2017, except for the following amendments which the Company has adopted starting January 1, 2018:

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*, address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted. The amendments did not have any impact on the Company's consolidated financial statements.

- PFRS 9, *Financial Instruments*, reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption will also have an effect on the Company's impairment of financial assets. The adoption

will not have a significant impact on the Company's effective hedges since PFRS 9 does not change the general principles of how an entity accounts for effective hedges. The Company continues to assess the impact of this standard.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*, address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9. The amendments did not have any impact on the Company's consolidated financial statements.
- PFRS 15, *Revenue from Contracts with Customers*, establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company continues to assess the impact of this standard as we await for the final Philippine Interpretation Committee Q&A No. 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRS 2014 - 2016 Cycle)*, clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments did not have any impact on the Company's consolidated financial statements.
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*, clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. The Company continues to assess the impact of this standard.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) - 22, *Foreign Currency Transactions and Advance Consideration*, clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Company continues to assess the impact of this standard.

4. **Segment Information**

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

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

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

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

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

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

Inter-segment Transactions

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

Business Segment Data

Three-month period ended March 31, 2018 (Unaudited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations/ Adjustments	Consolidated Balances
<i>(In Thousands)</i>						
Revenue:						
External customers	P13,848,719	P7,514,996	P799,078	P1,192,596	P-	P23,355,389
Inter-segment	26,904	-	18,989	2,128	(48,021)	-
	P13,875,623	P7,514,996	P818,067	P1,194,724	(P48,021)	P23,355,389
Segment results:						
Income before income tax	P6,806,302	P2,108,462	P668,777	P273,396	P67,351	P9,924,288
Provision for income tax	(1,712,129)	(278,678)	(117,961)	(68,067)	-	(2,176,835)
Net income	P5,094,173	P1,829,784	P550,816	P205,329	67,351	P7,747,453
Net income attributable to:						
Equity holders of the Parent	P4,944,828	P1,829,085	P550,816	P205,329	P67,351	P7,597,409
Non-controlling interests	149,345	699	-	-	-	150,044
Other information:						
Capital expenditures	P5,963,118	P6,557,429	P1,156,563	P112,380	P-	P13,789,490
Depreciation and amortization	2,026,982	37,040	101,493	125,698	-	2,291,213
Three-month period ended March 31, 2017 (Unaudited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations/ Adjustments	Consolidated Balances
<i>(In Thousands)</i>						
Revenue:						
External customers	P12,643,033	P6,018,420	P731,437	P1,114,810	P-	P20,507,700
Inter-segment	11,978	-	17,110	7,404	(36,492)	-
	P12,655,011	P6,018,420	P748,547	P1,122,214	(P36,492)	P20,507,700
Segment results:						
Income before income tax	P6,081,561	P1,590,246	P654,353	P274,961	P83,565	P8,684,686
Provision for income tax	(1,531,483)	(229,152)	(116,321)	(62,812)	-	(1,939,768)
Net income	P4,550,078	P1,361,094	P538,032	P212,149	P83,565	P6,744,918
Net income attributable to:						
Equity holders of the Parent	P4,400,216	P1,361,131	P538,032	P212,149	P83,565	P6,595,093
Non-controlling interests	149,862	(37)	-	-	-	149,825
Other information:						
Capital expenditures	P5,643,001	P10,446,980	P1,335,285	P660,381	P-	P18,085,647
Depreciation and amortization	1,878,079	45,910	84,797	132,405	-	2,141,191
March 31, 2018 (Unaudited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
Segment assets	P363,632,365	P147,641,977	P37,648,238	P12,014,613	(P1,992,078)	P558,945,115
Segment liabilities	P211,491,750	P77,195,202	P2,604,761	P1,135,816	(P1,992,078)	P290,435,451
December 31, 2017 (Audited)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
Segment assets	P354,773,934	P136,663,121	P36,930,208	P11,714,059	(P1,663,724)	P538,417,598
Segment liabilities	P204,608,715	P68,954,662	P2,577,233	P1,066,798	(P1,663,724)	P275,543,684

For the three-month periods ended March 31, 2018 and 2017, 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 has no significant seasonality.

5. **Business Combination**

Common Control Business Acquisitions

In January 2017, the Parent Company, through SM Lifestyle Entertainment Inc. (SMLEI), acquired 90% of the outstanding common stock of Family Entertainment Center, Inc.. The companies involved are all under common control by the Sy Family thus the acquisition was considered as common control business combinations and was accounted for using the pooling of interest method. Assets, liabilities and equity of the acquired businesses are included in the consolidated financial statements at their carrying amounts. No restatement of prior period was made as a result of the acquisitions due to immateriality. Had the Company restated its prior period financial statements, net income for the year ended December 31, 2016 would have decreased by P5 million.

In December 2016, the Parent Company, through Prime Commercial Property Management Corporation (PCPMC), acquired 90% each of the outstanding common stock of Shopping Center Management Corporation (SCMC) and SMLEI. The companies involved are all under the common control by the Sy Family. Thus, the acquisitions were considered as common control business combinations and were accounted for using the pooling of interest method. Assets, liabilities and equity of the acquired businesses are included in the consolidated financial statements at their carrying amounts. No restatement of prior period was made as a result of the acquisitions due to immateriality. Had the Company restated its prior period financial statements, net income for the year ended December 31, 2015 would have increased by P53 million.

In September 2017, the Parent Company, through PCPMC, acquired the remaining 10% of the outstanding common stock of SCMC.

6. **Cash and Cash Equivalents**

Cash and cash equivalents comprised the following:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Cash on hand and in banks (see Note 20)	P1,868,402	P2,170,090
Temporary investments (see Note 20)	43,690,235	42,201,444
	P45,558,637	P44,371,534

Interest income earned from cash in banks and temporary investments amounted to P265 million and P110 million for the three-month periods ended March 31, 2018 and 2017, respectively (see Note 23).

7. Investments Held for Trading

This account consists of investments in listed common shares. The movements in this account are as follows:

	March 31, 2018 (Three Months) (Unaudited)	December 31, 2017 (One Year) (Audited)
<i>(In Thousands)</i>		
At beginning of the period	₱731,076	₱918,702
Mark-to-market gain (loss) during the period	41,713	(13,690)
Disposals - net	-	(173,936)
At end of the period	₱772,789	₱731,076

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 nil and ₱5 million for the three-month periods ended March 31, 2018 and 2017, respectively (see Note 23).

8. Receivables

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
<i>(In Thousands)</i>		
Trade:		
Sale of real estate	₱42,587,412	₱40,355,345
Rent:		
Third parties	4,969,406	5,162,398
Related parties (see Note 20)	2,194,054	2,716,458
Others	106,581	136,580
Receivable from a co-investor	310,440	286,603
Accrued interest (see Note 20)	135,041	135,831
Nontrade	123,864	145,151
Due from related parties (see Note 20)	-	130
Others (see Note 20)	1,895,053	2,246,437
	52,321,851	51,184,933
Less allowance for impairment	1,084,576	1,053,582
	51,237,275	50,131,351
Less noncurrent portion of receivables from sale of real estate (see Note 15)	20,008,809	15,854,070
	₱31,228,466	₱34,277,281

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 P16 million for the three-month periods ended March 31, 2018 and 2017 (see Note 23).

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

	March 31, 2018 (Three Months) (Unaudited)	December 31, 2017 (One Year) (Audited)
<i>(In Thousands)</i>		
At beginning of the period	P1,053,582	P966,427
Provision for impairment - net	30,994	87,155
At end of the period	P1,084,576	P1,053,582

The aging analyses of receivables are as follows:

	March 31, 2018 (Three Months) (Unaudited)	December 31, 2017 (One Year) (Audited)
<i>(In Thousands)</i>		
Neither past due nor impaired	P44,670,197	P42,445,512
Past due but not impaired:		
Less than 30 days	2,048,791	2,309,905
31–90 days	1,621,855	1,812,566
91–120 days	790,164	815,749
Over 120 days	2,106,268	2,747,619
Impaired	1,084,576	1,053,582
	P52,321,851	P51,184,933

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

9. Condominium and Residential Units for Sale

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
<i>(In Thousands)</i>		
Condominium units for sale	P8,415,800	P8,566,351
Residential units and subdivision lots	127,802	166,948
	P8,543,602	P8,733,299

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

	March 31, 2018 (Three Months) (Unaudited)	December 31, 2017 (One Year) (Audited)
	<i>(In Thousands)</i>	
At beginning of the period	₱8,566,351	₱7,505,117
Transfer from land and development (see Note 10)	328,554	5,380,827
Cost of real estate sold (see Note 22)	(479,105)	(4,319,593)
At end of the period	₱8,415,800	₱8,566,351

Condominium units for sale pertain to the completed projects of SM Development Corporation (SMDC), Highlands Prime, Inc. and Costa Del Hamilo, Inc. These are stated at cost as at March 31, 2018 and December 31, 2017.

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

	March 31, 2018 (Three Months) (Unaudited)	December 31, 2017 (One Year) (Audited)
	<i>(In Thousands)</i>	
At beginning of the period	₱166,948	₱282,432
Transfer from land and development (see Note 10)	13,407	309,736
Cost of real estate sold (see Note 22)	(52,553)	(425,220)
At end of the period	₱127,802	₱166,948

Residential units and subdivision lots for sale are stated at cost as at March 31, 2018 and December 31, 2017.

10. Land and Development

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Land and development	₱60,293,012	₱57,112,468
Land held for future development	1,576,371	1,553,706
	61,869,383	58,666,174
Less noncurrent portion	37,164,241	36,148,036
	₱24,705,142	₱22,518,138

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

	March 31, 2018	December 31, 2017
	(Three Months)	(One Year)
	(Unaudited)	(Audited)
	<i>(In Thousands)</i>	
At beginning of the period	₱57,112,468	₱42,273,372
Development cost incurred	4,334,493	16,792,977
Land acquisitions	2,194,836	13,111,730
Capitalized borrowing cost	66	38,240
Cost of real estate sold (see Note 22)	(3,206,384)	(10,406,991)
Transfer to condominium and residential units for sale (see Note 9)	(341,961)	(5,690,563)
Reclassified from investment properties (see Note 13)	–	349,045
Reclassified from other noncurrent assets (see Note 15)	–	247,925
Others	199,494	396,733
At end of the period	₱60,293,012	₱57,112,468

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

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

	March 31, 2018	December 31, 2017
	(Three Months)	(One Year)
	(Unaudited)	(Audited)
	<i>(In Thousands)</i>	
At beginning of the period	₱1,553,706	₱1,845,755
Acquisition and transferred-in costs and others	22,665	(292,049)
At end of the period	₱1,576,371	₱1,553,706

The average rates used to determine the amount of borrowing costs eligible for capitalization range from 3.66% in 2018 and 3.52% to 4.57% in 2017.

Land and development is stated at cost as at March 31, 2018 and December 31, 2017. There is no allowance for inventory write down as at March 31, 2018 and December 31, 2017.

11. Available-for-sale Investments

This account consists of investments in:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Shares of stock:		
Listed (see Note 20)	₱28,364,588	₱31,090,564
Unlisted	14,881	15,581
	28,379,469	31,106,145
Less noncurrent portion	27,729,734	30,464,845
	₱649,735	₱641,300

Dividend income from investments in listed and unlisted shares of stock amounted to ₱145 million and ₱135 million for the three-month periods ended March 31, 2018 and 2017, respectively.

Unrealized loss on changes in fair value amounting to ₱2,726 million for the three-month periods ended March 31, 2018 and unrealized gain amounting to ₱2,756 million for the three-month periods March 31, 2017 were included under other comprehensive income.

12. Prepaid Expenses and Other Current Assets

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Advances and deposits	₱7,148,578	₱6,035,736
Input and creditable withholding taxes	4,792,628	5,219,909
Prepaid taxes and other prepayments	3,218,202	2,619,209
Supplies and inventories	377,644	370,337
Cash in escrow (see Note 20)	85,622	50,881
Others	8,358	7,340
	₱15,631,032	₱14,303,412

13. Investment Properties

The movements in this account are as follows:

	Land and Improvements	Buildings and Improvements	Building Equipment, Furniture and Others <i>(In Thousands)</i>	Construction in Progress	Total
Cost					
Balance as at December 31, 2016	₱63,162,938	₱189,593,066	₱32,991,894	₱24,438,795	₱310,186,693
Effect of common control business combination (Note 5)	–	1,047	929	–	1,976
Additions	3,766,470	4,272,682	1,769,895	18,407,346	28,216,393
Reclassifications (see Note 10)	(2,926,085)	11,289,884	1,166,605	(9,879,449)	(349,045)
Translation adjustment	75,699	2,459,685	193,841	215,944	2,945,169
Disposals	(11,538)	(162,144)	(45,913)	–	(219,595)
Balance as at December 31, 2017	64,067,484	207,454,220	36,077,251	33,182,636	340,781,591
Additions	495,934	571,959	463,679	5,680,996	7,212,568
Reclassifications (see Note 15)	77,793	2,218,329	77,199	(2,373,087)	234
Translation adjustment	107,955	3,248,599	247,429	96,585	3,700,568
Disposals	(7,298)	(347,634)	(7,938)	–	(362,870)
Balance as at March 31, 2018	₱64,741,868	₱213,145,473	₱36,857,620	₱36,587,130	₱351,332,091
Accumulated Depreciation and Amortization					
Balance as at December 31, 2016	₱1,700,431	₱37,904,008	₱19,083,190	₱–	₱58,687,629
Effect of common control business combination (Note 5)	–	527	769	–	1,296
Depreciation and amortization (see Note 22)	194,050	5,845,746	2,660,937	–	8,700,733
Translation adjustment	37,530	325,992	95,175	–	458,697
Disposals	(11,538)	(94,504)	(44,868)	–	(150,910)
Balance as at December 31, 2017	1,920,473	43,981,769	21,795,203	–	67,697,445
Depreciation and amortization (see Note 22)	42,295	1,527,603	673,527	–	2,243,425
Reclassifications	–	(3,127)	3,127	–	–
Translation adjustment	50,355	463,928	128,497	–	642,780
Disposals	(7,292)	(763)	(7,833)	–	(15,888)
Balance as at March 31, 2018	₱2,005,831	₱45,969,410	₱22,592,521	₱–	₱70,567,762
Net Book Value					
As at December 31, 2017	₱62,147,011	₱163,472,451	₱14,282,048	₱33,182,636	₱273,084,146
As at March 31, 2018	₱62,736,037	₱167,176,063	₱14,265,099	₱36,587,130	₱280,764,329

Consolidated rent income from investment properties amounted to ₱13,484 million and ₱12,047 million for the three-month periods ended March 31, 2018 and 2017, respectively. Consolidated costs and expenses from investment properties which generate income amounted to ₱7,359 million and ₱6,768 million for the three-month periods ended March 31, 2018 and 2017, respectively.

In 2018, shopping mall complex under construction mainly pertains to cost incurred for the development of SM City Telebastagan, SM City Legaspi, SM Urdaneta Paurido and SM Tianjin Phase 2 and on going redevelopment of SM Baguio and SM Mall of Asia ; Commercial Building construction pertains to BPO Towers of SM North EDSA, SM Iloilo Strata and SM Megamall, Three E-com and Four E-com.

Construction contracts with various contractors related to the construction of the on-going projects amounted to ₱54,477 million and ₱52,832 million as at March 31, 2018 and December 31, 2017, 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 ₱14,559 million and ₱14,167 million as at March 31, 2018 and December 31, 2017, respectively.

Interest capitalized to the construction of investment properties amounted to ₱709 million and ₱2,299 million and capitalization rates used range from 2.35% to 4.97% and from 2.35% to 4.77%, for the periods ended March 31, 2018 and December 31, 2017, respectively.

The fair value of investment properties amounted to ₱800,445 million as at December 31, 2015 as determined by an independent appraiser who holds a recognized and relevant professional qualification. The valuation of investment properties was based on market values using income approach. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards as set out by the International Valuation Standards Committee.

Below are the significant assumptions used in the valuation:

Discount rate	8.00%–11.00%
Capitalization rate	5.75%–8.50%
Average growth rate	2.34%–12.08%

Investment properties are categorized under Level 3 fair value measurement.

While fair value of the investment properties was not determined as at March 31, 2018, the Company's management believes that there were no conditions present in 2018, 2017 and 2016 that would significantly reduce the fair value of the investment properties from that determined on December 31, 2015.

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

14. Investments in Associates and Joint Ventures

Investments in Associates

This pertains mainly to investments in the following companies:

- OCLP Holdings, Inc. (OHI)
- Feihua Real Estate (Chongqing) Company Ltd. (FHREC)

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

As at March 31, 2018, OHI's total assets, total liabilities and total equity amounted to ₱27,217 million, ₱21,461 million and ₱5,756 million, respectively, and the carrying value of investment in OHI amounted to ₱16,318 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 ₱14,657 million. The share in profit and total comprehensive income amounted to ₱124 million and ₱158 million for the three-month periods ended March 31, 2018 and 2017, respectively.

The carrying value of investment in FHREC amounted to ₱1,394 million and ₱1,287 million as at March 31, 2018 and December 31, 2017, respectively, with cumulative equity in net earnings amounting to ₱1,076 million and ₱993 million as at March 31, 2018 and December 31, 2017, respectively.

Investment in Joint Ventures

This significantly pertains to the 51% ownership interest of the Company in Waltermart. Waltermart is involved in shopping mall operations and currently owns 26 malls across Metro Manila and Luzon.

The aggregate carrying values of investments in Waltermart amounted to ₱6,081 million and ₱5,977 million as at March 31, 2018 and December 31, 2017, respectively. These consist of the acquisition costs totaling ₱5,145 million and cumulative equity in net earnings and dividend totaling ₱936 million and ₱832 million as at March 31, 2018 and December 31, 2017, respectively. The aggregate share in profit and total comprehensive income, net of dividend received, amounted to ₱104 million and ₱50 million for the three-month periods ended March 31, 2018 and 2017, respectively.

In June 2016, SMDC entered into a shareholder's agreement through ST 6747 Resources Corporation (STRC) for the development of a high-end luxury residential project. Under the provisions of the agreement, each party shall have 50% ownership interest and is required to maintain each party's equal equity interest in STRC. In 2017, SMDC paid the remaining ownership interest in STRC amounting to ₱750 million. The carrying value of investment in STRC amounted to ₱1,000 million as at March 31, 2018 and December 31, 2017.

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

The Company has no outstanding contingent liabilities or capital commitments related to its investments in associates and joint ventures as at March 31, 2018 and December 31, 2017.

15. Other Noncurrent Assets

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Receivables from sale of real estate - net of current portion (see Note 8)	₱20,008,809	₱15,854,070
Bonds and deposits	19,936,117	9,518,290
Land use rights (see Note 10)	11,466,203	10,630,926
Time deposits (see Note 20)	4,020,600	3,800,809
Deferred input tax	1,477,512	1,399,343
Property and equipment - net of accumulated depreciation of ₱1,594 million and ₱1,547 million, respectively (see Notes 13 and 22)	1,469,848	1,493,427
Others	1,280,733	1,220,442
	₱59,659,822	₱43,917,307

Interest income earned from time deposits amounted to ₱15 million and ₱12 million for the three-month periods ended March 31, 2018 and 2017, respectively (see Note 23).

16. Loans Payable

This account consists of unsecured Philippine peso-denominated loans obtained from local banks amounting to ₱39 million and ₱744 million as at March 31, 2018 and December 31, 2017, respectively, with due dates of less than one year. These loans bear interest rates of 3.50% in 2018 and 3.00% to 3.50% in 2017.

Interest expense incurred from loans payable amounted to ₱8 million and ₱5 million for the three-month periods ended March 31, 2018 and 2017, respectively (see Note 23).

17. Accounts Payable and Other Current Liabilities

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Trade:		
Third parties	₱21,729,426	₱21,997,141
Related parties (see Note 20)	272,249	297,093
Tenants' and customers' deposits	27,577,228	26,584,557
Accrued operating expenses:		
Third parties	11,039,651	8,566,372
Related parties (see Note 20)	576,916	593,097
Liability for purchased land	6,655,529	6,423,989
Deferred output VAT	2,205,868	2,345,506
Accrued interest (see Note 20)	1,562,864	1,355,403
Payable to government agencies	836,538	1,001,818
Nontrade	657,748	603,048
Others	2,198,989	1,921,682
	75,313,006	71,689,706
Less noncurrent portion	21,391,659	20,605,624
	₱53,921,347	₱51,084,082

Accrued operating expenses - third parties consist of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	<i>(In Thousands)</i>	
Utilities	₱5,973,340	₱4,530,529
Marketing and advertising	708,954	606,729
Payable to contractors and others	4,357,357	3,429,114
	₱11,039,651	₱8,566,372

18. Long-term Debt

This account consists of:

	Availment Date	Maturity Date	Interest Rate	Condition	Outstanding Balance	
					March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
<i>(In Thousands)</i>						
Parent Company						
Philippine peso-denominated loans	January 12, 2012 – March 1, 2018	March 1, 2020 - July 26, 2026	Floating PDST-R2 + margin; 4.20% – 6.74%	Unsecured	₱112,851,300	92,923,000
U.S. dollar-denominated loans	February 14, 2013 - September 3, 2013	January 29, 2018 – March 25, 2018	LIBOR + spread; semi-annual	Unsecured	–	₱19,972,000
Subsidiaries						
Philippine peso-denominated loans	June 3, 2013 - March 26, 2018	December 18, 2018 – September 11, 2024	Floating PDST-R2 + margin; 3.84% – 6.38%	Unsecured	50,059,639	43,054,253
U.S. dollar-denominated loans	April 23, 2014 - October 16, 2017	April 14, 2019 - June 30, 2022	LIBOR + spread; semi-annual	Unsecured	36,471,956	34,415,944
China yuan renminbi-denominated loans	July 28, 2015 – October 16, 2017	December 31, 2019 – October 16, 2022	CBC rate less 10%; quarterly	Secured*	3,725,770	3,445,302
					203,108,665	193,810,499
Less debt issue cost					1,156,499	956,980
					201,952,166	192,853,519
Less current portion					5,373,011	25,344,035
					₱196,579,155	₱167,509,484

LIBOR – London Interbank Offered Rate

PDST-R2 – Philippine Treasury Reference Rates – PM

CBC – Central Bank of China

**Secured by portions of investment properties located in China.*

Debt issue cost pertaining to the loan availments amounted to ₱269 million. Amortization of debt issue cost (included under “Others - net” in the interim consolidated statements of income) for the three-month periods ended March 31, 2018 and 2017 amounted to ₱93 million.

The loan agreements of the Company provide certain restrictions and requirements principally with respect to maintenance of required financial ratios (i.e., current ratio of not less than 1.00:1.00, debt to equity ratio of not more than 0.70:0.30 to 0.75:0.25 and interest coverage ratio of not less than 2.50:1.00) and material change in ownership or control. As at March 31, 2018 and December 31, 2017, the Company is in compliance with the terms of its loan covenants.

Repayment Schedule

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

	Gross Loan	Debt Issue Cost	Net
	<i>(In Thousands)</i>		
Within 1 year	₱5,373,011	(₱140,258)	₱5,232,753
More than 1 year to 5 years	118,013,054	(812,991)	117,200,063
More than 5 years	79,722,600	(203,250)	79,519,350
	<u>₱203,108,665</u>	<u>(₱1,156,499)</u>	<u>₱201,952,166</u>

Interest expense incurred from long-term debt amounted to ₱1,617 million and ₱1,239 million for the three-month periods ended March 31, 2018 and 2017, respectively (see Note 23).

19. Equity

Capital Stock

As at March 31, 2018 and December 31, 2017, the Company has an authorized capital stock of 40,000 million with a par value of ₱1 a share, of which 33,166 million shares were issued.

As at March 31, 2018 and December 31, 2017, the Company has 28,853 million and 28,838 million outstanding shares, respectively.

Retained Earnings

In 2017, the BOD approved the declaration of cash dividend of ₱0.26 per share or ₱7,509 million to stockholders of record as of May 12, 2017, ₱12 million of which was received by SMDC. This was paid on May 25, 2017.

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

As at March 31, 2018 and December 31, 2017, 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.

The retained earnings account is restricted for the payment of dividends to the extent of ₱66,625 million and ₱65,156 million as at March 31, 2018 and December 31, 2017, respectively, representing the cost of shares held in treasury amounting to ₱3,039 million and ₱3,287 million as at

March 31, 2018 and December 31, 2017, respectively and accumulated equity in net earnings of SMPH subsidiaries, associates and joint ventures totaling ₱63,586 million and ₱61,869 million as at March 31, 2018 and December 31, 2017, 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, stated at acquisition cost of ₱3,039 million and ₱3,287 million as at March 31, 2018 and December 31, 2017, respectively. The movement of the treasury stock of the Company are as follows:

	March 31, 2018 (Three Months) (Unaudited)	December 31, 2017 (One Year) (Audited)
	<i>(In Thousands)</i>	
Balance at beginning of year	4,328,486	4,332,692
Sale of treasury shares	(15,263)	(4,206)
Balance at end of year	4,313,223	4,328,486

20. Related Party Transactions

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

	Amount of Transactions		Outstanding Amount [Asset (Liability)]		Terms	Conditions
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)		
	<i>(In Thousands)</i>					
Ultimate Parent						
Rent income	₱11,286	₱19,765	₱-	₱-	Noninterest-bearing	Unsecured; not impaired
Rent receivable	-	-	5,315	5,844	Noninterest-bearing	Unsecured; not impaired
Service income	12,000	12,000	-	-	Noninterest-bearing	Unsecured; not impaired
Service fee receivable	-	-	4,497	4,497	Noninterest-bearing	Unsecured; not impaired
Rent expense	23,151	22,571	-	-	Noninterest-bearing	Unsecured
Accrued rent payable	-	-	(2,116)	(2,875)	Noninterest-bearing	Unsecured
Trade payable	487	-	(10,753)	(10,266)	Noninterest-bearing	Unsecured
AFS investments	-	-	133,977	144,643	Noninterest-bearing	Unsecured; not impaired
Banking and Retail Group						
Cash and cash equivalents	39,739,511	42,604,329	31,755,116	32,118,321	Interest bearing based on prevailing rates	Unsecured; not impaired
Investments held for trading	-	-	772,789	731,076	Noninterest-bearing	Unsecured; not impaired
Rent income	3,639,428	3,313,113	-	-	Noninterest-bearing	Unsecured; not impaired
Rent receivable	-	-	2,140,458	2,656,892	Noninterest-bearing	Unsecured; not impaired
Service income	6,573	8,960	-	-	Noninterest-bearing	Unsecured; not impaired
Management fee income	44	1,224	-	-	Noninterest-bearing	Unsecured; not impaired
Management fee receivable	-	-	20,404	23,933	Noninterest-bearing	Unsecured; not impaired
Deferred rent income	-	-	(18,548)	(23,548)	Noninterest bearing	Unsecured
Interest income	55,279	26,010	-	-	Interest-bearing	Unsecured; not impaired
Accrued interest receivable	-	-	58,611	51,829	Noninterest-bearing	Unsecured; not impaired
Time deposits	301,319	-	4,010,589	3,709,270	Interest-bearing	Unsecured
Loans payable and long-term debt	386	386	(907,953)	(907,953)	Interest-bearing	Combination of secured and unsecured

	Amount of Transactions		Outstanding Amount [Asset (Liability)]		Terms	Conditions
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)		
	<i>(In Thousands)</i>					
Interest expense	₱13,138	₱9,078	₱-	₱-	Interest-bearing; fixed and floating interest rates	Combination of secured and unsecured
Accrued interest payable	-	-	(2,666)	(518)	Noninterest-bearing	Unsecured
Rent expense	244	220	-	-	Noninterest-bearing	Unsecured
Trade payable	32,170	-	(132,442)	(100,272)	Noninterest-bearing	Unsecured
Management fee expense	591	715	-	-	Noninterest-bearing	Unsecured
Accrued management fee	-	-	(1,608)	(17,030)	Noninterest-bearing	Unsecured
AFS investments	-	-	16,716,436	18,740,177	Noninterest-bearing	Unsecured; not impaired
Cash in escrow	-	-	85,622	50,881	Interest bearing based on prevailing rates	Unsecured; not impaired
Dividend income	27,007	22,576	-	-	Noninterest-bearing	Unsecured
Other Related Parties						
Rent income	42,436	12,786	-	-	Noninterest-bearing	Unsecured; not impaired
Rent receivable	-	-	48,281	53,722	Noninterest-bearing	Unsecured; not impaired
Service income	13,704	7,954	-	-	Noninterest-bearing	Unsecured; not impaired
Management fee income	1,186	790	-	-	Noninterest-bearing	Unsecured; not impaired
Management fee receivable	-	-	13,154	7,939	Noninterest-bearing	Unsecured; not impaired
Rent expense	1,405	1,337	-	-	Noninterest-bearing	Unsecured; not impaired
Accrued expenses	-	-	(573,192)	(573,192)	Noninterest-bearing	Unsecured
Management fee expense	-	-	-	-	Noninterest-bearing	Unsecured; not impaired
Trade payable	-	388	(129,054)	(186,555)	Noninterest-bearing	Unsecured
AFS investments	-	-	2,728,903	2,853,947	Noninterest-bearing	Unsecured; not impaired
Dividend income	88,266	69,878	-	-	Noninterest-bearing	Unsecured

Due from related parties amounted to nil and ₱0.13 million as at March 31, 2018 and December 31, 2017, respectively, which are noninterest-bearing and are not impaired. Due to related parties amounted to nil million as at March 31, 2018 and December 31, 2017. The amount of transactions with related parties amounted to nil and ₱3.8 million for the three-month periods ended March 31, 2018 and 2017, respectively.

Compensation of Key Management Personnel

The aggregate compensation and benefits related to key management personnel for the three-month periods ended March 31, 2018 and 2017 consist of short-term employee benefits amounting to ₱240 million and ₱192 million, respectively, and post-employment benefits (pension benefits) amounting to ₱38 million and ₱30 million in both periods.

21. Other Revenue

This account consists of:

	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
	<i>(In Thousands)</i>	
Food and beverages	₱421,262	₱415,388
Amusement income	236,213	225,087
Net merchandise sales	183,740	184,321
Bowling and ice skating fees	57,004	53,355
Advertising and others (see Note 20)	458,865	404,242
	₱1,357,084	₱1,282,393

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

22. Costs and Expenses

This account consists of:

	March 31, 2018	March 31, 2017
	(Unaudited)	(Unaudited)
	<i>(In Thousands)</i>	
Cost of real estate sold (see Notes 9 and 10)	₱3,738,042	₱3,110,092
Administrative	2,398,786	2,101,447
Depreciation and amortization (see Notes 13 and 15)	2,291,213	2,141,191
Business taxes and licenses	1,127,119	1,054,528
Marketing and selling expenses	1,052,203	914,532
Film rentals	597,472	667,453
Rent (see Note 20)	413,562	403,806
Insurance	118,163	116,200
Others	525,992	431,939
	₱12,262,552	₱10,941,188

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

23. Interest Income and Interest Expense

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

	March 31, 2018	March 31, 2017
	(Unaudited)	(Unaudited)
	<i>(In Thousands)</i>	
Interest income on:		
Cash and cash equivalents (see Note 6)	₱265,209	₱109,764
Time deposits (see Note 15)	14,627	12,436
Investments held for trading (see Note 7)	-	4,563
Others (see Note 8)	16,069	17,321
	₱295,905	₱144,084
Interest expense on:		
Long-term debt (see Note 18)	₱1,617,295	₱1,238,850
Loans payable (see Note 16)	7,703	5,234
Others	3,871	5,890
	₱1,628,869	₱1,249,974

24. Financial Risk Management Objectives and Policies

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

The Company also enters into derivative transactions, principally, cross currency swaps, principal only swaps, interest rate swaps and forward swaps. The purpose is to manage the interest rate and foreign currency risks arising from the Company's operations and its sources of finance (see Note 25).

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

Interest Rate Risk

The Company's policy is to manage its interest rate risk related to its financial instruments with floating interest and/or fixed interest rates by using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, it enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to economically hedge underlying debt obligations. As at March 31, 2018 and December 31, 2017, after taking into account the effect of interest rate swaps, approximately 85% and 83%, respectively, of its long-term borrowings are at a fixed rate of interest.

Foreign Currency Risk

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

The Company's policy is to manage its foreign currency risk mainly from U.S. dollar-denominated debt issuances by entering 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\$42 million (₱2,180 million) as at March 31, 2018 and US\$97 million (₱4,864 million) as at December 31, 2017. The Company's foreign currency-denominated monetary liabilities amounted to US\$100 million (₱628 million) as at March 31, 2018, and US\$300 million (₱1,954 million) as at December 31, 2017.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rates used were ¥6.28 to US\$1.00 and ¥6.51 to US\$1.00, the China Yuan Renminbi to U.S. dollar exchange rate as at March 31, 2018 and December 31, 2017, respectively and ₱52.16 to US\$1.00 and ₱49.93 to US\$1.00, the Philippine peso to U.S. dollar exchange rate as at March 31, 2018 and December 31, 2017, respectively.

Liquidity Risk

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

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

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

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 its equity price risk pertaining to its investments in quoted equity securities which are classified as AFS investments in the interim consolidated balance sheets based on market expectations. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.

Capital Management

Capital includes equity attributable to the owners of the Parent.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

25. Financial Instruments

Fair Values

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities, by category and by class, other than those whose carrying values are reasonable approximations of fair values:

	March 31, 2018 (Unaudited)		December 31, 2017 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	<i>(In Thousands)</i>			
Financial Assets				
Financial assets at FVPL:				
Investments held for trading	₱772,789	₱772,789	₱731,076	₱731,076
Derivative assets	545,938	545,938	3,546,694	3,546,694
	1,318,727	1,318,727	4,277,770	4,277,770
Loans and receivables:				
Noncurrent portion of receivables from sale of real estate	20,008,809	18,722,388	15,854,070	14,478,480
Time deposits (included under "Other noncurrent assets")	4,020,600	3,935,605	3,800,809	3,699,811
AFS Investments -				
Shares of stocks	28,379,469	28,379,469	31,106,145	31,106,145
	₱53,727,605	₱52,356,189	₱55,038,794	₱53,562,206
Financial Liabilities				
Financial Liabilities at FVPL -				
Derivative liabilities	₱1,726,262	₱1,726,262	₱777,408	₱777,408
Other financial liabilities:				
Liability for purchased land - net of current portion	2,214,503	2,163,215	₱2,170,998	₱2,107,453
Long-term debt - net of current portion	196,579,155	189,928,046	167,509,484	166,129,172
Tenants' and customers' deposits	17,149,736	16,764,087	16,376,024	15,906,569
Other noncurrent liabilities*	5,701,775	5,600,842	5,126,222	4,912,244
	221,645,169	214,456,190	191,182,728	189,055,438
	₱223,371,431	₱216,182,452	₱191,960,136	₱189,832,846

*Excluding nonfinancial liabilities amounting to ₱2,614 million and ₱2,498 million as at March 31, 2018 and December 31, 2017, respectively.

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

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

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

Noncurrent Portion of Receivable from Sale of Real Estate. The estimated fair value of the noncurrent portion of receivables from real estate buyers is based on the discounted value of future cash flows using the prevailing interest rates on sales of the Company's accounts receivable. Average discount rates used is 4.39% and 4.72% as at March 31, 2018 and December 31, 2017, 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:

<u>Debt Type</u>	<u>Fair Value Assumptions</u>
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 3.77% to 7.72% and 3.14% to 6.86% as at March 31, 2018 and December 31, 2017, 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 3.38% to 6.66% and 3.38% to 6.37% as at March 31, 2018 and December 31, 2017, 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 4.09% to 5.23% and 4.47% to 4.97% as at March 31, 2018 and December 31, 2017, respectively.

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

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

Fair Value Hierarchy

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

- Level 1: Quoted prices in active markets for identical assets or liabilities, except for related embedded derivatives which are either classified as Level 2 or 3;
- Level 2: Those measured using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and,
- Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	March 31, 2018 (Unaudited)		
	Level 1	Level 2	Level 3
	<i>(In Thousands)</i>		
Financial Assets			
Financial assets at FVPL:			
Investments held-for-trading:			
Shares	₱772,789	₱-	₱-
Derivative assets	-	545,938	-
	772,789	545,938	-
Loans and receivables:			
Noncurrent portion of receivables from sale of real estate	-	-	18,722,388
Time deposits (included under "Other noncurrent assets")	-	3,935,605	-
AFS Investments -			
Shares of stocks	28,364,588	-	14,881
	₱29,137,377	₱4,481,543	₱18,737,269

	March 31, 2018 (Unaudited)		
	Level 1	Level 2	Level 3
	<i>(In Thousands)</i>		
Financial Liabilities			
Financial liabilities at FVPL -			
Derivative liabilities	₱-	₱1,726,262	₱-
Other financial liabilities:			
Liability for purchased land - net of current portion	-	-	2,163,215
Long-term debt - net of current portion	-	-	189,928,046
Tenants' and customers' deposits	-	-	16,764,087
Other noncurrent liabilities*	-	-	5,600,842
	-	-	214,456,190
	₱-	₱1,726,262	₱214,456,190

*Excluding nonfinancial liabilities amounting to ₱2,614 million as at March 31, 2018.

	December 31, 2017 (Audited)		
	Level 1	Level 2	Level 3
	<i>(In Thousands)</i>		
Financial Assets			
Financial assets at FVPL:			
Investments held-for-trading:			
Shares	₱731,076	₱-	₱-
Derivative assets	-	3,546,694	-
	731,076	3,546,694	-
Loans and receivables:			
Noncurrent portion of receivables from sale of real estate	-	-	14,478,480
Time deposits (included under "Other noncurrent assets")	-	3,699,811	-
AFS Investments -			
Shares of stocks	31,090,564	-	15,581
	₱31,821,640	₱7,246,505	₱14,494,061

	December 31, 2017 (Audited)		
	Level 1	Level 2	Level 3
	<i>(In Thousands)</i>		
Financial Liabilities			
Financial liabilities at FVPL -			
Derivative liabilities	P-	P777,408	P-
Other financial liabilities:			
Liability for purchased land - net of current portion	P-	P-	P2,107,453
Long-term debt - net of current portion	-	-	166,129,172
Tenants' and customers' deposits	-	-	15,906,569
Other noncurrent liabilities*	-	-	4,912,244
	-	-	189,055,438
	P-	P777,408	P189,055,438

*Excluding nonfinancial liabilities amounting to P2,498 million as at December 31, 2017.

During the periods ended March 31, 2018 and December 31, 2017, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Derivative Financial Instruments Accounted for as Cash Flow Hedges

Cross Currency Swaps. In 2017, SM Land (China) Limited 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 loans (the hedged loans) obtained on May 8, 2017 (see Note 18).

Details of the floating-to-fixed cross-currency swaps are as follows:

- Swap the face amount of the loans at US\$ for their agreed China renminbi equivalents (¥672 million for US\$100 million) with the counterparty banks and to exchange, at maturity date, the principal amount originally swapped.
- Pay fixed interest at the China renminbi notional amount and receives floating interest on the US\$ notional amount, on a quarterly basis, simultaneous with the interest payments on the hedged loans at an interest rates ranging from 4.95% to 5.43%.

The outstanding cross-currency swaps has a negative fair value of P466 million.

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

Details of the floating-to-fixed cross-currency swaps are as follows:

- Swap the face amount of the loans at US\$ for their agreed Philippine peso equivalents (P8,134 million for US\$200 million on January 29, 2018 and P6,165 million for US\$150 million on March 23, 2018) with the counterparty banks and to exchange, at maturity date, the principal amount originally swapped.
- Pay fixed interest at the Philippine peso notional amount and receives floating interest on the US\$ notional amount, on a semi-annual basis, simultaneous with the interest payments on the hedged loans.

Principal only Swaps. In 2016 and 2017, SM Land (China) Limited entered into principal only swap transactions to hedge the foreign currency exposures amounting to \$420 million of five-year term syndicated loans and advances obtained on January 11, 2016 to March 22, 2016 and January 11-17, 2017 (see Note 18). Under the principal only swap, it effectively converted the hedged US dollar-denominated loans and advances into China renminbi-denominated loans.

As at March 31, 2018, SM Land (China) Limited's outstanding principal only swaps have notional amounts totaling US\$270 million which were fixed to US\$:¥ exchange rates ranging from 6.458 to 6.889 and will mature on January 29, 2021. The outstanding principal swaps has a negative fair value of ₱1,203 million.

Interest Rate Swaps. In 2017 and 2016, SM Land (China) Limited entered into US\$ interest rate swap agreement with notional amount of US\$150 million and US\$270 million, respectively. Under the agreement, SM Land (China) Limited effectively converts the floating rate U.S. dollar-denominated loan into fixed rate loan (see Note 18). Fair value of the outstanding interest rate swaps amounted to ₱546 million.

As the terms of the swaps have been negotiated to match the terms of the hedged loans, the hedges were assessed to be highly effective. No ineffectiveness was recognized in the consolidated statement of income for the period ended March 31, 2018.

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, principal only swaps and interest rate swaps amounting to ₱1,123 million loss and ₱2,769 million gain as at March 31, 2018 and December 31, 2017, respectively, was taken to equity under other comprehensive income. No ineffectiveness was recognized in the interim consolidated statements of income for the three-month periods ended March 31, 2018 and 2017. Foreign currency translation arising from the hedged loan recognized in the interim consolidated statements of income amounted to ₱3,964 million gain and ₱4 million loss for the three-month periods ended March 31, 2018 and 2017, respectively. Foreign exchange loss equivalent to the same amounts were recycled from equity to the interim consolidated statements of income during the same period.

Derivative Financial Instruments Accounted for as Fair Value Hedge

Forward Swaps. In 2018, SM Land (China) Limited entered into forward swap transactions to cap the foreign currency exposures on its U.S. dollar-denominated three-year term syndicated loans (the hedged loans) obtained on March 14, 2018 to March 26, 2018 (see Note 18).

As at March 31, 2018, SM Land (China) Limited's outstanding forward swaps consist of US\$100 million with low strike 6.3135 and high strike 6.4850 and US\$100 million with low strike 6.2885 and high strike 6.4955, both maturing at April 15, 2019. Fair value changes from the forward swaps recognized in the consolidated statements of income amounted to ₱56 million loss.

26. EPS Computation

Basic/diluted EPS is computed as follows:

	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
	<i>(In Thousands, Except Per Share Data)</i>	
Net income attributable to equity holders of the parent (a)	₱7,597,409	₱6,595,093
Common shares issued	33,166,300	33,166,300
Less weighted average number of treasury stock	4,315,044	4,332,692
Weighted average number of common shares outstanding (b)	28,851,256	28,833,608
Earnings per share (a/b)	₱0.263	₱0.229

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
FINANCIAL RATIOS - KEY PERFORMANCE INDICATORS
AS OF MARCH 31, 2018 and 2017

	March 31, 2018	March 31, 2017
i. Current ratio		
$\frac{\text{Total current assets}}{\text{Total current liabilities}}$	2.07	1.29
Acid - Test Ratio		
$\frac{\text{Total current assets less inventory and prepaid expenses}}{\text{Total current liabilities}}$	1.27	0.74
ii. Debt-to-equity ratio		
$\frac{\text{Total interest-bearing liabilities}}{\text{Total equity attributable to equity holders of the parent} + \text{Total interest-bearing liabilities}}$	43:57	41:59
Net debt-to-equity ratio		
$\frac{\text{Total interest-bearing liabilities less cash and cash equivalents and investment securities}}{\text{Total equity attributable to equity holders of the parent} + \text{Total interest-bearing liabilities less cash and cash equivalents and investment securities}}$	37:63	37:63
Solvency Ratio		
$\frac{\text{Total assets}}{\text{Total liabilities}}$	1.92	2.00
iii. Asset to equity ratio		
$\frac{\text{Total assets}}{\text{Total equity attributable to equity holders of the parent}}$	2.11	2.03
<i>(Annualized)</i>		
iv. Interest Service Coverage		
$\frac{\text{Earnings before interest, income taxes, depreciation and amortization (EBITDA)}}{\text{Interest expense}}$	8.12	9.25
Debt to EBITDA		
$\frac{\text{Total interest-bearing liabilities}}{\text{EBITDA}}$	3.82	3.69
v. Return on equity		
$\frac{\text{Net income attributable to equity holders of the parent}}{\text{Total average equity attributable to equity holders of the parent}}$	12%	11%
Return on investment properties		
$\frac{\text{Net income attributable to equity holders of the parent}}{\text{Total average investment properties (excluding shopping mall complex under construction)}}$	13%	12%

SM Prime Holdings, Inc. and Subsidiaries
Aging of Accounts Receivables
As at March 31, 2018
(Amounts in Thousands)

Trade:	
Sale of real estate	₱42,587,412
Rent:	
Third parties	4,969,406
Related parties	2,194,054
Others	106,581
Receivable from a co-investor	310,440
Accrued interest	135,041
Nontrade	123,864
Others	1,895,053
	52,321,851
Less allowance for impairment	1,084,576
	51,237,275
Less noncurrent portion of receivables from sale of real estate	20,008,809
	₱31,228,466

The aging analyses of receivables follows:

Neither past due nor impaired	₱44,670,197
Past due but not impaired:	
Less than 30 days	2,048,791
31–90 days	1,621,855
91–120 days	790,164
Over 120 days	2,106,268
Impaired	1,084,576
	₱52,321,851

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

SM Prime's Net Income up 15% in 1Q 2018 to P7.60 billion

Financial and Operational Highlights

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

	Three months ended Mar 31				
	2018	% to Revenues	2017	% to Revenues	% Change
Profit & Loss Data					
Revenues	23,355	100%	20,508	100%	14%
Costs and expenses	12,263	53%	10,941	53%	12%
Operating Income	11,093	47%	9,567	47%	16%
Net Income	7,597	33%	6,595	32%	15%
EBITDA	13,234	57%	11,558	56%	15%
	Mar 31 2018	% to Total Assets	Dec 31 2017	% to Total Assets	% Change
Balance Sheet Data					
Total Assets	558,945	100%	538,418	100%	4%
Investment Properties	280,764	50%	273,084	51%	3%
Total Debt	201,992	36%	193,598	36%	4%
Net Debt	155,660	28%	148,495	28%	5%
Total Equity	265,137	47%	258,957	48%	2%
Financial Ratios					
	Mar 31 2018	Dec 31 2017			
Debt to Equity	0.43 : 0.57	0.43 : 0.57			
Net Debt to Equity	0.37 : 0.63	0.36 : 0.64			
	Mar 31 2018	Mar 31 2017			
Return on Equity	0.12	0.11			
Debt to EBITDA	3.82	3.69			
Interest Coverage Ratio	8.12	9.25			
Operating Income to Revenues	0.47	0.47			
EBITDA Margin	0.57	0.56			
Net Income to Revenues	0.33	0.32			

Revenue

SM Prime recorded consolidated revenues of ₱23.36 billion for the first three months of 2018, an increase of 14% from ₱20.51 billion in the same period in 2017, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱13.50 billion in 2018, an increase of 12% from ₱12.07 billion in 2017. The increase in rental revenue was primarily due to the new malls opened in 2016 and 2017, namely, SM City San Jose Del Monte, SM City Trece Martires, SM Cherry Congressional, SM City East Ortigas, SM CDO Downtown Premier, S Maison, SM Cherry Antipolo, SM City Puerto Princesa, SM Center Tuguegarao Downtown, SM Center Pulilan and SM Center Lemery with a total gross floor area of 0.67 million square meters. Out of the total rental revenues, 88% is contributed by the malls and the rest from office and hotels and convention centers. Excluding the new malls, same-store rental growth is at 7%. Room rentals from hotels and convention centers likewise increased by 12% from ₱0.69 billion in 2017 to ₱0.77 billion in 2018 due to improvement in occupancy rates and average room rates of the hotels and convention centers.

Real Estate Sales

SM Prime recorded a 25% increase in real estate sales in 2018 from ₱5.92 billion to ₱7.38 billion primarily due to higher construction accomplishments of projects launched in 2015 to 2017 namely Shore 2, Fame, South, Spring and S Residences and continued increase in sales take-up of Ready-for-Occupancy (RFO) projects due to strong demand fueled by foreign Chinese buyers, Overseas Filipino Workers' remittances, and rising disposable income of the emerging middle class. 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 decreased to ₱1.12 billion in 2018 from ₱1.23 billion in 2017 due to less than stellar international blockbuster movies shown in 2018 compared to 2017. The major blockbusters screened in 2018 include "Black Panther", "The Revenger Squad", "Jumanji: Welcome to the Jungle", "Insidious: The Last Key" and "Pitch Perfect 3". The major blockbusters screened in 2017 were "Beauty and the Beast", "My Ex and Whys", "Logan", "Kung Fu Yoga" and "Kong: Skull Island". Both accounted for 49% of gross ticket sales.

Other Revenues

Other revenues increased by 6% to ₱1.36 billion in 2018 from ₱1.28 billion in 2017. The increase was mainly due to higher income from amusement rides, improvements in bowling and ice skating operations and commissions from sale of event tickets. This account includes amusement income from rides, bowling and ice skating operations, sponsorships, commissions, merchandise sales from snackbars and sale of food and beverages in hotels.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱12.26 billion in 2018, an increase of 12% from ₱10.94 billion in the same period in 2017, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate increased by 20% to ₱3.74 billion in 2018 from ₱3.11 billion in 2017 primarily due to costs related to higher recognized real estate sales offset by result of improving cost efficiencies, tighter monitoring and control of construction costs hence, leading to improved gross profit margin on real estate sales from 48% in 2017 to 49% in 2018.

Operating Expenses

SM Prime's consolidated operating expenses increased by 9% to ₱8.52 billion in 2018 compared to last year's ₱7.83 billion due to new mall openings. Same-store mall growth in operating expenses decreased by 2%. Out of the total operating expenses, 71% is contributed by the malls. Operating expenses include depreciation and amortization, taxes and licenses, marketing and selling expenses, utilities and manpower, including agency costs.

Other Income (Charges)

Interest Expense

SM Prime's consolidated interest expense increased by 30% to ₱1.63 billion in 2018 compared to ₱1.25 billion in 2017 due to the series of retail bonds issued in March 2018 and May 2017 amounting to ₱20 billion each and new bank loans availed for working capital and capital expenditure requirements, net of the capitalized interest on proceeds spent for construction and development of investment properties.

Interest and Dividend Income

Interest and dividend income increased by 58% to ₱0.44 billion in 2018 from ₱0.28 billion in 2017. This account is mainly composed of interest and dividend income received from cash and cash equivalents, investments held for trading and AFS investments. The increase in interest income is due to higher average balance of cash and cash equivalents in 2018 as compared to last year. The increase in dividend income is due to higher dividends received in 2018 on available-for-sale investments compared to last year.

Other income (charges) - net

Other income – net decreased to ₱0.02 billion in 2018 from ₱0.09 billion in 2017 due to mark-to-market losses on forward swap transactions and other incidental costs related to mall projects.

Provision for income tax

SM Prime's consolidated provision for income tax increased by 12% to ₱2.18 billion in 2018 from ₱1.94 billion in 2017.

Net income

SM Prime's consolidated net income for the three months ended March 31, 2018 increased by 15% to ₱7.60 billion as compared to ₱6.60 billion in the same period last year.

Balance Sheet Accounts

SM Prime's total assets amounted to ₱558.95 billion as of March 31, 2018, an increase of 4% from ₱538.42 billion as of December 31, 2017.

Cash and cash equivalents increased by 3% from ₱44.37 billion to ₱45.56 billion as of December 31, 2017 and March 31, 2018, respectively, mainly due to increase in the Company's cash flows from operations, net of payments for capital expenditure projects during the period.

Investments held for trading increased by 6% from ₱731 million to ₱773 million as of December 31, 2017 and March 31, 2018, respectively, mainly due to fair value changes of the listed shares.

Receivables decreased by 9% from ₱34.28 billion to ₱31.23 billion as of December 31, 2017 and March 31, 2018, respectively, due to collections from recently completed projects and collections of rent receivables.

Land and development increased by 5% from ₱58.67 billion to ₱61.87 billion as of December 31, 2017 and March 31, 2018, respectively, due to landbanking and construction accomplishments for the period, net of cost of sold units and transfers of RFO units to condominium and residential units for sale.

Prepaid expenses and other current assets increased by 9% from ₱14.30 billion to ₱15.63 billion as of December 31, 2017 and March 31, 2018, respectively, due to deposits and advances to contractors related to construction projects and various prepayments.

AFS investments decreased by 9% from ₱31.11 billion to ₱28.38 billion as of December 31, 2017 and March 31, 2018, respectively, due to changes in fair values under this portfolio.

Derivative assets decreased by 85% from ₱3.55 billion to ₱0.55 billion as of December 31, 2017 and March 31, 2018, respectively, mainly resulting from the maturity of the \$350 million cross currency swap transaction. While the increase in derivative liabilities mainly resulted from the net fair value changes on the principal only swap transaction, cross currency swap transaction and forward swap transaction entered into in 2016 to 2018.

Other noncurrent assets, which includes the noncurrent portion of receivables from sale of real estate, increased by 36% from ₱43.92 billion to ₱59.66 billion as of December 31, 2017 and March 31, 2018, due to additional bonds and deposits for real estate acquisitions, construction accomplishments of sold units as well as new sales for the period.

Loans payable decreased by 95% from ₱0.74 billion to ₱0.04 billion as of December 31, 2017 and March 31, 2018, respectively, due to payment of maturing loans.

Accounts payable and other current liabilities increased by 6% from ₱51.08 billion to ₱53.92 billion as of December 31, 2017 and March 31, 2018, respectively, mainly due to payables to contractors and suppliers related to ongoing projects and other accrued payables related to construction and operating expenses.

Long-term debt increased by 5% from ₱192.85 billion to ₱201.95 billion as of December 31, 2017 and March 31, 2018, respectively, mainly due to the issuance of ₱20.00 billion retail bonds in March 2018 to fund capital expenditures requirements, net of payment of maturing loans.

Tenants' and customers' deposits increased by 5% from ₱16.38 billion to ₱17.15 billion as of December 31, 2017 and March 31, 2018, respectively, mainly due to the new malls and increase in customers' deposits from residential buyers.

Deferred tax liabilities increased by 6% from ₱2.88 billion to ₱3.05 billion as of December 31, 2017 and March 31, 2018, respectively, mainly due to unrealized gross profit on sale of real estate for tax purposes. Other noncurrent liabilities increased by 9% from ₱7.62 billion to ₱8.32 billion as of December 31, 2017 and March 31, 2018, respectively, due to increase in retention payable.

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

Interest-bearing debt to equity is steady at 0.43:0.57 as of March 31, 2018 and December 31, 2017 while net interest-bearing debt to equity slightly increased to 0.37:0.63 as of March 31, 2018 from 0.36:0.64 as of December 31, 2017 due to additional borrowings, net of payments, for capital expenditure and working capital requirements.

ROE increased to 12% as of March 31, 2018 from 11% as of March 31, 2017.

Debt to EBITDA increased to 3.82:1 as of March 31, 2018 from 3.69:1 as of March 31, 2017 due to issuance of bonds in May 2017 and March 2018. Interest coverage ratio decreased to 8.12:1 as of March 31, 2018 from 9.25:1 as of March 31, 2017 as a result of increase in interest expense from additional borrowings. EBITDA margin slightly improved to 57% as of March 31, 2018 from 56% as of March 31, 2017.

Consolidated operating income to revenues remains steady at 47% as of March 31, 2018 and 2017. Consolidated net income to revenues improved to 33% as of March 31, 2018 from 32% as of March 31, 2017.

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.

As at March 31, 2018 and December 31, 2017, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to P42,200 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 2018, the Company expects to incur capital expenditures of approximately ₱80 billion. This will be funded with internally generated funds and external borrowings.

SM Prime's malls business unit has sixty-eight shopping malls in the Philippines with 8.0 million square meters of gross floor area and seven shopping malls in China with 1.3 million square meters of gross floor area. For the rest of 2018, SM Prime is slated to open four new malls in the Philippines. The malls business unit will have seventy-two malls in the Philippines and seven malls in China with an estimated combined gross floor area of 9.6 million square meters, by the end of 2018.

SM Prime currently has thirty-nine residential projects in the market, thirty-two of which are in Metro Manila and seven are outside Metro Manila. For 2018, SM Prime is scheduled to launch between 12,000 to 15,000 residential units that includes high-rise buildings, mid-rise buildings and single detached house and lot projects. These projects will be located in Metro Manila and other key cities in the provinces.

SM Prime's Commercial Properties Group has eight office buildings with a combined gross floor area of 464,000 square meters. Three E-Com and Four E-Com Centers are currently under construction with an estimated gross floor area of 320,000 square meters and scheduled for completion within 2018 and 2020, respectively.

SM Prime's hotels and convention centers business unit currently has a portfolio of six hotels with over 1,500 rooms, four convention centers and three trade halls. SM Prime is set to expand Park Inn - Clark in Pampanga this year.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SM PRIME HOLDINGS, INC.
Registrant

Date: May 7, 2018


JOHN NAI PENG C. ONG
Chief Finance Officer