COVER SHEET

SEC Registration Number

AS094-000088

Company Name

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
2,508		March 31

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2015**

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

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

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

6. (SEC Use Only)
Industry Classification Code:

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

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

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

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

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

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

12. Indicate by check mark whether the registrant:

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

Yes [**X**] No [ ]

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

SM Prime Holdings, Inc. and Subsidiaries

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

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEET

MARCH 31, 2015

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

(Amounts in Thousands)

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 19, 24 and 25)	**₱44,101,608**	₱35,245,206
Investments held for trading (Notes 6, 19, 24 and 25)	**960,044**	967,511
Receivables (Notes 7, 14, 19, 24 and 25)	**33,681,668**	30,686,968
Condominium and residential units for sale (Note 8)	**9,419,716**	7,578,885
Land and development - current portion (Note 9)	**16,439,015**	19,571,526
Available-for-sale investments (Notes 10, 19, 24 and 25)	**675,472**	676,755
Prepaid expenses and other current assets (Notes 11, 19, 24 and 25)	**10,309,554**	11,269,530
Total Current Assets	**115,587,077**	105,996,381
Noncurrent Assets		
Available-for-sale investments - net of current portion (Notes 10, 19, 24 and 25)	**22,935,140**	28,994,983
Property and equipment - net (Note 12)	**2,067,323**	2,258,387
Investment properties - net (Note 13)	**209,033,231**	202,180,666
Land and development - net of current portion (Note 9)	**23,717,376**	22,886,306
Derivative assets (Notes 24 and 25)	**1,660,890**	1,632,814
Deferred tax assets - net (Note 22)	**685,829**	650,153
Other noncurrent assets (Notes 14, 19, 24 and 25)	**26,716,107**	24,240,469
Total Noncurrent Assets	**286,815,896**	282,843,778
	₱402,402,973	₱388,840,159
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Notes 15, 19, 24 and 25)	**₱1,670,000**	₱2,670,000
Accounts payable and other current liabilities (Notes 16, 19, 24 and 25)	**39,045,510**	36,378,819
Current portion of long-term debt (Notes 17, 19, 24 and 25)	**26,826,080**	11,006,880
Income tax payable	**1,626,406**	743,506
Total Current Liabilities	**69,167,996**	50,799,205
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 17, 19, 24 and 25)	**103,577,884**	115,606,147
Tenants' deposits (Notes 23, 24 and 25)	**13,266,715**	13,251,526
Liability for purchased land - net of current portion (Notes 16, 24 and 25)	**1,029,764**	1,170,855
Deferred tax liabilities - net (Note 22)	**1,877,408**	1,934,174
Derivative liabilities (Notes 24 and 25)	**21,141**	58,705
Other noncurrent liabilities (Notes 19, 24 and 25)	**4,793,286**	3,781,344
Total Noncurrent Liabilities	**124,566,198**	135,802,751
Total Liabilities (Carried Forward)	**193,734,194**	186,601,956

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Total Liabilities (Brought Forward)	**₱193,734,194**	₱186,601,956
Equity Attributable to Equity Holders of the Parent		
Capital stock (Notes 18 and 26)	**33,166,300**	33,166,300
Additional paid-in capital - net	**39,302,194**	39,302,194
Cumulative translation adjustment	**842,578**	840,430
Net unrealized gain on available-for-sale investments (Note 10)	**19,899,363**	25,905,440
Net fair value changes on cash flow hedges (Note 25)	**298,695**	249,332
Remeasurement loss on defined benefit obligation	**(141,524)**	(141,524)
Retained earnings (Note 18):		
Appropriated	**42,200,000**	42,200,000
Unappropriated	**73,552,388**	60,921,048
Treasury stock (Notes 18 and 26)	**(3,355,530)**	(3,355,530)
Total Equity Attributable to Equity Holders of the Parent	**205,764,464**	199,087,690
Non-controlling Interests (Note 18)	**2,904,315**	3,150,513
Total Equity	**208,668,779**	202,238,203
	₱402,402,973	₱388,840,159

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

	For the Three Months Ended March 31	
	2015	2014
REVENUE		
Rent (Notes 19 and 23)	**₱9,439,875**	₱8,555,730
Sales:		
Real estate	**5,354,725**	5,016,368
Cinema ticket	**979,048**	1,064,191
Others (Note 19)	**876,651**	665,402
	16,650,299	15,301,691
COSTS AND EXPENSES (Note 20)	**9,174,830**	8,774,031
INCOME FROM OPERATIONS	**7,475,469**	6,527,660
OTHER INCOME (CHARGES)		
Gain on sale of available-for-sale investments (Note 10)	**7,410,301**	–
Interest expense (Notes 19, 21, 24 and 25)	**(1,087,982)**	(852,741)
Interest and dividend income (Notes 10, 19 and 21)	**337,089**	149,407
Others - net (Notes 6, 14, 17, 19 and 25)	**(15,696)**	67,354
	6,643,712	(635,980)
INCOME BEFORE INCOME TAX	**14,119,181**	5,891,680
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 22)		
Current	**1,482,864**	1,173,770
Deferred	**(136,205)**	24,165
	1,346,659	1,197,935
NET INCOME	**₱12,772,522**	₱4,693,745
Attributable to		
Equity holders of the Parent (Notes 18 and 26)	**₱12,631,340**	₱4,578,451
Non-controlling interests (Note 18)	**141,182**	115,294
	₱12,772,522	₱4,693,745
Basic/Diluted earnings per share (Note 26)	**₱0.438**	₱0.165

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	For the Three Months Ended March 31	
	2015	2014
NET INCOME	**₱12,772,522**	₱4,693,745
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income transferred to profit or loss:		
Realized gain from sale of available-for-sale investments (Note 10)	**(7,410,301)**	–
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Unrealized gain due to changes in fair value in available-for-sale investments (Note 10)	**1,404,224**	2,860,244
Net fair value changes on cash flow hedges (Note 25)	**49,363**	120,414
Cumulative translation adjustment	**2,148**	(124,839)
	(5,954,566)	2,855,819
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods - Remeasurement loss on defined benefit obligation	–	(6,444)
TOTAL COMPREHENSIVE INCOME	**₱6,817,956**	₱7,543,120
Attributable to		
Equity holders of the Parent (Notes 18 and 26)	**₱6,676,774**	₱7,428,493
Non-controlling interests (Note 18)	**141,182**	114,627
	₱6,817,956	₱7,543,120

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent (Notes 18 and 26)											
	Capital Stock (Notes 18 and 26)	**Additional Paid-in Capital - Net**	**Cumulative Translation Adjustment**	**Net Unrealized Gain on Available-for-Sale Investments** (Note 10)	**Remeasurement Gain (Loss) on Defined Benefit Obligation**	**Net Fair Value Changes on Cash Flow Hedges** (Note 25)	**Retained Earnings** (Note 18) **Appropriated**	**Retained Earnings** (Note 18) **Unappropriated**	**Treasury Stock** (Notes 18 and 26)	**Total**	**Non-controlling Interests** (Note 18)	**Total Equity**
At January 1, 2015	**₱33,166,300**	**₱39,302,194**	**₱840,430**	**₱25,905,440**	**(₱141,524)**	**₱249,332**	**₱42,200,000**	**₱60,921,048**	**(₱3,355,530)**	**₱199,087,690**	**₱3,150,513**	**₱202,238,203**
Net income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12,631,340**	**–**	**12,631,340**	**141,182**	**12,772,522**
Other comprehensive income (loss)	**–**	**–**	**2,148**	**(6,006,077)**	**–**	**49,363**	**–**	**–**	**–**	**(5,954,566)**	**–**	**(5,954,566)**
Total comprehensive income (loss) for the period	**–**	**–**	**2,148**	**(6,006,077)**	**–**	**49,363**	**–**	**12,631,340**	**–**	**6,676,774**	**141,182**	**6,817,956**
Cash dividends received by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(387,380)**	**(387,380)**
At March 31, 2015	**₱33,166,300**	**₱39,302,194**	**₱842,578**	**₱19,899,363**	**(₱141,524)**	**₱298,695**	**₱42,200,000**	**₱73,552,388**	**(₱3,355,530)**	**₱205,764,464**	**₱2,904,315**	**₱208,668,779**
At January 1, 2014	₱33,166,300	₱22,303,436	₱1,381,268	₱19,958,330	₱771	₱429,149	₱42,200,000	₱47,807,664	(₱3,980,378)	₱163,266,540	₱2,954,985	₱166,221,525
Net income for the period	–	–	–	–	–	–	–	4,578,451	–	4,578,451	115,294	4,693,745
Other comprehensive income (loss)	–	–	(124,839)	2,860,244	(5,777)	120,414	–	–	–	2,850,042	(667)	2,849,375
Total comprehensive income (loss) for the period	–	–	(124,839)	2,860,244	(5,777)	120,414	–	4,578,451	–	7,428,493	114,627	7,543,120
Re-issuance of treasury shares	–	(23,013)	–	–	–	–	–	–	932	(22,081)	–	(22,081)
At March 31, 2014	₱33,166,300	₱22,280,423	₱1,256,429	₱22,818,574	(₱5,006)	₱549,563	₱42,200,000	₱52,386,115	(₱3,979,446)	₱170,672,952	₱3,069,612	₱173,742,564

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	For the Three Months Ended March 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax and non-controlling interests	**₱14,119,181**	₱5,891,680
Adjustments for:		
Depreciation and amortization (Notes 12 and 13)	**1,736,523**	1,682,939
Interest expense (Note 21)	**1,087,982**	852,741
Interest and dividend income (Note 21)	**(337,089)**	(149,407)
Loss (gain) on:		
Unrealized foreign exchange	**49,648**	55,542
Fair value changes on investment held-for-trading (Note 6)	**7,360**	12,366
Net fair value changes on derivatives	**(23,277)**	35,142
Sale of available-for-sale investments (Note 10)	**(7,410,301)**	–
Operating income before working capital changes	**9,230,027**	8,381,003
Decrease (increase) in:		
Receivables	**(2,877,276)**	(3,482,960)
Condominium and residential units for sale	**662,787**	736,217
Land and development	**449,212**	(730,692)
Prepaid expenses and other current assets	**(39,943)**	896,513
Increase (decrease) in:		
Accounts payable and other current liabilities	**3,199,541**	(92,764)
Tenants' deposits	**14,729**	182,314
Cash generated from operations	**10,639,077**	5,889,631
Income tax paid	**(599,999)**	(917,969)
Interest paid	**(14,447)**	(15,022)
Cash provided by operating activities	**10,024,631**	4,956,640
CASH FLOWS FROM INVESTING ACTIVITIES		
Deductions (additions) to:		
Investment properties (Note 13)	**(9,140,249)**	(7,282,079)
Property and equipment (Note 12)	**(75,014)**	28,365
Proceeds from sale of available-for-sale-investments (Note 10)	**7,465,351**	–
Proceeds from pretermination of short-term investments	**–**	896,300
Interest received	**173,480**	113,562
Dividends received	**46,449**	35,784
Increase in other noncurrent assets	**(1,475,621)**	(405,775)
Net cash used in investing activities	**(3,005,604)**	(6,613,843)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of loans (Notes 15 and 17)	**3,967,200**	–
Payments of:		
Bank loans (Note 15)	**(1,000,000)**	(550,000)
Interest	**(843,856)**	(779,703)
Long-term debt (Note 17)	**(199,900)**	(1,284,578)
Dividends	**(77,620)**	–
Net cash provided by (used in) financing activities	**1,845,824**	(2,614,281)

(Forward)

	For the Three Months Ended March 31	
	2015	2014
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(₱8,449)**	(₱7,312)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**8,856,402**	(4,278,796)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**35,245,206**	27,141,506
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱44,101,608**	₱22,862,710

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

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

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

As at March 31, 2015, SMPH is 49.60% and 24.67% directly-owned by SM Investments Corporation (SMIC) and the Sy Family, respectively. SMIC, the ultimate parent company, is a Philippine corporation which listed its common shares with the PSE in 2005. SMIC and all its subsidiaries are herein referred to as the "SM Group".

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

2. **Basis of Preparation**

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

Statement of Compliance

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

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

Basis of Consolidation

The unaudited interim consolidated financial statements include the accounts of the Parent Company and all of its subsidiaries. As at March 31, 2015, there were no changes in the Parent Company's ownership interests in its subsidiaries.

Significant Accounting Judgments, Estimates and Assumptions

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

3. Summary of Significant Accounting and Financial Reporting Policies

Changes in Accounting Policies and Disclosures

The accounting policies and method of computation adopted in the preparation of the unaudited interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2014, except for the following amendments which the Company has adopted starting January 1, 2015:

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

Annual Improvements to PFRSs (2010–2012 cycle)

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

- PFRS 2, *Share-based Payment - Definition of Vesting Condition,* is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

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

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Company shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets* (Amendments) are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets – Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*, is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment has no impact on the Company's financial position or performance.

- PAS 24, *Related Party Disclosures – Key Management Personnel*, is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

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

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*, is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.

  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement – Portfolio Exception*, is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PFRS 9.

- PAS 40, *Investment Property,* is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

4. **Segment Information**

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

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

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

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

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

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

Inter-segment Transactions

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

Business Segment Data

	Three months ended March 31, 2015 (Unaudited)					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations / Adjustments	Consolidated Balances
			(In Thousands)			
Revenue:						
External customers	₱9,868,407	₱5,503,230	₱767,221	₱506,939	₱4,502	₱16,650,299
Inter-segment	1,243	–	16,973	21,659	(39,875)	–
	₱9,869,650	₱5,503,230	₱784,194	₱528,598	(₱35,373)	₱16,650,299
Segment results:						
Income before income tax	₱5,121,453	₱1,421,131	₱323,579	₱124,060	₱7,128,958	₱14,119,181
Provision for income tax	(1,073,477)	(160,384)	(75,331)	(37,467)	–	(1,346,659)
Net income	₱4,047,976	₱1,260,747	₱248,248	₱86,593	₱7,128,958	₱12,772,522
Net income attributable to:						
Equity holders of the Parent	₱3,918,003	₱1,260,747	₱237,039	₱86,593	₱7,128,958	₱12,631,340
Non-controlling interests	129,973	–	11,209	–	–	141,182
Other information:						
Capital expenditures	₱5,134,201	₱2,371,107	₱2,880,734	₱350,421	₱–	₱10,736,463
Depreciation and amortization	1,431,754	70,969	153,611	80,189	–	1,736,523

	Three months ended March 31, 2014 (Unaudited)					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations / Adjustments	Consolidated Balances
			(In Thousands)			
Revenue:						
External customers	₱9,150,076	₱5,028,058	₱689,715	₱418,502	₱15,340	₱15,301,691
Inter-segment	23,330	687	26,686	750	(51,453)	–
	₱9,173,406	₱5,028,745	₱716,401	₱419,252	(₱36,113)	₱15,301,691
Segment results:						
Income (loss) before income tax	₱4,728,497	₱1,050,758	₱293,923	₱6,973	(₱188,471)	₱5,891,680
Benefit from (provision for) income tax	(992,925)	(132,075)	(68,375)	(4,560)	–	(1,197,935)
Net income (loss)	₱3,735,572	₱918,683	₱225,548	2,413	(₱188,471)	₱4,693,745
Net income (loss) attributable to:						
Equity holders of the Parent	₱3,630,524	₱918,683	₱215,302	₱2,413	(₱188,471)	₱4,578,451
Non-controlling interests	105,048	–	10,246	–	–	115,294
Other information:						
Capital expenditures	₱6,459,419	₱691,065	₱641,656	₱192,266	₱–	₱7,984,406
Depreciation and amortization	1,360,022	64,820	158,865	99,232	–	1,682,939

	March 31, 2015 (Unaudited)					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
			(In Thousands)			
Segment assets	₱255,646,005	₱107,082,214	₱29,766,312	₱10,191,829	(₱283,387)	₱402,402,973
Segment liabilities	₱132,427,372	₱55,305,756	₱5,164,304	₱1,115,647	(₱278,885)	₱193,734,194

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

For the three months ended March 31, 2015 and 2014, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

5. Cash and Cash Equivalents

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Cash on hand and in banks (see Note 19)	**₱2,079,507**	₱3,002,606
Temporary investments (see Note 19)	**42,022,101**	32,242,600
	₱44,101,608	₱35,245,206

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

6. Investments Held for Trading

This account consists of investments in Philippine government and corporate bonds and listed common shares. The Philippine government and corporate bonds have yields ranging from 5.88% to 8.64% as at March 31, 2015 and December 31, 2014. These Philippine peso-denominated and U.S. dollar-denominated investments have various maturities ranging from 2015 to 2017.

7. Receivables

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Trade:		
Sale of real estate	**₱32,183,079**	₱29,607,958
Rent:		
Third parties	**3,543,241**	3,878,656
Related parties (see Note 19)	**2,050,511**	2,294,805
Others (see Note 19)	**189,182**	55,237
Nontrade	**331,461**	90,317
Receivable from a co-investor (see Note 14)	**269,292**	269,161
Accrued interest (see Note 19)	**127,188**	142,878
Due from related parties (see Note 19)	**117,579**	96,713
Others	**3,324,107**	2,945,673
	42,135,640	39,381,398
Less allowance for impairment	**382,954**	352,847
	41,752,686	39,028,551
Less noncurrent portion of receivables from sale of real estate (see Note 14)	**8,071,018**	8,341,583
	₱33,681,668	₱30,686,968

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

8. Condominium and Residential Units for Sale

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Condominium units for sale	**₱9,297,164**	₱7,177,902
Residential units and subdivision lots	**122,552**	400,983
	₱9,419,716	₱7,578,885

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
At beginning of period	**₱7,177,902**	₱5,788,429
Transfer from land and development (see Note 9)	**2,771,620**	3,997,101
Cost of real estate sold (see Note 20)	**(652,358)**	(2,607,628)
At end of period	**₱9,297,164**	₱7,177,902

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

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
At beginning of period	**₱400,983**	₱314,224
Transfer (to) from land and development (see Note 9)	**(268,003)**	156,231
Cost of real estate sold (see Note 20)	**(10,428)**	(69,472)
At end of period	**₱122,552**	₱400,983

9. Land and Development

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Land and development	**₱38,511,531**	₱40,856,084
Land held for future development	**1,644,860**	1,601,748
	40,156,391	42,457,832
Less noncurrent portion	**23,717,376**	22,886,306
	₱16,439,015	₱19,571,526

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
At beginning of period	**₱40,856,084**	₱33,302,111
Development cost incurred	**1,366,289**	14,677,138
Land acquisitions	**882,082**	6,883,083
Capitalized borrowing cost	**115,540**	690,462
Cost of real estate sold (see Note 20)	**(2,204,847)**	(9,579,932)
Transfer to condominium and residential units for sale (see Note 8)	**(2,503,617)**	(4,153,332)
Reclassified to investment properties	**–**	(886,597)
Others	**–**	(76,849)
At end of period	**₱38,511,531**	₱40,856,084

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

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
At beginning of period	**₱1,601,748**	₱1,519,073
Acquisition and transferred-in costs and others	**43,112**	82,675
At end of period	**₱1,644,860**	₱1,601,748

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

10. Available-for-sale Investments

This account consists of investments in:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Shares of stock:		
Listed (see Note 19)	**₱23,602,052**	₱29,663,165
Unlisted	**8,560**	8,573
	23,610,612	29,671,738
Less noncurrent portion	**22,935,140**	28,994,983
	₱675,472	₱676,755

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

11. Prepaid Expenses and Other Current Assets

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Advances and deposits	**₱3,845,084**	₱4,972,188
Input and creditable withholding taxes	**3,047,243**	3,203,920
Prepaid taxes and other prepayments	**2,364,676**	1,948,049
Cash in escrow (see Note 19)	**644,235**	667,778
Supplies and inventories	**321,993**	323,285
Advances for project development	**–**	16,467
Others	**86,323**	137,843
	₱10,309,554	₱11,269,530

12. Property and Equipment

The movements in this account are as follows:

	Land and Improvements	Buildings and Leasehold Improvements	Data Processing Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Construction in Progress	Total
				(In Thousands)			
Cost							
Balance at December 31, 2013	₱270,871	₱1,245,729	₱143,240	₱98,999	₱1,065,210	₱–	₱2,824,049
Additions	609	45,537	47,905	12,881	115,600	7,827	230,359
Disposals/retirements	–	(92,576)	(6,295)	(1,443)	(24,529)	–	(124,843)
Reclassifications	(54,163)	1,113,654	52,641	44,272	(19,421)	–	1,136,983
Balance at December 31, 2014	217,317	2,312,344	237,491	154,709	1,136,860	7,827	4,066,548
Additions	–	17,999	23,390	19,732	40,333	1,223	102,677
Disposals/retirements	–	(4,937)	(10)	–	(33,662)	–	(38,609)
Reclassifications (see Note 13)	–	(446,355)	(32,457)	26,208	(20,632)	–	(473,236)
Balance at March 31, 2015	₱217,317	₱1,879,051	₱228,414	₱200,649	₱1,122,899	₱9,050	₱3,657,380
Accumulated Depreciation and Amortization							
Balance at December 31, 2013	₱105,932	₱542,690	₱80,077	₱53,832	₱462,625	₱–	₱1,245,156
Depreciation and amortization	23	211,202	67,506	13,878	184,817	–	477,426
Disposals/retirements	–	(39,323)	(3,343)	(1,325)	(8,509)	–	(52,500)
Reclassifications	(105,932)	192,179	13,346	14,132	24,354	–	138,079
Balance at December 31, 2014	23	906,748	157,586	80,517	663,287	–	1,808,161
Depreciation and amortization (see Note 20)	15	48,189	11,078	7,020	44,520	–	110,822
Disposals/retirements	–	(856)	216	(98)	(10,208)	–	(10,946)
Reclassifications (see Note 13)	–	(281,040)	(42,662)	26,947	(21,225)	–	(317,980)
Balance at March 31, 2015	₱38	₱673,041	₱126,218	₱114,386	₱676,374	₱–	₱1,590,057
Net Book Value							
As at December 31, 2014	₱217,294	₱1,405,596	₱79,905	₱74,192	₱473,573	₱7,827	₱2,258,387
As at March 31, 2015	**217,279**	**1,206,010**	**102,196**	**86,263**	**446,525**	**9,050**	**2,067,323**

13. **Investment Properties**

The movements in this account are as follows:

	Land and Improvements and Land Use Rights	Buildings and Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
			(In Thousands)		
Cost					
Balance as at December 31, 2013	₱40,545,314	₱125,915,788	₱23,824,105	₱23,359,266	₱213,644,473
Additions	10,104,016	8,054,234	1,719,211	17,379,564	37,257,025
Reclassifications	42,399	(1,135,278)	(452,511)	(1,966,846)	(3,512,236)
Translation adjustment	(107,095)	(299,725)	(37,595)	(155,709)	(600,124)
Disposals	–	(145,147)	(46,462)	–	(191,609)
Balance as at December 31, 2014	50,584,634	132,389,872	25,006,748	38,616,275	246,597,529
Additions	3,282,107	839,610	309,041	3,911,545	8,342,303
Reclassifications (see Note 12)	26,819	563,613	53,322	(163,088)	480,666
Translation adjustment	5,538	8,557	1,105	6,759	21,959
Disposals	(60)	(81,674)	(33,144)	(1,051)	(115,929)
Balance as at March 31, 2015	₱53,899,038	₱133,719,978	₱25,337,072	₱42,370,440	₱255,326,528
Accumulated Depreciation, Amortization and Impairment Loss					
Balance as at December 31, 2013	₱1,196,248	₱28,323,309	₱12,458,507	₱–	₱41,978,064
Depreciation and amortization	292,576	3,912,221	1,897,558	–	6,102,355
Reclassifications	220,565	(3,505,401)	(227,400)	–	(3,512,236)
Translation adjustment	(9,031)	(43,422)	(15,047)	–	(67,500)
Disposals	–	(49,968)	(33,852)	–	(83,820)
Balance as at December 31, 2014	1,700,358	28,636,739	14,079,766	–	44,416,863
Depreciation and amortization (see Note 20)	56,627	1,135,272	433,802	–	1,625,701
Reclassifications (see Note 12)	24,253	261,446	39,711	–	325,410
Translation adjustment	604	1,448	576	–	2,628
Disposals	(6)	(56,812)	(20,487)	–	(77,305)
Balance as at March 31, 2015	₱1,781,836	₱29,978,093	₱14,533,368	₱–	₱46,293,297
Net Book Value					
Balance as at December 31, 2014	₱48,884,276	₱103,753,133	₱10,926,982	₱38,616,275	₱202,180,666
As at March 31, 2015	**52,117,202**	**103,741,885**	**10,803,704**	**42,370,440**	**209,033,231**

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

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

14. **Other Noncurrent Assets**

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Receivables from sale of real estate - net of current portion (see Note 7)	**₱8,071,018**	₱8,341,583
Investments in associate and joint ventures	**6,097,254**	6,050,884
Bonds and deposits	**5,796,113**	4,228,568
Time deposits (see Note 19)	**3,579,701**	2,412,190
Advances for project development	**44,664**	48,270
Others	**3,127,357**	3,158,974
	₱26,716,107	₱24,240,469

Investment in Associate
This pertains to investment in Fei Hua Real Estate Company, a company incorporated in China and a 50% owned associate. The carrying value of investment in associate amounted to ₱749 million as at March 31, 2015 and December 31, 2014 with cumulative equity in net earnings amounting to ₱473 million as at March 31, 2015 and December 31, 2014.

Investment in Joint Ventures
This pertains to the 51% ownership interest of the Company to Waltermart. Waltermart is involved in shopping mall operations and currently owns 19 malls across Metro Manila and Luzon.

The aggregate carrying values of investments in joint ventures amounted to ₱5,348 million and ₱5,302 million as at March 31, 2015 and December 31, 2014, respectively. These consist of the acquisition costs totaling ₱5,115 million and cumulative equity in net earnings totaling ₱233 million and ₱187 million as at March 31, 2015 and December 31, 2014, respectively. The aggregate share in profit and total comprehensive income amounted to ₱46 million and ₱61 million for the three months ended March 31, 2015 and 2014, respectively.

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

The Company has no outstanding contingent liabilities or capital commitments related to its investments in associate and joint ventures as at March 31, 2015 and December 31, 2014.

15. **Loans Payable**

This account consists of unsecured Philippine peso-denominated loans obtained from local banks amounting to ₱1,670 million and ₱2,670 million as at March 31, 2015 and December 31, 2014, respectively, with due dates of less than one year. These loans bear interest rates ranging from 2.75% to 4.15% in 2015 and 2.00% to 4.15% in 2014.

16. Accounts Payable and Other Current Liabilities

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Trade:		
Third parties	**₱17,226,168**	₱18,893,293
Related parties (see Note 19)	**24,911**	30,281
Accrued operating expenses:		
Third parties	**6,501,949**	4,392,748
Related parties (see Note 19)	**700,114**	677,047
Liability for purchased land	**4,744,191**	4,774,116
Customers' deposits	**4,449,090**	2,519,661
Nontrade	**987,793**	1,018,539
Accrued interest (see Note 19)	**831,923**	591,056
Payable to government agencies	**354,924**	616,300
Deferred output VAT	**233,974**	210,778
Due to related parties (see Note 19)	**115,922**	147,432
Others	**3,904,315**	3,678,423
	40,075,274	37,549,674
Less noncurrent portion of liability for purchased land	**1,029,764**	1,170,855
	₱39,045,510	₱36,378,819

Accrued operating expenses - third parties consist of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Utilities	**₱5,050,573**	₱3,762,036
Marketing and advertising	**625,322**	424,155
Others	**826,054**	206,557
	₱6,501,949	₱4,392,748

17. Long-term Debt

This account consists of:

	Availment Date	Maturity Date	Interest Rate	Condition	Outstanding Balance	
					March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Parent Company					*(In Thousands)*	
U.S. dollar-denominated loans:						
Five-year term loans	May 6, 2011 – January 15, 2015	March 21, 2016 – April 14, 2019	London Interbank Offered Rate (LIBOR) + spread; semi-annual	Unsecured	**₱47,829,000**	₱43,825,600
Five-year, three-year and two-year bilateral loans	November 30, 2010 – December 7, 2012	November 30, 2015 – August 30, 2017	LIBOR + spread; semi-annual	Unsecured	**4,470,000**	4,472,000
Other U.S. dollar loans	November 20, 2013	November 20, 2018	LIBOR + spread; semi-annual	Unsecured	**1,117,500**	1,118,000
Philippine peso-denominated loans:						
Five-year, seven-year and ten-year retail bonds	September 1, 2014	March 1, 2020 – September 1, 2024	5.10%-5.74%; quarterly	Unsecured	**20,000,000**	20,000,000
Five-year and ten-year floating and fixed rate notes	June 19, 2012	June 20, 2017 – June 19, 2022	PDST-F + margin; 6.22%-6.81%; quarterly	Unsecured	**7,301,000**	7,301,000
Five-year, seven-year and ten-year corporate notes	December 20, 2010 – June 13, 2011	December 21, 2015 – December 20, 2020	PDST-F + margin; Fixed 5.79%-6.65%; quarterly	Unsecured	**6,528,000**	6,528,000
Five-year floating rate notes	March 18, 2011 – June 17, 2011	March 19, 2016 – June 18, 2016	PDST-F + margin; quarterly	Unsecured	**4,800,000**	4,850,000
Five-year, seven-year and ten-year fixed and floating rate notes	January 12, 2012	January 13, 2017 – January 12, 2022	PDST-F + margin; 5.86%-6.10%; quarterly	Unsecured	**4,229,200**	4,272,800
Other bank loans	August 15, 2006 – June 29, 2010	October 16, 2014 – August 15, 2016	PDST-F + margin; 9.75%; semi-annual and quarterly	Unsecured	**1,985,280**	1,985,280
Subsidiaries						
Philippine peso-denominated loans:						
Fixed rate term loans	December 27, 2012 – December 29, 2014	December 23, 2015 – June 25, 2023	4.00%-5.88%; semi-annual and quarterly	Unsecured	**23,255,500**	23,323,000
Fixed rate corporate notes	June 3, 2013 – June 28, 2014	June 3, 2020 – June 3, 2023	5.25%-5.88%; semi-annual	Unsecured	**8,691,800**	8,691,800
Five-year floating rate notes	November 28, 2014	November 28, 2019	PDST-F + margin; quarterly	Unsecured	**800,000**	800,000
Five-year bilateral loans	February 2, 2010 – October 24, 2011	February 2, 2015 – October 24, 2016	PDST-F + margin; 5.00%; quarterly	Unsecured	**500,000**	538,800
					131,507,280	127,706,280
Less debt issue cost					**1,103,316**	1,093,253
					130,403,964	126,613,027
Less current portion					**26,826,080**	11,006,880
					₱103,577,884	₱115,606,147

U.S. Dollar-denominated Five-Year Term Loans
This includes the following:

- A US$300 million syndicated loan obtained on various dates in 2013. The loans bear an interest rate based on LIBOR plus spread, with a bullet maturity on March 25, 2018. A portion of the loan amounting to US$150 million is hedged against interest rate and foreign exchange risks using cross currency swap contracts (see Notes 24 and 25).

- A US$200 million syndicated loan obtained on January 29, 2013. The loan bears an interest rate based on LIBOR plus spread, with a bullet maturity on January 29, 2018. This loan is hedged against interest rate and foreign exchange risks using cross currency swap contracts (see Notes 24 and 25).

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

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

The loan agreements of the Company provide certain restrictions and requirements principally with respect to maintenance of required financial ratios (i.e., current ratio of not less than 0.50:1.00, debt to equity ratio of not more than 0.70:0.30 to 0.750:0.25 and interest coverage ratio of not less than 2.50:1.00) and material change in ownership or control. As at March 31, 2015 and December 31, 2014, the Company is in compliance with the terms of its loan covenants.

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

18. **Equity**

Capital Stock
As at March 31, 2015 and December 31, 2014, the Company has an authorized capital stock of 40,000 million with a par value of ₱1 a share, of which 33,166 million shares were issued. As at March 31, 2015 and December 31, 2014, the Company has 28,879 million outstanding shares.

Retained Earnings
In 2014, the Board of Directors (BOD) approved the declaration of cash dividend of ₱0.19 per share or ₱5,286 million to stockholders of record as of May 15, 2014, ₱9 million of which was received by SMDC. This was paid on June 10, 2014.

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

In 2015, the Company expects to incur around ₱80,000 million for its capital expenditures in the Philippines and in China.

The retained earnings account is restricted for the payment of dividends to the extent of ₱41,183 million and ₱39,793 million as at March 31, 2015 and December 31, 2014, respectively, representing the cost of shares held in treasury (₱3,356 million as at March 31, 2015 and December 31, 2014, respectively) and accumulated equity in net earnings of SMPH subsidiaries totaling ₱37,827 million and ₱36,437 million as at March 31, 2015 and December 31, 2014, respectively. The accumulated equity in net earnings of subsidiaries is not available for dividend distribution until such time that the Parent Company receives the dividends from its subsidiaries.

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

19. Related Party Transactions

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

	Amount of Transactions		Outstanding Amount [Asset (Liability)]			
	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)	**March 31, 2015 (Unaudited)**	December 31, 2014 (Audited)	Terms	Conditions
Cash and cash equivalents	**136,104,861**	60,487,142	**32,904,726**	29,377,591	Interest bearing based on prevailing rates	Unsecured; not impaired
Investments held for trading	**–**	–	**652,659**	659,676	Noninterest-bearing	Unsecured; not impaired
Rent income	**2,789,914**	2,463,109			30 days; noninterest-bearing	Unsecured; not impaired
Rent receivable			**2,050,511**	2,294,805		
Other revenues	**3,540**	34,726			Noninterest-bearing	Unsecured; not impaired
Other receivables			**44,650**	43,685	Noninterest-bearing	Unsecured; not impaired
Deferred rent income			**(78,548)**	(83,548)	Noninterest bearing	Unsecured
Interest income	**64,861**	28,033			Interest-bearing	Unsecured; not impaired
Accrued interest receivable			**92,593**	104,836	Noninterest-bearing	Unsecured; not impaired
Due from related parties	**21,447**	13,356	**117,579**	96,713	On demand; noninterest-bearing	Unsecured; not impaired
Receivable financed			**3,057,693**	3,382,669	Without recourse	Unsecured
AFS investments	**–**	–	**16,114,397**	15,524,119	Noninterest-bearing	Unsecured; not impaired
Dividend income	**132,400**	22,576			Noninterest-bearing	Unsecured
Gain on sale of AFS investments	**7,410,301**	–	–	–	–	–
Cash in escrow	**–**	162,985	**644,235**	667,778	Interest bearing based on prevailing rates	Unsecured; not impaired
Time deposits	**1,167,643**	–	**3,417,243**	2,249,600	Interest bearing based on prevailing rates	Unsecured; not impaired
Loans payable and long-term debt	–	–	**(1,162,500)**	(1,230,000)	Interest-bearing	Combination of secured and unsecured
Interest expense	**24,793**	95,554			Interest-bearing; fixed and floating interest rates	Combination of secured and unsecured
Accrued interest payable			**(4,978)**	(5,668)	Noninterest-bearing	Unsecured
Rent expense	**22,745**	35,046			Noninterest-bearing	Unsecured

	Amount of Transactions		Outstanding Amount [Asset (Liability)]			
	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)	**March 31, 2015 (Unaudited)**	December 31, 2014 (Audited)	Terms	Conditions
Accrued rent payable			**(1,428)**	(1,561)	Noninterest-bearing	Unsecured
Trade payable	**10,893**	3,496	**(24,911)**	(30,281)	Noninterest-bearing	Unsecured
Due to related parties	**157**	931	**(115,922)**	(147,432)	Noninterest-bearing	Unsecured
Management fee expense	**297,419**	267,770			Noninterest-bearing	Unsecured
Accrued management fee			**(125,215)**	(102,294)	Noninterest-bearing	Unsecured
Accrued expenses	**279**	−	**(573,471)**	(573,192)	Noninterest-bearing	Unsecured

Compensation of Key Management Personnel
The aggregate compensation and benefits related to key management personnel for the three months ended March 31, 2015 and 2014 consist of short-term employee benefits amounting to ₱92 million and ₱79 million, respectively, and post-employment benefits (pension benefits) amounting to ₱12 million and ₱7 million, respectively.

20. Costs and Expenses

This account consists of:

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
	(In Thousands)	
Cost of real estate sold (see Notes 8 and 9)	**₱2,867,633**	₱2,932,053
Depreciation and amortization (see Notes 12 and 13)	**1,736,523**	1,682,939
Administrative	**1,435,165**	1,231,298
Business taxes and licenses	**876,522**	799,192
Marketing and selling expenses	**672,249**	657,394
Film rentals	**517,801**	561,775
Rent (see Notes 19 and 23)	**314,993**	301,435
Management fees (see Note 19)	**306,186**	275,771
Insurance	**97,078**	80,831
Others	**350,680**	251,343
	₱9,174,830	₱8,774,031

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

21. Interest Income and Interest Expense

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

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
	(In Thousands)	
Interest income on:		
Cash and cash equivalents (see Note 5)	**₱123,867**	₱85,842
Short-term investments	**–**	4,126
Investments held for trading (see Note 6)	**8,124**	3,713
Time deposits (see Note 14)	**9,246**	764
Others	**16,553**	19,117
	₱157,790	₱113,562

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Interest expense on:		
Long-term debt (see Note 17)	**₱1,057,233**	₱810,751
Loans payable (see Note 15)	**17,892**	28,217
Others	**12,857**	13,773
	₱1,087,982	₱852,741

22. Income Tax

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Deferred tax assets:		
Unrealized foreign exchange loss and others	**₱430,670**	₱438,231
NOLCO	**329,866**	302,679
Accrued marketing and rent expenses	**174,811**	181,792
Provision for doubtful accounts	**106,532**	106,817
Deferred rent income	**39,272**	40,241
MCIT	**24,348**	21,066
Unamortized past service cost	**9,777**	9,137
	1,115,276	1,099,963

(Forward)

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Deferred tax liabilities:		
Undepreciated capitalized interest, unrealized foreign exchange gains and others	**(₱1,189,650)**	(₱1,499,054)
Unrealized gross profit on sale of real estate	**(949,273)**	(783,354)
Pension asset	**(16,755)**	(15,953)
Others	**(151,177)**	(85,623)
	(2,306,855)	(2,383,984)
Net deferred tax liabilities	**(₱1,191,579)**	(₱1,284,021)

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Deferred tax assets	**₱685,829**	₱650,153
Deferred tax liabilities	**(1,877,408)**	(1,934,174)
	(₱1,191,579)	(₱1,284,021)

23. **Lease Agreements**

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

Also, the Company's lease agreements with its commercial property tenants are generally granted for a term of one year, with the exception of some tenants, which are granted initial lease terms of 2 to 20 years, renewable on an annual basis thereafter. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants pay either a fixed monthly rent or a percentage of sales, depending on the terms of the lease agreements, whichever is higher.

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

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

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, interest rate swaps, foreign currency call options, non-deliverable forwards and foreign currency range options. The purpose is to manage the interest rate and foreign currency risks arising from the Company’s operations and its sources of finance (see Note 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 and they are summarized in the following tables.

Interest Rate Risk

The Company’s policy is to manage its interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, it enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to economically hedge underlying debt obligations. As at March 31, 2015 and December 31, 2014, after taking into account the effect of interest rate swaps, approximately 60% and 67%, respectively, of its long-term borrowings, are at a fixed rate of interest.

Foreign Currency Risk

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

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

The Company’s foreign currency-denominated monetary assets and liabilities amounted to ₱37,965 million (US$849 million) and ₱38,045 million (US$851 million), respectively, as at March 31, 2015, and ₱33,948 million (US$759 million) and ₱34,184 million (US$764 million), respectively, as at December 31, 2014.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rates used were ₱44.70 to US$1.00 and ₱44.72 to US$1.00, the Philippine peso to U.S. dollar exchange rate as at March 31, 2015 and December 31, 2014, respectively.

Liquidity Risk

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

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

As part of its liquidity risk management program, the Company regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans, export credit agency-guaranteed facilities and debt capital and equity market issues.

Credit Risk

The Company trades only with recognized, creditworthy related and third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on a regular basis which aims to reduce the Company's exposure to bad debts at a minimum level. Given the Company's diverse base of customers, it is not exposed to large concentrations of credit risk.

Equity Price Risk

The Company's exposure to equity price pertains to its investments in quoted equity shares which are classified as AFS investments in the consolidated balance sheets. Equity price risk arises from the changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

As a policy, management monitors the equity securities in its investment portfolio based on market expectations. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.

Capital Management

Capital includes equity attributable to the owners of the Parent.

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

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

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, 2015 (Unaudited)		December 31, 2014 (Audited)	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Financial Assets				
Financial assets at FVPL:				
Investments held for trading	**₱960,044**	**₱960,044**	₱967,511	₱967,511
Derivative assets	**1,660,890**	**1,660,890**	1,632,814	1,632,814
	2,620,934	**2,620,934**	2,600,325	2,600,325
Loans and receivables -				
Noncurrent portion of receivables				
from sale of real estate	**8,071,018**	**7,925,353**	8,341,583	8,255,073
Time deposits	**3,579,701**	**3,515,094**	2,412,190	2,387,174
AFS investments -				
Listed shares of stocks	**23,602,052**	**23,602,052**	29,663,165	29,663,165
	₱37,873,705	**₱37,663,433**	₱43,017,263	₱42,905,737
Financial Liabilities				
Financial liabilities at FVPL -				
Derivative liabilities	**₱21,141**	**₱21,141**	₱58,705	₱58,705
Other financial liabilities:				
Liability for purchased land - net				
of current portion	**1,029,764**	**1,011,179**	1,170,855	1,158,712
Long-term debt - net of current portion	**103,577,884**	**106,739,798**	115,606,147	118,510,996
Tenants' deposits	**13,266,715**	**13,034,225**	13,251,526	12,972,502
Other noncurrent liabilities*	**4,191,212**	**4,118,014**	3,208,432	3,171,783
	122,065,575	**124,903,216**	133,236,960	135,813,993
	₱122,086,716	**₱124,924,357**	₱133,295,665	₱135,872,698

**Excluding nonfinancial liabilities amounting to ₱602 million and ₱573 million as at March 31, 2015 and December 31, 2014, respectively.*

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

	March 31, 2015 (Unaudited)		
	Level 1	**Level 2**	**Level 3**
		(In Thousands)	
Financial Assets			
Financial assets at FVPL:			
Investments held-for-trading:			
Bonds	**₱307,386**	**₱–**	**₱–**
Shares	**652,658**	**–**	**–**
Derivative assets	**–**	**1,660,890**	**–**
	960,044	**1,660,890**	**–**
Loans and receivables -			
Noncurrent portion of receivables from			
sale of real estate	**–**	**–**	**7,925,353**
Time deposits	**–**	**3,515,094**	**–**
AFS investments -			
Shares of stocks	**23,602,052**	**–**	**–**
	₱24,562,096	**₱5,175,984**	**₱7,925,353**

	March 31, 2015 (Unaudited)		
	Level 1	**Level 2**	**Level 3**
		(In Thousands)	
Financial Liabilities			
Financial liabilities at FVPL -			
Derivative liabilities	**₱–**	**₱21,141**	**₱–**
Other financial liabilities:			
Liability for purchased land - net of current portion	**–**	**–**	**1,011,179**
Long-term debt - net of current portion	**–**	**–**	**106,739,798**
Tenants' deposits	**–**	**–**	**13,034,225**
Other noncurrent liabilities*	**–**	**–**	**4,118,014**
	–	**–**	**124,903,216**
	₱–	**₱21,141**	**₱124,903,216**

**Excluding nonfinancial liabilities amounting to ₱602 million as at March 31, 2015.*

	December 31, 2014 (Audited)		
	Level 1	Level 2	Level 3
		(In Thousands)	
Financial Assets			
Financial assets at FVPL:			
Investments held-for-trading:			
Bonds	₱307,835	₱–	₱–
Shares	659,676	–	–
Derivative assets	–	1,632,814	–
	967,511	1,632,814	–
Loans and receivables -			
Noncurrent portion of receivables from sale of real estate	–	–	8,255,073
Time deposits	–	2,387,174	–
AFS investments -			
Shares of stocks	29,663,165	–	–
	₱30,630,676	₱4,019,988	₱8,255,073
Financial Liabilities			
Financial liabilities at FVPL -			
Derivative liabilities	₱–	₱58,705	₱–
Other financial liabilities:			
Liability for purchased land - net of current portion	–	–	1,158,712
Long-term debt - net of current portion	–	–	118,510,996
Tenants' deposits	–	–	12,972,502
Other noncurrent liabilities*	–	–	3,171,783
	–	–	135,813,993
	₱–	₱58,705	₱135,813,993

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

During the periods ended March 31, 2015 and December 31, 2014 there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements

<u>Derivative Financial Instruments</u>

To address the Company's exposure to market risk for changes in interest rates arising primarily from its long-term floating rate debt obligations and to manage its foreign currency risk, the

Company entered into various derivative transactions such as interest rate swaps, cross-currency swaps, non-deliverable forwards and non-deliverable currency swaps.

Derivative Financial Instruments Accounted for as Cash Flow Hedges

Cross Currency Swaps. In 2013, SMPH entered into cross-currency swap transactions to hedge both the foreign currency and interest rate exposures on its U.S. dollar-denominated five-year term syndicated loans (the hedged loans) obtained on January 29, 2013 and April 16, 2013 (see Note 17). Details of the hedged loans are as follows:

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

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

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

As the terms of the swaps have been negotiated to match the terms of the hedged loans, the hedges were assessed to be highly effective. No ineffectiveness was recognized in the unaudited interim consolidated statements of income for the three months ended March 31, 2015 and 2014.

Details of the hedged loans are as follows:

	Outstanding Principal Balance		Interest Rate	Maturity Date
	(In Thousands)			
Unsecured loan	US$200,000	₱8,940,000	6-month US LIBOR + 1.70%	January 29, 2018
Unsecured loan	150,000	6,705,000	6-month US LIBOR + 1.70%	March 25, 2018

The table below provides the details of SMPH's outstanding cross-currency swaps as at March 31, 2015:

	Notional Amounts		Receive	Pay	US$:₱ Rate	Maturity	Fair Value Gain
	(In Thousands)						*(In Thousands)*
Floating-to-Fixed	US$150,000	₱6,100,500	6M U.S. LIBOR + 170 bps	3.70%	40.67	January 29, 2018	₱787,612
Floating-to-Fixed	50,000	2,033,500	6M U.S. LIBOR + 170 bps	3.70%	40.67	January 29, 2018	233,307
Floating-to-Fixed	50,000	2,055,000	6M U.S. LIBOR + 170 bps	3.90%	41.10	March 23, 2018	243,113
Floating-to-Fixed	50,000	2,055,000	6M U.S. LIBOR + 170 bps	3.90%	41.10	March 23, 2018	189,188
Floating-to-Fixed	50,000	2,055,000	6M U.S. LIBOR + 170 bps	3.90%	41.10	March 23, 2018	191,476

Hedge Effectiveness Results

As the terms of the swaps have been negotiated to match the terms of the hedged loan, the hedges were assessed to be highly effective. The fair value of the outstanding cross-currency swaps amounting to ₱1,645 million gain and ₱1,602 million gain as at March 31, 2015 and December 31, 2014, respectively, was taken to equity under other comprehensive income. No ineffectiveness was recognized in the unaudited interim consolidated statements of income for the three months ended March 31, 2015 and 2014. Foreign currency translation arising from the hedged loan recognized in the unaudited interim consolidated statements of income amounted to ₱7 million gain and ₱147 million loss for the three months ended March 31, 2015 and 2014, respectively. Foreign exchange loss and gain equivalent to the same amounts were recycled from equity to the unaudited interim consolidated statements of income during the same period.

Other Derivative Instruments Not Designated as Hedges

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

Year Obtained	Maturity	Interest Payment	Outstanding Notional Amount <1 Year	>1-<2 Years	>2-<5 Years	Receive	Pay	Aggregate Fair Value 2015	2014
			(In Thousands)					*(In Thousands)*	
Floating-to-Fixed									
2013	June 2015	Quarterly	₱174,720	–	–	3MPDST-F	3.65%	(₱551)	(₱941)
2013	June 2015	Quarterly	₱174,720	–	–	3MPDST-F	4.95%	(551)	(941)
	March 21, 2015	Semi-annual			–	6 months	2.91%–3.28%		
2011			$145,000	–		LIBOR+margin%		–	(37,535)
2010	November 30,	Semi-annual			–	6 months	3.18%		
	2015		$30,000	–		LIBOR+margin%		(20,039)	(19,288)
Fixed-to-Floating									
2010	June 2015	Quarterly	₱785,280	–	–	5.44%	3MPDST-F	₱8,846	₱16,728
2010	June 2015	Quarterly	₱785,280	–	–	7.36%	3MPDST-F	7,349	13,754

Interest Rate Swaps. In 2013, SMPH entered into two floating to fixed Philippine peso interest rate swap agreements with a notional amount of ₱175 million each to offset the cash flows of the two fixed to floating Philippine peso interest rate swaps entered in 2010 to reflect SMPH's partial prepayment of the underlying Philippine peso loan (see Note 17). As at March 31, 2015 and December 31, 2014, these swaps have negative fair values of ₱1 million and ₱2 million, respectively.

In 2011, SMPH entered into floating to fixed US$ interest rate swap agreements with aggregate notional amount of US$145 million. Under the agreements, SMPH effectively converts the floating rate U.S. dollar-denominated term loan into fixed rate loan with semi-annual payment intervals up to March 21, 2015 (see Note 17). Fair value changes from the matured swap recognized in the unaudited interim consolidated statements of income amounted to ₱38 million gain in 2015.

In 2010, SMPH entered into the following interest rate swap agreements:

- A US$ interest rate swap agreement with nominal amount of US$30 million. Under the agreement, SMPH effectively converts the floating rate U.S. dollar-denominated five-year bilateral unsecured loan into fixed rate loan with semi-annual payment intervals up to November 30, 2015 (see Note 17). As at March 31, 2015 and December 31, 2014, the floating to fixed interest rate swap has a negative fair value of ₱20 million and ₱19 million, respectively.

- Two Philippine peso interest rate swap agreements with notional amount of ₱1,000 million each. The consolidated net cash flows of the two swaps effectively converts the Philippine peso-denominated five-year inverse floating rate notes into floating rate notes with quarterly payment intervals up to June 2015 (see Note 17). As at March 31, 2015 and December 31, 2014, the interest rate swaps has a positive fair value of ₱16 million and ₱31 million, respectively.

Non-deliverable Currency Forwards and Swaps. In 2015 and 2014, SMPH entered into sell ₱ and buy US$ currency forward contracts. It also entered into sell US$ and buy ₱ currency forward and swap contracts with the same aggregate notional amount. Net fair value changes from the settled currency forward and swap contracts recognized in the unaudited interim consolidated statements of income amounted to ₱4 million gain in 2015 and ₱5 million gain in 2014.

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(In Thousands)	
Derivative assets	**₱1,660,890**	₱1,632,814
Derivative liabilities	**(21,141)**	(58,705)
	₱1,639,749	₱1,574,109

26. EPS Computation

Basic/diluted EPS is computed as follows:

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
	(In Thousands, Except Per Share Data)	
Net income attributable to equity holders of the parent (a)	**₱12,631,340**	₱4,578,451
Common shares issued	**33,166,300**	33,166,300
Less treasury stock (see Note 18)	**4,332,787**	5,392,787
Weighted average number of common shares outstanding (b)	**28,833,513**	27,773,513
Earnings per share (a/b)	**₱0.438**	₱0.165

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
FINANCIAL RATIOS - KEY PERFORMANCE INDICATORS
AS OF MARCH 31, 2015 AND 2014

	Mar 31 2015	Mar 31 2014
i. Current ratio		
Total current assets / Total current liabilities	1.67	1.50
ii. Debt-to-equity ratio		
Total interest-bearing liabilities / Total equity attributable to equity holders of the parent + Total interest-bearing liabilities	0.39 : 0.61	0.38 : 0.62
Net debt-to-equity ratio		
Total interest-bearing liabilities less cash and cash equivalents and investment securities / Total equity attributable to equity holders of the parent + Total interest-bearing liabilities less cash and cash equivalents and investment securities	0.30 : 0.70	0.32 : 0.68
iii. Asset to equity ratio		
Total assets / Total equity attributable to equity holders of the parent	1.96	2.00

	Mar 31 2015	Mar 31 2014
(Annualized)		
iv. Earnings before interest, income taxes, depreciation and amortization (EBITDA) to interest expense		
EBITDA / Interest expense	8.34	9.49
Debt to EBITDA		
Total interest-bearing liabilities / EBITDA	3.64	3.24
v. Return on equity		
Net income attributable to equity holders of the parent / Total average equity attributable to equity holders of the parent	0.10	0.11
Return on investment properties		
Net income attributable to equity holders of the parent / Total average investment properties (excluding shopping mall complex under construction)	0.13	0.12

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

SM Prime's net income up by 176% to ₱12.6 billion from ₱4.6 billion last year; excluding one-time trading gain on sale of marketable securities, core net income up by 14% to ₱5.2 billion

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

	Three months ended Mar 31				
	2015	**% to Revenues**	**2014**	**% to Revenues**	**% Change**
Profit & Loss Data					
Revenues	16,650	100%	15,302	100%	9%
Costs and Expenses	9,175	55%	8,774	57%	5%
Operating Income	7,475	45%	6,528	43%	15%
Net Income	5,221	31%	4,578	30%	14%
EBITDA	9,071	54%	8,095	53%	12%

	Mar 31 2015	**% to Total Assets**	**Dec 31 2014**	**% to Total Assets**	**% Change**
Balance Sheet Data					
Total Assets	402,403	100%	388,840	100%	3%
Investment Properties	209,033	52%	202,181	52%	3%
Total Debt	132,074	33%	129,283	33%	2%
Net Debt	87,012	22%	93,070	24%	-7%
Total Stockholders' Equity	205,764	51%	199,088	51%	3%

Financial Ratios	**Mar 31 2015**	**Dec 31 2014**
Debt to Equity	0.39 : 0.61	0.39 : 0.61
Net Debt to Equity	0.30 : 0.70	0.32 : 0.68

	Mar 31 2015	**Mar 31 2014**
Return on Equity	0.10	0.11
Debt to EBITDA	3.64	3.24
Interest Coverage Ratio	8.34	9.49
Operating Income to Revenues	0.45	0.43
EBITDA Margin	0.54	0.53
Net Income to Revenues	0.31	0.30

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

Revenue

SM Prime recorded consolidated revenues of ₱16.65 billion for the first three months of 2015, an increase of 9% from ₱15.30 billion in the same period 2014, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱9.44 billion in 2015, an increase of 10% from ₱8.56 billion in 2014. The increase in rental revenue was primarily due to the new malls and expansions opened in 2013 and 2014, namely, SM Aura Premier, SM City BF Parañaque, Mega Fashion Hall in SM Megamall, SM City Cauayan and SM Center Angono, with a total gross floor area of 564,000 square meters. Excluding the new malls and expansions, same-store rental growth is at 7%. Also, rentals from hotels and convention centers contributed to the increase.

Real Estate Sales

SM Prime recorded a 7% increase in real estate sales in 2015 from ₱5.02 billion to ₱5.35 billion primarily due to increase in sales take-up and higher construction accomplishments of projects launched in 2010 up to 2013 namely, Shore, Green, Wind, Grace and Shell Residences accounting for 60% of total revenues. Actual construction of projects usually starts within one year from launch date and revenues are recognized in the books based on percentage of completion.

Cinema Ticket Sales

SM Prime cinema ticket sales decreased by 8% to ₱0.98 billion in 2015 from ₱1.06 billion in 2014. The decrease was due to less number of blockbuster movies shown in 2015 compared to the same period last year. The major blockbusters screened in 2015 were "Crazy Beautiful You," "The Amazing Praybeyt Benjamin," "Cinderella," "Taken 3," and "That Thing Called Tadhana." The major blockbusters shown in 2014 were "Starting Over Again," "Bride for Rent," "Girl Boy Bakla Tomboy," "My Little Bossings," and "Captain America: The Winter Soldier."

Other Revenues

Other revenues significantly increased by 32% to ₱0.88 billion in 2015 from ₱0.67 billion in 2014. The increase was mainly due to opening of Sky Ranch Pampanga, increase in hotels' food and beverages income as well as increase in sponsorship income. This account is mainly composed of amusement income from rides, bowling and ice skating operations including the Exploreum and SM Storyland, merchandise sales from snackbars and sale of food and beverages in hotels.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱9.17 billion for the first three months of 2015, an increase of 5% from ₱8.77 billion in the same period 2014, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate was ₱2.87 billion in 2015, representing a decrease of 2% from ₱2.93 billion in 2014. Despite the higher revenues from real estate sales, the decrease in costs of real estate sales was the result of improving gross profit margin on real estate sales from 42% in 2014 to 46% in 2015 as a result of improving cost efficiencies, tighter monitoring and control of construction costs.

Operating Expenses

SM Prime's consolidated operating expenses increased by 8% to ₱6.31 billion in 2015 compared to last year's ₱5.84 billion. Same-store mall growth in operating expenses is 3% and the balance is mainly attributable to the opening of new malls and expansions.

Contributors to the increase are administrative expenses, business taxes and licenses and depreciation and amortization, in line with related increase in revenues as well as the opening of new malls and expansions.

Other Income (Charges)

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

In 2015, SM Prime recorded a ₱7.4 billion realized gain on sale of AFS investments.

Interest and Dividend Income

Interest and dividend income increased by 126% to ₱337 million in 2015 from ₱149 million in 2014. This account is mainly composed of dividend and interest income received from cash and cash equivalents, investments held for trading and AFS investments. The increase in interest income is due to higher average balance of cash and cash equivalents in 2015 as compared to last year. The increase in dividend income is due to dividends received in 2015 on AFS investments held which was not present in 2014.

Interest Expense

SM Prime's consolidated interest expense increased by 28% to ₱1.09 billion in 2015 compared to ₱0.85 billion in 2014 due to the ₱20.0 billion retail bond availed in September 2014 for working capital and capital expenditure requirements.

Other income (charges) - net

This account reversed to a ₱16 million other expense in 2015 from a ₱67 million other income in 2014 due to increase in amortization of debt issuance cost as a result of the new loans and other incidental costs related to mall and residential projects.

Provision for income tax

SM Prime's consolidated provision for income tax increased by 12% to ₱1.35 billion in 2015 from ₱1.20 billion in 2014. The increase is due to the related increase in taxable income and higher real estate revenues realized from projects with expired income tax holiday incentives.

Net income

As a result of the foregoing, consolidated net income for the three months ended March 31, 2015 increased by 176% to ₱12.63 billion from ₱4.58 billion in the same period last year. Excluding gain on sale of AFS, core net income increased by 14% to ₱5.22 billion.

Balance Sheet Accounts

Cash and cash equivalents significantly increased by 25% from ₱35.25 billion to ₱44.10 billion as of December 31, 2014 and March 31, 2015, respectively. Part of this account includes portion of the proceeds from sale of AFS investments in February 2015 amounting to ₱7.5 billion and the US$90 million loan availed in January 2015 to finance working capital and capital expenditure requirements in 2015.

Receivables increased by 10% from ₱30.69 billion to ₱33.68 billion as of December 31, 2014 and March 31, 2015, respectively, mainly due to increase in construction accomplishments of sold units as well as new sales for the period. Out of the total receivables, 72% pertains to sale of real estate and 17% from leases of shopping mall spaces.

Condominium and residential units increased by 24% from ₱7.58 billion to ₱9.42 billion as of December 31, 2014 and March 31, 2015, respectively, mainly due to completion of condominium towers in Mezza II, M Place @ South Triangle and Light Residences.

Land and development decreased by 5% from ₱42.46 billion to ₱40.16 billion as of December 31, 2014 and March 31, 2015, respectively, mainly due to transfer of completed condominium units.

Prepaid expenses and other current assets decreased by 9% from ₱11.27 billion to ₱10.31 billion as of December 31, 2014 and March 31, 2015, respectively, mainly due to subsequent application of deposits in 2015.

Investment properties increased by 3% from ₱202.18 billion to ₱209.03 billion as of December 31, 2014 and March 31, 2015, respectively, primarily because of ongoing new mall projects located in Cebu City, Cabanatuan, San Mateo and Caloocan in the Philippines and Zibo and Tianjin in China and the ongoing expansions and renovations of SM Mall of Asia and SM City Iloilo. Also, the increase is attributable to landbanking and construction costs incurred for ongoing projects of the commercial and the hotel groups namely, Five E-Com and Conrad Manila.

AFS investments decreased by 20% from ₱29.67 billion to ₱23.61 billion as of December 31, 2014 and March 31, 2015, respectively, mainly due to sale of listed shares held under this portfolio.

Derivative assets increased by 2% from ₱1.63 billion to ₱1.66 billion as of December 31, 2014 and March 31, 2015, respectively, while derivative liabilities decreased by 64% from ₱59 million to ₱21 million as of December 31, 2014 and March 31, 2015, respectively, due to maturity of various interest rate swaps in March 2015.

Deferred tax assets increased by 5% from ₱650 million to ₱686 million as of December 31, 2014 and March 31, 2015, respectively, mainly due to NOLCO. Deferred tax liabilities decreased by 3% from ₱1.93 billion to ₱1.88 billion as of December 31, 2014 and March 31, 2015, respectively, mainly due to amortization of unrealized gross profit on sale of real estate for tax purposes.

Other noncurrent assets increased by 10% from ₱24.24 billion to ₱26.72 billion as of December 31, 2014 and March 31, 2015, respectively, mainly due to additional bonds and deposits acquired.

Loans payable decreased by 37% from ₱2.67 billion to ₱1.67 billion as of December 31, 2014 and March 31, 2015, respectively, due to subsequent payment of maturing loans.

Accounts payable and other current liabilities increased by 7% from ₱36.38 billion to ₱39.05 billion as of December 31, 2014 and March 31, 2015, respectively, mainly due to accrued construction cost related to residential projects and other accrued payables related to mall construction and operating expenses.

Long-term debt increased by 3% from ₱126.61 billion to ₱130.40 billion as of December 31, 2014 and March 31, 2015, respectively, due to the availment of US$90 million loan in January 2015 to fund capital expenditures and for working capital requirements.

Liability for purchased land decreased by 12% from ₱1.17 billion to ₱1.03 billion as of December 31, 2014 and March 31, 2015, respectively, due to subsequent payments. While other noncurrent liabilities increased by 27% from ₱3.78 billion to ₱4.79 billion, respectively, due to increase in retention payable.

The Company's key financial indicators are measured in terms of the following: (1) debt to equity which measures the ratio of interest bearing liabilities to stockholders' 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 stockholders' 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 stockholders' equity is steady at 0.39:0.61 as of March 31, 2015 and December 31, 2014, while net interest-bearing debt to stockholders' equity decreased to 0.30:0.70 as of March 31, 2015 from 0.32:0.68 as of December 31, 2014 due to the remaining proceeds from sale of AFS investments still held under cash and cash equivalents.

In terms of profitability, ROE slightly decreased to 10% as of March 31, 2015 from 11% as of March 31, 2014 due to the $400 million top-up placement in November 2014.

Debt to EBITDA slightly increased to 3.64:1 as of March 31, 2015 from 3.24:1 as of March 31, 2014, while interest coverage ratio decreased to 8.34:1 as of March 31, 2015 from 9.49:1 as of March 31, 2014 as a result of increase in interest expense. EBITDA margin improved to 54% as of March 31, 2015 from 53% as of March 31, 2014.

Consolidated operating income to revenues improved to 45% as of March 31, 2015 from 43% as of March 31, 2014. Net income to revenues likewise improved to 31% as of March 31, 2015 from 30% as of March 31, 2014.

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

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

For the year 2015, the Company expects to incur capital expenditures of approximately ₱80 billion. This will be funded with internally generated funds and external borrowings.

SM Prime’s malls business unit has fifty shopping malls in the Philippines with 6.5 million square meters of gross floor area and six shopping malls in China with 0.9 million square meters of gross floor area. For the rest of 2015, the malls business unit will open four new malls, located in SRP Cebu, Sangandaan, Cabanatuan and San Mateo, as well as expansions of SM City Iloilo and SM City Lipa. SM Megacenter Cabanatuan was also re-launched last April 24, 2015. By end 2015, the malls business unit will have 55 malls in the Philippines and six in China with an estimated combined gross floor area of 8.3 million square meters.

SM Prime currently has twenty five residential projects in the market, twenty three of which are in Metro Manila and two in Tagaytay. For 2015, SM Prime’s residential unit will launch at least five new high rise condominiums with about 11,000 units in total in the cities of Las Piñas, Makati, Pasay and Parañaque and at the Mall of Asia Complex.

SM Prime’s Commercial Properties Group has four office buildings with an estimated gross leasable area of 122,000 square meters and is currently constructing Three E-Com Center scheduled for opening in 2017. Five E-Com Center is targeted for completion by the second quarter of 2015.

For hotels and convention centers, Conrad Manila in the Mall of Asia Complex in Pasay is expected to open in the last quarter of 2015.

SM Prime Holdings, Inc. and Subsidiaries
Aging of Accounts Receivables
As at March 31, 2015
(Amounts in Thousands)

Trade:	
Sale of real estate	**₱32,183,079**
Rent:	
Third parties	**3,543,241**
Related parties	**2,050,511**
Others	**189,182**
Nontrade	**331,461**
Receivable from a co-investor	**269,292**
Accrued interest	**127,188**
Due from related parties	**117,579**
Others	**3,324,107**
	42,135,640
Less allowance for doubtful accounts	**382,954**
	41,752,686
Less noncurrent portion of receivables from sale of real estate	**8,071,018**
	₱33,681,668

The aging analyses of receivables follows:

Neither past due nor impaired	**₱33,744,036**
Past due but not impaired:	
Less than 30 days	**1,502,678**
31–90 days	**2,276,487**
91–120 days	**706,513**
Over 120 days	**3,522,972**
Impaired	**382,954**
	₱42,135,640

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 14, 2015

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