



NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

Dear Stockholders:

Please be notified that the special meeting of stockholders of DMCI Holdings, Inc. (the "Corporation") will be held virtually on October 15, 2024, Tuesday, at 9:30 A.M. with the following agenda:

- (1) Call to Order
- (2) Report on Attendance and Quorum
- (3) Approval of the Minutes of the Previous Stockholders' Meeting
- (4) Amendment of the Articles of Incorporation to Reclassify 10,000,000 Preferred Shares into Class B Preferred Shares
- (5) Issuance of 10,000,000 Class B Preferred Shares to Dacon Corporation by way of private placement
- (6) Amendment of the Bylaws to Change the Annual Meeting Schedule from the 3rd Tuesday of May to the 2nd Tuesday of May
- (7) Other Matters
- (8) Adjournment

Stockholders of record as of September 6, 2024 will be entitled to notice of and to vote at the said special meeting or any adjournment or postponement thereof.

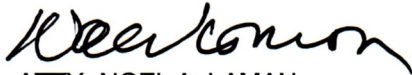
The meeting will be held virtually through Zoom and the stockholders may only attend by remote communication, by voting in absentia, or by appointing the Chairman or the President or the Chief Finance Officer as proxy. Stockholders who intend to attend the said meeting should notify the Corporation by sending an email to dmciholdings@dmcinet.com. The Corporation will send the instructions for joining the virtual annual meeting via email to each stockholder who will signify his/her intention to attend the same.

Deadline for submission of proxies is on October 5, 2024 via mail or email at dmciholdings@dmcinet.com. Validation of proxies shall be held on October 10, 2024 at 2:00 p.m., at the principal office of the Corporation, or virtually, as may be necessary or required.

Makati City, Metro Manila,

August 21, 2024

For the Board of Directors:

A handwritten signature in black ink, appearing to read "Noel A. Laman", written in a cursive style.

ATTY. NOEL A. LAMAN

Corporate Secretary

AGENDA DETAILS AND RATIONALE

1. Call to Order. The Chairman of the Board of Directors, Mr. Isidro A. Consunji, will call the meeting to order.
2. Certification of Notice and Quorum. The Corporate Secretary, Atty. Noel A. Laman, will certify that copies of the Notice were sent to the stockholders of record or published in at least two newspapers of general circulation in both print and online format at least 21 days prior to the meeting. He will also certify on the number of shares present at the meeting, for the purpose of determining the presence of quorum for the transaction of corporate business.
3. Approval/ratification of the minutes of the annual meeting of stockholders held on May 21, 2024. The minutes of the May 21, 2024 annual stockholders' meeting are posted on the company's website. The stockholders will be requested to approve the said minutes. The proposed resolution reads as follows:

"RESOLVED, That the stockholders of DMCI Holdings, Inc. (the "Corporation") hereby approve the minutes of the annual stockholders' meeting of the Corporation held on May 21, 2024."

4. Amendment of the Articles of Incorporation ("AOI") to Reclassify 10,000,000 Preferred Shares into Class B Preferred Shares

"RESOLVED, That amending all previous resolutions on the matter, the stockholders of DMCI Holdings, Inc. (the "Corporation") hereby approve the Amendment of the Articles of Incorporation ("AOI") to Reclassify 10,000,000 Preferred Shares into Class B Preferred Shares, and for this purpose, the directors, officers and management of the Corporation, are hereby authorized to do such acts and execute all documents which may be required to implement the foregoing;

RESOLVED, FINALLY, that any one (1) of the Chairman and President, Chief Finance Officer, or the Corporate Secretary be, as each is hereby, authorized to sign, execute, and deliver any and all applications, certifications, instruments, affidavits, declarations, consents and all other relevant documents and to cause any corrections/revisions to the Amended Articles of Incorporation of the Corporation as may be required to implement the foregoing resolution and to secure the approval by the Securities and Exchange Commission of the amendment to the Corporation's Amended Articles of Incorporation."

The proposed amendment to Article Seventh of the Corporation's Articles of Incorporation is attached as Annex A hereof.

5. Issuance of 10,000,000 Class B Preferred Shares to Dacon Corporation by way of private placement

"RESOLVED, That amending all resolutions on the matter, and subject to approval by the Securities and Exchange Commission of the Amended Articles of Incorporation of the Corporation, the stockholders of DMCI Holdings, Inc. (the "Corporation") hereby approve the Issuance of 10,000,000 Class B Preferred Shares to Dacon Corporation by way of private placement at the issue price of Php1,000 per Class B Preferred Share or total issue price of Php10,000,000,000.00;

RESOLVED, FINALLY, that any one (1) of the Chairman and President or the Chief Finance Officer, be, as each is hereby, authorized to sign, execute, and deliver the Subscription Contract with

Dacon Corporation, and all other documents, certifications, and instruments, which may be required to implement the foregoing resolution."

6. Amendment of the Bylaws ("BL") to Change the Annual Meeting Schedule from the 3rd Tuesday of May to the 2nd Tuesday of May

"RESOLVED, That the stockholders of DMCI Holdings, Inc. (the "Corporation") hereby approve the Amendment of the Bylaws ("BL") to Change the Annual Meeting Schedule from the 3rd Tuesday of May to the 2nd Tuesday of May, and for this purpose, the directors, officers and management of the Corporation, is hereby authorized to do such acts and execute all documents which may be required to implement the foregoing."

The proposed amendment to the Corporation's Bylaws is attached as Annex B hereof.

7. Other Matters. The stockholders to propose such other matters.
8. Adjournment. After all the businesses have been considered, the meeting shall be adjourned.

AMENDMENTS TO ARTICLES OF INCORPORATION

SEVENTH: That the authorized capital stock of said Corporation is Twenty Billion Pesos (Php20,000,000,000.00), Philippine Currency, divided into:

- A. Nineteen Billion Nine Hundred Million (19,900,000,000) Common Shares of the par value of One Peso (Php1.00) per Common Share;
- B. **Ninety Million Preferred A Shares at the par value of One Peso (Php1.00) per Preferred A Share; and**
- C. **Ten Million (10,000,000) Preferred B Shares at the par value of One Peso (Php1.00) per Preferred B Share.**

(As amended by the vote of at least 2/3 of the members of the Board of Directors on August 20, 2024, and by the stockholders representing at least 2/3 of the outstanding capital stock on October 15, 2024.)

No holder of stock of the Corporation shall be entitled as of right to subscribe to and/or purchase any additional or increased stock of any class, whether now or hereinafter authorized or obligations convertible into stocks of any class or classes whatsoever, whether now or hereinafter authorized, and whether issued for cash, property or services.

The preferences, privileges and voting powers of each class of shares and the restrictions and qualifications thereof shall be as follows:

A. COMMON SHARES

1. Issuance

From time to time, common shares may be issued for such amount (not less than par) and purpose or purposes as shall be determined by the Board of Directors.

2. Dividends

Stock and cash dividends may be declared and paid on common shares from time to time out of the unrestricted retained earnings of the Corporation legally available for payment of dividends, provided that dividends on the preferred shares shall first be paid and satisfied by the Corporation. The Board of Directors shall, however, have the power from time to time to fix and determine and to vary the amount of the working

capital of the Corporation, and to direct the use and disposition of any surplus of the Corporation in accordance with law.

3. Voting

All common shares are voting shares.

B. CLASS A PREFERRED SHARES¹

1. Issuance

Class A Preferred shares may be issued by the Board of Directors for such amount (not less than par) and purpose or purposes as shall be determined by the Board of Directors.

2. Dividends

Class A Preferred shares shall be entitled to receive out of the unrestricted retained earnings of the Corporation, dividends at a rate or rates to be determined by the Board of Directors upon their issuance.

(a) Cumulative

Dividends on Class A Preferred shares are cumulative from and after the date of issue of such shares. Accrued but unpaid dividends shall compound at the dividend rate applicable during the succeeding dividend period until fully paid. No dividends shall be declared or issued on the common shares nor shall any common shares be purchased, retired or otherwise acquired by the Corporation, unless full cumulated dividends on the preferred shares for all past dividend periods shall have been declared and paid by the Corporation.

(b) Non-Participating

Class A Preferred shares shall not be entitled to receive any other or further dividends of any kind whatsoever beyond that specifically payable thereon.

3. Non-Voting

¹ As amended by the vote of at least 2/3 of the members of the Board of Directors on August 20, 2024, and by the stockholders representing at least 2/3 of the outstanding capital stock on October 15, 2024.

Class A Preferred shares shall not be entitled to vote except in those cases specifically provided by law.

4. Convertibility

Class A Preferred shares may either be convertible or non-convertible into common shares as shall be determined by the Board of Directors upon their issuance.

Convertible **Class A** preferred shares shall be convertible into common shares within such period, and at such premium, as may be determined and fixed by the Board of Directors at the time of issuance.

5. Redemption

Class A preferred shares may be redeemable at the option of the Corporation at any time, upon payment of their aggregate par or issue value, plus all accrued and unpaid dividends, as the Board of Directors may determine at the time of issuance.

Class A Preferred shares so redeemed may be reissued by the Corporation upon such terms and conditions as the Board of Directors may determine.

6. Liquidation

In the event of liquidation, dissolution or winding up of the Corporation, whether voluntary or otherwise, the holders of **Class A** preferred shares shall be paid in full or ratably, insofar as the assets of the Corporation will permit, the par or issue value of each preferred share held by them, as the Board of Directors may determine upon their issuance, plus unpaid cumulated dividends up to the current dividend period, before any assets of the Corporation shall be paid or distributed to the holders of the common shares.

C. **CLASS B PREFERRED SHARES**²

1. **Issuance**

² *As amended by the vote of at least 2/3 of the members of the Board of Directors on August 20, 2024, and by the stockholders representing at least 2/3 of the outstanding capital stock on October 15, 2024.*

Class B Preferred shares may be issued by the Board of Directors for such amount (not less than par) and purpose or purposes as shall be determined by the Board of Directors.

2. Dividends

Class B Preferred shares shall be entitled to receive out of the unrestricted retained earnings of the Corporation, annual dividends at the rate of 4% of their aggregate issue value upon approval by the Board of Directors, and to be paid out on a quarterly basis (at 1% of issue value per quarter).

(a) Cumulative

Dividends on Class B Preferred shares are cumulative from and after the date of issue of such shares. Accrued but unpaid dividends shall compound at the dividend rate applicable during the succeeding dividend period until fully paid. No dividends shall be declared or issued on the common shares nor shall any common shares be purchased, retired or otherwise acquired by the Corporation, unless full cumulated dividends on the preferred shares for all past dividend periods shall have been declared and paid by the Corporation.

(b) Non-Participating

Class B Preferred shares shall not be entitled to receive any other or further dividends of any kind whatsoever beyond that specifically payable thereon.

3. Non-Voting

Class B Preferred shares shall not be entitled to vote except in those cases specifically provided by law.

4. Convertibility

Class B Preferred Shares may be converted into common shares at the conversion price of 30% premium over the volume weighted average price of the common shares of the Corporation over the 30 trading days immediately preceding the conversion date (the "Conversion Price").

Class B Preferred shareholder shall have the option to convert the Class B Preferred Shares at the Conversion Price. The option to convert may be exercised in one or more installments at the option of the holder of such Class B Preferred shares, exercisable not earlier than the fifth anniversary of the issuance of such shares, and

every end of each succeeding calendar year following the fifth anniversary of issuance.

5. Term and Redemption

Class B preferred shares shall be perpetual unless redeemed at the sole option of the Corporation at the issue price of such Class B Preferred Shares. The option to redeem may be exercised in one or more installments at the option of the Corporation, not earlier than the fifth anniversary of the issuance of such shares, and every quarter following the fifth anniversary of issuance. All accrued and unpaid dividends on the Class B Preferred Shares shall be paid upon their redemption.

Class B Preferred Shares so redeemed may be reissued by the Corporation upon approval by the Board of Directors.

6. Liquidation

In the event of liquidation, dissolution or winding up of the Corporation, whether voluntary or otherwise, the holders of Class B preferred shares shall be paid in full or ratably, insofar as the assets of the Corporation will permit, the issue value of each Class B preferred share held by them, as the Board of Directors may determine upon their issuance, plus unpaid cumulated dividends up to the current dividend period, before any assets of the Corporation shall be paid or distributed to the holders of the common shares.

AMENDMENT TO BYLAWS**ARTICLE II SECTION 1. REGULAR MEETINGS**

FROM	TO
The annual meeting of the stockholders shall be held on the third Tuesday of May of each year, at the main office of the Corporation or such other place in Metro Manila as may be designated in the notice.	The annual meeting of the stockholders shall be held on the <u>second Tuesday of May</u> of each year, at the main office of the Corporation or such other place in Metro Manila as may be designated in the notice.

Participation via Remote Communication

The conduct of the special stockholders' meeting will be streamed live, and stockholders may attend, and participate at the special meeting by remote communication by following the instructions below:

1. Starting September 11, 2024, stockholders who intend to participate remotely should notify the Corporation by sending an email to dmciholdings@dmccinet.com.
2. An email confirmation and further instructions for the registration and voting will be provided to the stockholders. Last day of registration is 5:00 pm on October 14, 2024.
3. A link will be sent by email to stockholders who will indicate their intention to participate at the annual meeting through remote communication. The stockholders should access the link provided by the company in order to register their attendance at the special stockholders' meeting. Once the registration of the stockholders is validated by the company, the company shall send an email to the stockholders which shall contain the link for the October 15, 2024 special stockholders' meeting. The stockholders may attend the said special meeting on October 15, 2024 by accessing such link.
4. Stockholders who intend to vote in absentia are required to submit their vote through the online voting portal to be provided by the company upon confirmation of their registration. Votes should be submitted not later than 10:30 am on October 15, 2024.
5. Stockholders who intend to attend and vote by proxy should submit their respective proxies by mail or by email to dmciholdings@dmccinet.com not later than October 5, 2024. No further changes on the proxies will be accommodated after the deadline.

Requirements for Registration

To participate and vote online, the stockholders will be required to provide/submit the following:

For Individual Stockholder:

1. Stock Certificate Number
2. Electronic copy of one valid ID (JPEG or PDF file)

For Corporate Stockholder:

1. Stock Certificate Number
2. Electronic copy of one valid ID (JPEG or PDF file)
3. Notarized Secretary's Certificate authorizing a proxy (JPEG or PDF file)

For Stockholder under PCD Participant/Brokers Account:

1. Electronic copy of one valid ID (JPEG or PDF file)
2. Certification from Broker (JPEG or PDF file)
3. Notarized Secretary's Certificate authorizing a proxy (JPEG or PDF file) for corporate stockholder

For Stockholders with Joint Account:

1. Electronic copy of one valid ID (JPEG or PDF file)
2. Authorization Letter signed by other stockholders indicating the person among them authorized to participate and/or vote (JPEG or PDF file)

QR CODE¹

Access to Notice of Meeting, Agenda and Rationale, Proxy Form, Definitive Information Statements, Financial Statements, Minutes of Annual Stockholders' Meeting dated May 21, 2024 can be downloaded by scanning the QR Code provided herewith.

Likewise, you may also download it from the company's website by clicking this link:

<https://www.dmciholdings.com/governance/annual-stockholders-meeting-matters>

Electronic copies of the same documents are also available at the PSE Edge.

Hard copies of the DIS will be available upon request of the stockholder. You can submit your request by calling (632) 8888 3000 or by sending an email to dmciholdings@dmcinet.com



¹ With pending request for SEC Permission on the use of QR Code.

A S O 9 5 0 0 2 2 8 3

SEC Registration Number

D M C I H O L D I N G S , I N C .

(Company's Full Name)

3 R D F L R . D A C O N B L D G . 2 2 8 1

P A S O N G T A M O E X T . M A K A T I C I T Y

(Business Address: No., Street City / Town / Province)

HERBERT M. CONSUNJI

Contact Person

8888-3000

Company Telephone Number

1

2

Month

Fiscal Year

3

1

Day

SEC Form 20-IS
Preliminary Information Statement
(Special Stockholders' Meeting)

FORM TYPE

0

5

Month

Annual Meeting

2

1

Day

N.A.

Secondary License Type, If Applicable

C

F

D

Dept Requiring this Doc

None

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

**INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

☒ **Preliminary Information Statement**

☐ **Definitive Information Statement**

2. Name of Corporation as specified in its charter: **DMCI Holdings, Inc.**

3. Province, country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **ASO95-002283**

5. BIR Tax Identification Code: **004-703-376**

6. Address of principal office Postal Code: **3rd Floor, Dacon Building
2281 Don Chino Roces Avenue
1231 Makati City
Metro Manila**

7. Corporation's telephone number, including area code: **(632) 8888-3000**

8. Date, time and place of the meeting of security holders:
**October 15, 2024
9:30 A.M.
Via Remote Communication**

9. Approximate date on which the Information Statement is first to be sent or given to security holders:
September 11, 2024

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor: **The Management of the Corporation**

Address and Telephone No.: **3rd Floor, Dacon Building
2281 Don Chino Roces Avenue
1231 Makati City
Metro Manila
(632) 8888-3000**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

<u>Title of Each Class</u>	<u>No. of Shares Outstanding</u>	<u>Amount</u>
Common Shares	13,277,470,000	Php13,277,470,000.00
Preferred Shares	960	960.00
TOTAL	13,277,470,960	Php13,277,470,960.00

12. Are any or all of Corporation's Securities Listed with the Philippine Stock Exchange?

Yes (√)

No ()

PART I
INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting

The enclosed proxy is solicited for and on behalf of the Management of **DMCI HOLDINGS, INC.** (hereinafter called the “Corporation”) for use in connection with the special meeting of the stockholders to be held on **October 15, 2024 (Tuesday), at 9:30 A.M. via virtual or remote communication.**

The Notice, form of proxy and QR Code with access to the Definitive Information Statement and other related documents will be sent to the stockholders of record as of September 6, 2024 (the “Record Date”) or will be published in two newspapers of general circulation in both print and online format on or before September 24, 2024, in accordance with the requirements of the Securities and Exchange Commission (SEC).

The matters to be considered and acted upon at such meeting are referred to in the Notice and are more fully discussed in this statement.

The complete mailing address of the Corporation is:

3rd Floor, Dacon Building
2281 Don Chino Roces Avenue
1231 Makati City
Metro Manila, Philippines

Stockholders may only attend by remote communication, by voting in absentia, or by appointing the Chairman of the meeting as proxy.

Participation via Remote Communication

The conduct of the special stockholders’ meeting will be streamed live, and stockholders may attend, and participate at the special meeting by remote communication by following the instructions below:

1. Starting September 11, 2024, stockholders who intend to participate remotely should notify the Corporation by sending an email to dmciholdings@dmcinet.com.
2. An email confirmation and further instructions for the registration and voting will be provided to the stockholders.
3. A link will be sent by email to stockholders who will indicate their intention to participate at the special meeting through remote communication. The stockholders should access the link provided by the company in order to register their attendance at the special stockholders’ meeting. Once the registration of the stockholders is validated by the company, the company shall send another email to the stockholders which shall contain

the link for the October 15, 2024 special stockholders' meeting. The stockholders may attend the said special meeting on October 15, 2024 by accessing such link.

4. Stockholders who intend to vote in absentia are required to submit their vote through the online voting portal to be provided by the company upon confirmation of their registration. Votes should be submitted not later than 5:00 PM of October 10, 2024.
5. Stockholders who intend to attend and vote by proxy should submit their respective proxies by mail or by email to dmciholdings@dmcinet.com not later than October 10, 2024. No further changes on the proxies will be accommodated after the deadline.

Item 2. Dissenter's Right of Appraisal

One of the proposed corporate actions to be voted upon by the stockholders at the October 15, 2024 special stockholders' meeting is the amendment of the Articles of Incorporation in order to reclassify 10,000,000 of the existing unissued preferred shares into Class B Preferred Shares. The existing preferred shares from the current authorized capital stock will be reclassified as Class A Preferred Shares. There will be no changes to the terms of such existing preferred shares,

Pursuant to Section 80 of the Revised Corporation Code of the Philippines, the amendment of the articles of incorporation which has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, is one of the items for which a dissenting stockholder of the corporation may exercise his appraisal right. Thus, the dissenter's right of appraisal as provided under Section 80 of the Revised Corporation Code of the Philippines applies with respect to this particular agenda for the October 15, 2024 special stockholders' meeting.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director, officer, nominee for director, or associate of any of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, on any matter to be acted upon. No director has informed the Corporation in writing of any intention to oppose any action to be taken during the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders thereof

(a) As of July 31, 2024, the Corporation has the following outstanding shares:

Common shares (voting)	13,277,470,000 shares*
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**Of the total outstanding common shares, 715,984,159 common shares representing 5.39% of the outstanding common shares are owned by foreign shareholders.*

(b) The Record Date for the Special Stockholders' Meeting is on September 6, 2024. Only the holders of Common Shares as of the Record Date shall be entitled to vote on the following matters to be submitted for stockholders' approval: (i) approval of Amendment of the Articles of Incorporation to Reclassify 10,000,000 Preferred Shares into Class B Preferred Shares (ii) Issuance of 10,000,000 Class B Preferred Shares to Dacon Corporation by way of private placement, and (iii) Amendment of the By-Laws to Change the Annual Stockholders' Meeting Schedule from the 3rd Tuesday of May to the 2nd Tuesday of May. All of the holders of the Corporation's outstanding common shares have equal voting rights.

(c) Every common stockholder entitled to vote shall have the right to vote in person, by proxy or in absentia, the number of common shares of stock standing in his name as of Record Date. Each outstanding common share shall be entitled to one vote.

(d) Security Ownership of Certain Record and Beneficial Owners

The following table sets forth as of July 31, 2024 the record and/or beneficial owners of more than 5% of the outstanding Common Shares of the Corporation which are entitled to vote and the amount of such record and/or beneficial ownership.

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	DACON Corporation 2281 Chino Roces Ave., Makati City Dacon Corp. is a stockholder of the Corporation	See attached Schedule 2. Beneficial owners are stockholders of Dacon Corp. ¹	Filipino	6,638,822,915	50.00%
Common	DFC Holdings, Inc. Dacon Bldg. 2281 Don Chino Roces Avenue, Makati City	See attached Schedule 2 Beneficial owners are stockholders of DFC	Filipino	2,379,799,910	17.92%

¹ Mr. Jorge A. Consunji and/or Ma. Edwina C. Laperal, and/or Maria Cristina C. Gotianun shall have the right to vote the shares of DACON Corporation.

	DFC Holdings, Inc. is a stockholder of the Corporation	Holdings, Inc. ²			
Common	Philippine Central Depository, Inc. (PCD) Ground Floor, Makati Stock Exchange Building 6767, Ayala Avenue Makati City PCD is the registered owner of the shares in the books of the Corporation's transfer agent	See attached Schedule 2. The beneficial owners of such shares are Philippine Depository and Trust Corporation ("PDTC") participants, who hold the shares on their behalf or on behalf of their clients	Filipino	2,753,791,863	20.74%
Common	Philippine Central Depository, Inc. (PCD) Ground Floor, Makati Stock Exchange Building 6767, Ayala Avenue Makati City PCD is the registered owner of the shares in the books of the	(See attached Schedule 2.) The beneficial owners of such shares are Philippine Depository and Trust Corporation ("PDTC") participants, who hold the shares	Foreign	702,415,888	05.29%

² Ms. Ma Edwina C. Laperal and/or Ms. Maria Cristina C. Gotianun shall have the right to vote the shares of DFC Holdings, Inc.

	Corporation's transfer agent	on their behalf or on behalf of their clients			
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Below is the list of the individual beneficial owners under PCD, Inc. account holding more than 5% of the outstanding Common Shares of the Corporation.

Title of Class	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	NONE	-	-	-

There is no person under PCD account who holds more than 5% of the company's shares.

(e) Security Ownership of Management

The table sets forth as of **July 31, 2024** the record or beneficial stock ownership of each Director of the Corporation and all Officers and Directors as a group.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Class
Common	Isidro A. Consunji	65,000	Direct	Filipino	0.0005%
Common	Cesar A. Buenaventura	700,000	Direct	Filipino	0.0053%
Common	Ma. Edwina C. Laperal	3,315,000	Direct	Filipino	0.0250%
Common	Jorge A. Consunji	5,000	Direct	Filipino	0.0000%
Common	Luz Consuelo A. Consunji	101,000	Direct	Filipino	0.0008%
Common	Maria Cristina C. Gotianun	5,500	Direct	Filipino	0.0000%
Common	Roberto L. Panlilio	1,000	Direct	Filipino	0.0000%
Common	Bernardo M. Villegas	1,000	Direct	Filipino	0.0000%
Common	Cynthia R. Del Castillo	1,000	Direct	Filipino	0.0000%
Common	Herbert M. Consunji	293,000	Direct	Filipino	0.0022%
Common	Noel A. Laman	100,000	Direct	Filipino	0.0008%
Common	Ma. Pilar P. Gutierrez	0	N/A	Filipino	0.0000%
Common	Joseph Adelbert V. Legasto	100,000	N/A	Filipino	0.0008%
Common	Cherubim O. Mojica	0	N/A	Filipino	0.0000%
<i>Aggregate Ownership of Directors and Officers as a group, unnamed</i>		4,687,500	Direct	Filipino	0.0353%

All the above named directors and officers of the Corporation are the record and beneficial owners of the shares of stock set forth opposite their respective names.

(f) Voting Trust Holders of 5% or more

The Corporation is not aware of any person holding more than 5% of the shares of Corporation under a voting trust or similar agreement.

(g) Changes in Control

From January 1, 2024 to date, there has been no change in control of the Corporation. Neither is the Corporation aware of any arrangement which may result in a change in control of it.

Item 5. Directors and Executive Officers

No action or matter with respect to the election of directors or officers will be taken during the special stockholders' meeting on October 15, 2024.

Item 6. Independent Public Accountant

No action or matter with respect to the independent public accountant of the Corporation will be taken up during the special stockholders' meeting on October 15, 2024.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 7. Authorization or Issuance of Securities Other than for Exchange

The Corporation will submit for stockholders' approval the amendment of the articles of incorporation of the Corporation in order to reclassify 10,000,000 from the existing unissued preferred shares into 10,000,000 Class B preferred shares, with the following terms and conditions.

- a) Par value of Php1.00 per share
- b) Cumulative, non-participating annual dividends of 4% of the issue value, to be paid out on a quarterly basis (or one percent (1%) of the issue value per quarter).
- c) Term is perpetual unless redeemed at the sole option of DMCI Holdings, Inc. at the issue price. The option to redeem may be exercised in one or more installments beginning on the 5th anniversary of the issuance of Class B Preferred Shares, and every quarter after the 5th anniversary.
- d) Conversion price shall be set at a 30% premium over the volume weighted average price of the common shares over the 30 trading days immediately preceding the conversion date (the "Conversion Price")
- e) Class B Preferred Shareholder shall be given the option to convert the unredeemed Class B Preferred Shares into common shares at the Conversion Price. The option to convert may be exercised in one or more installments beginning on the 5th anniversary of the issuance of Class B Preferred Shares, and every end of the calendar year after the 5th anniversary.

The proposed amended Article Seventh of the Amended Articles of Incorporation is attached as Annex A of the Agenda Details and Rationale.

The previous resolution of the stockholders adopted on May 21, 2019 increasing the par value of preferred shares to Php1,000 was not implemented because the Corporation was unable to reach all the holders of the outstanding preferred shares. The said resolution of May 21, 2019 is sought to be revoked and amended and replaced by a new resolution which will reclassify 10,000,000 of the existing unissued preferred shares into Class B Preferred Shares, and maintaining the par value of all preferred shares at One Peso (Php1.00) per share.

Subject to the approval by the stockholders and by the Securities and Exchange Commission of the foregoing proposed amendment to the articles of incorporation of the Corporation, the Corporation intends to issue the 10,000,000 Class B Preferred Shares to Dacon Corporation by way of private placement, at the issue price of Php1,000 per share, or total issue price of Php10,000,000,000.00, payable in one lump sum or in installments, provided that full payment shall be made not later than the closing date for the purchase by the Corporation of 23,915,631 shares in Cemex Asian South East Corporation (CASEC) representing 56.75% of the outstanding capital of CASEC.

On April 25, 2024, DMCI Holdings, Inc. Dacon Corporation (Dacon) and Semirara Mining and Power Corporation (SMPC) executed a Share Purchase Agreement with CEMEX Asia B.V. for the purchase of its 100% equity interest (the "Transaction") in CASEC. CASEC owns 89.86% of the outstanding shares of Cemex Holdings Philippines, Inc. (CHP). DMCI Holdings, Inc. will acquire 56.75% stake in CASEC comprising of 23,915,631 shares. Following the completion of the Transaction, DMCI Holdings will hold an indirect majority stake of 51% in CHP (through the Target Company"). Dacon, on the other hand, will own a combined direct and indirect stake of 39% in CHP, and SMPC will own an indirect 10% stake in CHP (through the Target Company).

The Php10,000,000,000.00 that the Corporation will raise through the issuance of 10,000,000 Class B Preferred Shares to Dacon Corporation at the issue price of Php1,000 per share or total issue price of Php10,000,000,000.00 will be used by the Corporation to fund its share in the purchase price of CASEC. The Corporation expects to finalize and complete the transaction before the end of the year 2024, subject to fulfillment of certain conditions precedent. As disclosed by the Corporation on August 13, 2024, it has already received a certification from the Philippine Competition Commission that the transaction has been cleared.

D. OTHER MATTERS

Item 8. Action with respect to Reports

Summary of Items to be submitted for Stockholders' Approval

- (1) Approval of the Minutes of the Previous Annual Stockholders' Meeting

- (2) Amendment of the Articles of Incorporation to Reclassify 10,000,000 of the unissued preferred shares as Class B Preferred Shares
- (3) Approval of the Issuance of 10,000,000 Class B preferred shares to Dacon Corporation at the issue price of Php1,000 per share or total issue value of Php10,000,000,000.00.
- (4) Amendment of the Bylaws of the Company to change the schedule of the Annual Stockholders' Meeting from the 3rd Tuesday of May to the 2nd Tuesday of May of each year

Item 9. Summary of Voting Matters/Voting Procedures

(a) Summary of Matters to be presented to Stockholders

1. Approval of the Minutes of the Previous Annual Stockholders' Meeting

The minutes of the annual stockholders' meeting held on May 21, 2024 will be submitted for approval of the stockholders at the special meeting to be held on October 15, 2024. All of the incumbent directors and officers of the Corporation attended the May 21, 2024 annual stockholders' meeting and this is indicated in the minutes of the said annual meeting which has been posted in the company's website since May 21, 2024. Stockholders holding 80.11% of the outstanding capital stock likewise attended the meeting through proxies or through remote communication.

Below is a summary of the items and/or resolutions approved at the annual stockholders' meeting held on May 21, 2024.

- (a) The Chairman of the Board of Directors of the Corporation called the meeting to order.
- (b) The Secretary of the meeting certified that a quorum existed for the transaction of business. The following is a record of the number of shares present via proxy or remote communication:

Number of common shares present:	10,635,967,116
Percentage of the total outstanding common shares present in via remote communication or by proxies:	80.11%
Total number of issued and outstanding capital stock:	13,277,470,000 shares

- (c) The stockholders approved the minutes of the annual stockholders' meeting held on May 17, 2023.
- (d) The President of the Corporation presented the management report for the year 2023.
- (e) Upon motion duly made and seconded, the stockholders ratified the acts of the officers and the Board of Directors of the Corporation for the year 2023 until the date of the annual stockholders' meeting, as they are reflected in the books and records of the Corporation.

- (f) Upon motion duly made and seconded, the audit firm Sycip Gorres Velayo and Co. was appointed as independent auditors of the Corporation for the fiscal year ending December 31, 2024.
- (i) The following were elected as directors of the Corporation for the then current year, to serve as such for a period of one year and until their successors shall have been elected and qualified:
 - (1) Isidro A. Consunji
 - (2) Cesar A. Buenaventura
 - (3) Maria Cristina C. Gotianun
 - (4) Jorge A. Consunji
 - (5) Ma. Edwina C. Laperal
 - (6) Luz Consuelo A. Consunji
 - (7) Dr. Bernardo M. Villegas (independent director)
 - (8) Roberto L. Panlilio (independent director)
 - (9) Atty. Cynthia Del Castillo (independent director)
- (j) Upon motion duly made and seconded, the annual stockholders' meeting was adjourned.

2. *Amendment of the Articles of Incorporation to Reclassify 10,000,000 of the unissued preferred shares as Class B Preferred Shares*

The Corporation will submit for stockholders' approval the amendment of the articles of incorporation of the Corporation in order to reclassify 10,000,000 from the existing unissued preferred shares into 10,000,000 Class B Preferred Shares with the terms and conditions discussed in item 7 of this Information Statement. The existing preferred shares from the current authorized capital stock shall be referred to as Class A Preferred Shares. The previous resolution adopted on May 21, 2019 will be revoked accordingly.

3. *Approval of the Issuance of 10,000,000 Class B Preferred Shares to Dacon Corporation*

Subject to SEC approval of the Amended Articles of Incorporation, 10,000,000 Class B Preferred Shares will be issued to Dacon Corporation by way of private placement, at the issue price of Php1,000 per Class B Preferred Share, or total issue price of Php10,000,000,000.00. As discussed in item 7 of this Information Statement, the amount to be raised will be used by the Corporation to fund its share of the purchase price for CASEC.

4. *Amendment of the Bylaws of the Company to Change the Schedule of the Annual Stockholders' Meeting from the 3rd Tuesday of May to the 2nd Tuesday of May of each year*

The Bylaws of the Corporation will be amended to change the schedule of annual stockholders' meeting (ASM) ***from the 3rd Tuesday of May to the 2nd Tuesday of May***. The current schedule of ASM which is 3rd Tuesday of May of each year sometimes falls after May 15 which is the deadline for the submission of the first quarter interim financial statements. The Securities and Exchange Commission (SEC) requires the submission of the first quarter interim financial statements together with the SEC Form 20-IS for the ASM if the ASM falls on or after May 15 of each year. However, since the preparation for the ASM and filing of the SEC Form 20-IS happens at least 25 trading days prior to the ASM, the first quarter interim financial statements are usually not yet available by the time that the Corporation submits its SEC Form 20-IS to the SEC. The proposed amendment of the date of the ASM from the 3rd Tuesday of May to

the 2nd Tuesday of May is proposed in order for the Corporation to fully comply with the requirements of the SEC under Revised SRC Rule 68 Part II (5)(C) on the submission of the Interim Financial Statements in the filing of the Information Statement (SEC Form 20-IS).

(b) Voting Procedures

- (1) Approval of the Minutes of the May 21, 2024 Annual Stockholders' Meeting
 - (A) Vote required: Two-thirds of the outstanding common stock present by proxy or in absentia, provided constituting a quorum.
 - (B) Method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The stockholders shall vote by proxy or in absentia.
- (2) Amendment of the Articles of Incorporation to Reclassify 10,000,000 of the unissued preferred shares as Class B preferred shares
 - (A) Vote required: Two-thirds of the outstanding common stock present by proxy or in absentia, provided constituting a quorum.
 - (B) Method by which votes shall be counted: Each outstanding share shall be entitled to one (1) vote. The stockholders shall vote by proxy or in absentia.
- (3) Approval of the Issuance of all the Class B preferred shares to Dacon Corporation
 - (A) Vote required: A majority of the outstanding common stock present by proxy or in absentia, provided constituting a quorum.
 - (B) Method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The stockholders shall vote by proxy or in absentia.
- (4) Amendment of the Bylaws of the Company to change the schedule of the Annual Stockholders' Meeting from the 3rd Tuesday of May to the 2nd Tuesday of May of each year
 - (A) Vote required: A majority of the outstanding common stock present by proxy or in absentia, provided constituting a quorum.
 - (B) Method by which votes shall be counted: Each outstanding share shall be entitled to one (1) vote. The stockholders shall vote by proxy or in absentia.

Punongbayan & Araullo was appointed as Board of Canvassers for the 2024 special stockholders' meeting. The Board of Canvassers shall have the power to count and tabulate all votes, assents and consents; determine and announce the result; and to do such acts as may be proper to conduct the election or vote with fairness to all stockholders.

PART II
PROXY FORM
DMCI HOLDINGS, INC.

Item 1. Identification

This proxy is being solicited for and on behalf of the Management of the Corporation. The Chairman of the Board of Directors or, in his absence, the President of the Corporation will vote the proxies at the special stockholders' meeting to be held on October 15, 2024.

Item 2. Instruction

- (a) The proxy must be duly accomplished by the stockholder of record as of Record Date. A proxy executed by a corporation shall be in the form of a board resolution duly certified by the Corporate Secretary or in a proxy form executed by a duly authorized corporate officer accompanied by a Corporate Secretary's Certificate quoting the board resolution authorizing the said corporate officer to execute the said proxy.
- (b) Duly accomplished proxies may be emailed to dmciholdings@dmcinet.com or submitted to the Corporate Secretary of the Corporation not later than October 10, 2024 at the following address:

The Corporate Secretary
DMCI Holdings, Inc.
3rd Floor, DACON Building
2281 Pasong Tamo Extension
1231 Makati City
Philippines
- (c) In case of shares of stock owned jointly by two or more persons, the consent of all co-owners must be necessary for the execution of the proxy. For persons owning shares in an "and/or" capacity, any one of them may execute the proxy.
- (d) Validation of proxies will be held by the Stock Transfer Agent on October 10, 2024 at 2:00 p.m. at the principal office of the Corporation at the 3rd Floor, DACON Building, 2281, Don Chino Roces Avenue, Makati City, Philippines.
- (e) Unless otherwise indicated by the stockholder, a stockholder shall be deemed to have designated the Chairman of the Board of Directors, or in his absence, the President of the Corporation, as his proxy for the special stockholders meeting to be held on October 15, 2024.
- (f) If the number of shares of stock is left in blank, the proxy shall be deemed to have been issued for all of the stockholder's shares of stock in the Corporation as of Record Date.
- (g) The manner in which this proxy shall be accomplished, as well as the validation hereof shall be governed by the provisions of SRC Rule 20 (11)(b)

- (h) The stockholder executing the proxy shall indicate the manner by which he wishes the proxy to vote on any of the matters in (1), (2), (3) and (4) below by checking the appropriate box. Where the boxes (or any of them) are unchecked, the stockholder executing the proxy is deemed to have authorized the proxy to vote for the matter.

The Undersigned hereby appoints:

- (a) The Chairman of the Board of Directors of DMCI Holdings, Inc., or in his absence, the Chairman of the Stockholders' Meeting; or
- (b) the President or the Chief Finance Officer of DMCI Holdings, Inc.

as his/her/its Proxy to attend the above special meeting of the stockholders of DMCI Holdings, Inc., and any adjournment or postponement thereof, and thereat to vote all shares of stock held by the undersigned as specified below and on any matter that may properly come before said meeting.

- (1) Approval of the Minutes of the May 21, 2024 Annual Stockholders' Meeting

☐ FOR ☐ AGAINST ☐ ABSTAIN
- (2) Amendment of the Articles of Incorporation to Reclassify 10,000,000 of the unissued preferred shares as Class B Preferred Shares

☐ FOR ☐ AGAINST ☐ ABSTAIN
- (3) Approval of the Issuance of 10,000,000 Class B Preferred Shares to Dacon Corporation

☐ FOR ☐ AGAINST ☐ ABSTAIN
- (4) Amendment of the Bylaws of the Company to change the schedule of the Annual Stockholders' Meeting from the 3rd Tuesday of May to the 2nd Tuesday of May of each year

☐ FOR ☐ AGAINST ☐ ABSTAIN

Item 3. Revocability of Proxy

Any stockholder who executes the proxy enclosed with this statement may revoke it at any time before it is exercised. The proxy may be revoked by the stockholder executing the same at any time by submitting to the Corporate Secretary a written notice of revocation not later than the start of the meeting, or by attending the meeting in person and signifying his intention to personally vote his shares. Shares represented by an unrevoked proxy will be voted as authorized by the stockholder.

Item 4. Persons Making the Solicitation

The solicitation is made by the Management of the Corporation. No director of the Corporation has informed the Corporation in writing that he intends to oppose an action intended to be taken up by

the Management of the Corporation at the special meeting. Solicitation of proxies shall be made through the use of mail or personal delivery. The Corporation will shoulder the cost of solicitation which is approximately Php80,000.00.

Item 5. Interest of Certain Persons in Matters to be Acted Upon

No director, officer, nominee for director, or associate of any of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, on any matter to be acted upon at the special stockholders' meeting to be held on October 15, 2024.

Date

(Signature above printed name, including title
when signing for a corporation or partnership or as
an agent, attorney or fiduciary).

No. of shares held: _____

**PART III
SIGNATURE**

Management does not intend to bring any matter before the meeting other than those set forth in the Notice of the special meeting of stockholders and does not know of any matters to be brought before the meeting by others. If any other matter does come before the meeting, it is the intention of the persons named in the accompanying proxy to vote the proxy in accordance with their judgment.

ACCOMPANYING THIS INFORMATION STATEMENT ARE COPIES OF THE (1) NOTICE OF THE SPECIAL STOCKHOLDERS' MEETING CONTAINING THE AGENDA THEREOF; AND (2) PROXY INSTRUMENT.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE CORPORATION WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE CORPORATION'S ANNUAL REPORT IN SEC FORM 17-A AND THE CORPORATION'S LATEST QUARTERLY REPORT IN SEC FORM 17-Q DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.

ALL REQUESTS MAY BE SENT TO THE FOLLOWING:

**DMCI Holdings, Inc.
3rd Floor, DACON Building,
2281 Pasong Tamo Extension,
1231 Makati City.**

Attention: The Corporate Secretary

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on August 21, 2024.

DMCI HOLDINGS, INC.

By:

A handwritten signature in black ink, appearing to read "Noel A. Laman", written in a cursive style.

ATTY. NOEL A. LAMAN

Corporate Secretary

SCHEDULE 1

The following is a disclosure of the beneficial owners of the shares held by the PCD Nominee Corporation, DACON Corporation and DFC Holdings, Inc. in DMCI Holdings, Inc. as of **July 31, 2024**

(1) PCD Nominee Corporation ³	3,456,207,751	shares	26.03%
(2) DACON Corporation	6,638,822,815	shares	50.00%
(3) DFC Holdings, Inc.	2,379,799,910	shares	17.92%

PCD Nominee Corporation

Attached hereto as Schedule 2(a) is a Certification from the PCD Nominee Corporation as to the beneficial owners of the shares held by it in DMCI Holdings, Inc. The PCD Nominee Corporation is a wholly-owned subsidiary of the Philippine Depository and Trust Corporation (PDTC). The beneficial owners of shares held of record by the PCD Nominee Corporation are PDTC participants who hold the shares on their own behalf or that of their clients. PDTC is a private company organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

DACON Corporation

The following are the beneficial owners of DACON Corporation:

SHAREHOLDER	NO. OF SHARES SUBSCRIBED	% OWNERSHIP
Isidro A. Consunji	2	0.00
Jorge A. Consunji	2	0.00
Ma. Edwina C. Laperal	2	0.00
Maria Cristina C. Gotianun	2	0.00
Josefa C. Reyes	2	0.00
Luz Consuelo A. Consunji	2	0.00
Inglebrook Holdings	4,090,695	12.45
Eastheights Holdings	4,090,695	12.45
Crismon Investment, Inc.	4,090,695	12.45
Valemont Corporation	4,090,694	12.45
Gulfshore Incorporated	4,090,695	12.45
Jagjit Holdings, Inc.	4,090,695	12.45
La Lumiere Holdings, Inc.	4,090,695	12.45

³PCD Nominee Corporation, a wholly-owned subsidiary of Philippine Depository and Trust Corporation ("PDTC"), is the registered owner of the shares in the books of the Corporation's transfer agent in the Philippines. The beneficial owners of such shares are PDTC participants, who hold the shares on their behalf or on behalf of their clients. PDTC is a private company organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines

Rice Creek Holdings, Inc.	4,090,695	12.45
Double Spring Investments Corp.	114,429	0.40

TOTAL	32,840,000	100.00%
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Mr. Jorge A. Consunji and/or Ms. Maria Cristina C. Gotianun shall have the right to vote the shares of DACON Corporation.

DFC Holdings, Inc.

The following are the beneficial owners of DFC Holdings, Inc.:

SHAREHOLDER	NO. OF SHARES SUBSCRIBED	% OWNERSHIP
Isidro A. Consunji	698,689	0.07%
Jorge A. Consunji	2,044,714	0.20%
Ma. Edwina C. Laperal	781,076	0.08%
Maria Cristina C. Gotianun	2,079,529	0.20%
Josefa C. Reyes	1	0.00%
Luz Consuelo A. Consunji	1	0.00%
Valeri Ann Patricia A. Consunji	1	0.00%
Tulsi Das C. Reyes	1	0.00%
Christopher Thomas C. Gotianun	1	0.00%
Inglebrook Holdings	128,001,311	12.43%
Eastheights Holdings	127,818,924	12.41%
Crismon Investment, Inc.	126,620,470	12.30%
Valemont Corporation	128,700,000	12.50%
Gulfshore Incorporated	126,655,285	12.30%
Jagjit Holdings, Inc.	128,699,998	12.50%
La Lumiere Holdings, Inc.	128,699,998	12.50%
Rice Creek Holdings, Inc.	128,700,000	12.50%
Firenze Holdings Inc.	100,000	0.01%
TOTAL	1,029,600,000	100.00%

Ms. Ma Edwina C. Laperal and/or Ms. Maria Cristina C. Gotianun shall have the right to vote the shares of DFC Holdings, Inc.

PROXY FORM
DMCI HOLDINGS, INC.

Item 1. Identification

This proxy is being solicited for and on behalf of the Management of the Corporation. The Chairman of the Board of Directors or, in his absence, the President of the Corporation will vote the proxies at the special stockholders' meeting to be held on October 15, 2024.

Item 2. Instruction

- (a) The proxy must be duly accomplished by the stockholder of record as of Record Date. A proxy executed by a corporation shall be in the form of a board resolution duly certified by the Corporate Secretary or in a proxy form executed by a duly authorized corporate officer accompanied by a Corporate Secretary's Certificate quoting the board resolution authorizing the said corporate officer to execute the said proxy.
- (b) Duly accomplished proxies may be emailed to dmciholdings@dmcinet.com or submitted to the Corporate Secretary of the Corporation not later than October 10, 2024 at the following address:

The Corporate Secretary
DMCI Holdings, Inc.
3rd Floor, DACON Building
2281 Pasong Tamo Extension
1231 Makati City
Philippines
- (c) In case of shares of stock owned jointly by two or more persons, the consent of all co-owners must be necessary for the execution of the proxy. For persons owning shares in an "and/or" capacity, any one of them may execute the proxy.
- (d) Validation of proxies will be held by the Stock Transfer Agent on October 10, 2024 at 2:00 p.m. at the principal office of the Corporation at the 3rd Floor, DACON Building, 2281, Don Chino Roces Avenue, Makati City, Philippines.
- (e) Unless otherwise indicated by the stockholder, a stockholder shall be deemed to have designated the Chairman of the Board of Directors, or in his absence, the President of the Corporation, as his proxy for the special stockholders meeting to be held on October 15, 2024.
- (f) If the number of shares of stock is left in blank, the proxy shall be deemed to have been issued for all of the stockholder's shares of stock in the Corporation as of Record Date.
- (g) The manner in which this proxy shall be accomplished, as well as the validation hereof shall be governed by the provisions of SRC Rule 20 (11)(b)
- (h) The stockholder executing the proxy shall indicate the manner by which he wishes the proxy to vote on any of the matters in (1), (2), (3) and (4) below by checking the appropriate box. Where

the boxes (or any of them) are unchecked, the stockholder executing the proxy is deemed to have authorized the proxy to vote for the matter.

The Undersigned hereby appoints:

- (a) The Chairman of the Board of Directors of DMCI Holdings, Inc., or in his absence, the Chairman of the Stockholders' Meeting; or
- (b) the President or the Chief Finance Officer of DMCI Holdings, Inc.

as his/her/its Proxy to attend the above special meeting of the stockholders of DMCI Holdings, Inc., and any adjournment or postponement thereof, and thereat to vote all shares of stock held by the undersigned as specified below and on any matter that may properly come before said meeting.

- (1) Approval of the Minutes of the May 21, 2024 Annual Stockholders' Meeting

☐ FOR ☐ AGAINST ☐ ABSTAIN

- (2) Amendment of the Articles of Incorporation to Reclassify 10,000,000 of the unissued preferred shares as Class B Preferred Shares

☐ FOR ☐ AGAINST ☐ ABSTAIN

- (3) Approval of the Issuance of all the Class B preferred shares to Dacon Corporation

☐ FOR ☐ AGAINST ☐ ABSTAIN

- (4) Amendment of the Bylaws of the Company to change the schedule of the Annual Stockholders' Meeting from the 3rd Tuesday of May to the 2nd Tuesday of May of each year

☐ FOR ☐ AGAINST ☐ ABSTAIN

Item 3. Revocability of Proxy

Any stockholder who executes the proxy enclosed with this statement may revoke it at any time before it is exercised. The proxy may be revoked by the stockholder executing the same at any time by submitting to the Corporate Secretary a written notice of revocation not later than the start of the meeting, or by attending the meeting in person and signifying his intention to personally vote his shares. Shares represented by an unrevoked proxy will be voted as authorized by the stockholder.

Item 4. Persons Making the Solicitation

The solicitation is made by the Management of the Corporation. No director of the Corporation has informed the Corporation in writing that he intends to oppose an action intended to be taken up by the Management of the Corporation at the special meeting. Solicitation of proxies shall be made through the use of mail or personal delivery. The Corporation will shoulder the cost of solicitation which is approximately Php80,000.00.

Item 5. Interest of Certain Persons in Matters to be Acted Upon

No director, officer, nominee for director, or associate of any of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, on any matter to be acted upon at the special stockholders' meeting to be held on October 15, 2024.

Date

(Signature above printed name, including title
when signing for a corporation or partnership or as
an agent, attorney or fiduciary).

No. of shares held: _____

Stock Transfer Service Inc.
DMCI HOLDINGS, INC.
List of Top 20 Stockholders
As of 07/31/2024

Rank	Name	Holdings	Percentage
1	DACON CORPORATION	6,638,822,915	50.00%
2	PCD NOMINEE CORPORATION (FILIPINO)	2,753,791,863	20.74%
3	DFC HOLDINGS, INC.	2,379,799,910	17.92%
4	PCD NOMINEE CORPORATION (FOREIGN)	702,415,888	05.29%
5	DFC HOLDINGS INC.	169,026,900	01.27%
6	HENFELS INVESTMENTS CORPORATION	164,312,700	01.24%
7	BERIT HOLDINGS CORPORATION	117,573,568	00.89%
8	AUGUSTA HOLDINGS, INC.	108,297,072	00.82%
9	DMCI RETIREMENT PLAN	99,900,000	00.75%
10	MERU HOLDINGS INC.	18,689,266	00.14%
11	GREAT TIMES HOLDINGS CORPORATION	15,803,015	00.12%
12	DMCI RETIREMENT FUND	13,000,000	00.10%
13	DAVEPRIME HOLDINGS INC.	7,487,377	00.06%
14	ARTREGARD HOLDINGS INC.	6,580,776	00.05%
15	F. YAP SECURITIES INC.	6,500,000	00.05%
16	JOSEFA CONSUNJI REYES	5,650,000	00.04%
17	JAIME B. GARCIA	3,300,000	00.02%
18	WINDERMERE HOLDINGS, INC.	2,905,715	00.02%
19	LAPERAL, MA. EDWINA/MIGUEL DAVID C.	2,750,000	00.02%
20	YNTALCO REALTY DEVT. CORPORATION	2,500,000	00.02%

Total Top 20 Shareholders :	13,219,106,965	99.56%
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Total Issued Shares	13,277,470,000
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DMCI HOLDINGS
INCORPORATED

3rd floor
DACON Building
2281 Don Chino Roces Ave.
(formerly Pasong Tamo Ext.)
Makati City 1231, Philippines

(632) 8888 . 3000

E-MAIL

investors@dmcinet.com

WEBSITE

www.dmciholdings.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

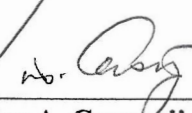
The management of **DMCI HOLDINGS, INC. AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.


The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

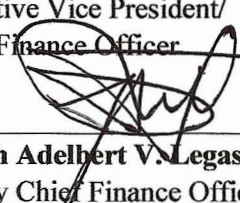
SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



Isidro A. Consunji ✓
Chairman of the Board/ President



Herbert M. Consunji ✓
Executive Vice President/
Chief Finance Officer



Joseph Adelbert V. Legasto ✓
Deputy Chief Finance Officer

Signed this March 05, 2024

Subsidiaries:

D.M. Consunji, Inc.

DMCI Project Developers, Inc.

DMCI Power Corporation

DMCI Mining Corporation

Semirara Mining and Power Corporation


Maynilad Water Holdings, Inc.

Wire Rope Corporation of the Phils.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in
MAKATI CITY, this day of 19 MAR 2024.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal on
the date and place above written.

Doc No. 82
Page No. 78
Book No. LXV
Series No. 2024


ATTY. RENE M. M. VILLA
~~Notary Public for Makati City~~
Appointment No. M-111
Until December 31, 2024
PTR No. MKT 10073901; 01-02-2024; Makati City
IBP Lifetime No. 013595; 12-27-2013; LC
Roll No. 37226
ICLBC Compliance No. VII-0024195; 02-15-2022
Grounds Floor, Makati Terraces Condominium
150 Bayna St., Brgy. Tejeros, Makati City 1204

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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I	A	R	I	E	S																								

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

3	R	D		F	L	O	O	R	,		D	A	C	O	N		B	U	I	L	D	I	N	G	,		2	2	8
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T	I		C	I	T	Y																							

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address

www.dmciholdings.com

Company's Telephone Number

8888-3000

Mobile Number

N/A

No. of Stockholders

707

Annual Meeting (Month / Day)

Third Tuesday of May

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Herbert M. Consunji

Email Address

hmc@dmcinet.com

Telephone Number/s

8888-3000

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

3rd Floor Dacon Building, 2281 Chino Roces Avenue, Makati City

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.



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
DMCI Holdings, Inc.
3rd Floor, Dacon Building
2281 Chino Roces Avenue
Makati City

Opinion

We have audited the consolidated financial statements of DMCI Holdings, Inc. and its subsidiaries (collectively, the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Group as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023 are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) as described in Note 2 to the consolidated financial statements.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs, which are applicable to DMCI Project Developers, Inc., a subsidiary under the Group's real estate segment, on the 2023 consolidated financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recognition of Revenue from Real Estate and Construction Contracts

For real estate contracts, the following matters are significant to our audit because these involve the application of significant judgment and estimation around: (a) the assessment of the probability that the Group will collect the consideration from the buyer; and (b) the application of the output method as the measure of progress in determining real estate revenue.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as history with the buyer, age of real estate receivables and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, if it would still support its current threshold of buyer's equity before commencing revenue recognition.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on the physical proportion of work done on the real estate project which requires technical determination by the Group's specialists (i.e., project engineers).

For construction contracts, revenues are determined using the input method, which is based on the actual costs incurred to date relative to the total estimated costs to complete the construction projects. The Group also recognizes, as part of its revenue from construction contracts, the effects of variable considerations arising from various change orders and claims, to the extent that they reflect the amounts the Group expects to be entitled to and to be received from the customers, provided that it is highly probable that a significant reversal of the revenue recognized in connection with these variable considerations will not occur in the future. We considered this as a key audit matter because this process requires significant management judgements and estimates, particularly with respect to the identification of the performance obligations, estimation of the variable considerations arising from the change orders and claims, and calculation of estimated costs to complete the construction projects, which requires the technical expertise of the Group's engineers.

Relevant disclosures related to this matter are provided in Note 3 to the consolidated financial statements.



Audit Response

We obtained an understanding of the Group's revenue recognition process.

Real estate contracts

For the buyer's equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We traced the analysis to cancelled sales monitoring and supporting documents such as notice of cancellations.

For the application of the output method in determining real estate revenue, we obtained an understanding of the Group's processes for determining the percentage of completion (POC) and performed tests of the relevant controls. We inspected the certified POC reports prepared by the project engineers and assessed their competence, capabilities and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries, and inspected the supporting details of POC reports showing the completion of the major activities of the project construction.

Construction contracts

We inspected sample contracts and supplemental agreements (e.g., purchase orders, approved variation orders) and reviewed management's assessment on the identification of performance obligation within the contract and the timing of revenue recognition. For the selected contracts with variable considerations arising from change orders for which the corresponding change in price has not yet been finalized, we obtained an understanding of the management's process to estimate the amount of consideration expected to be received from the customers. For change orders and claims of sample contracts, we compared the amounts recognized as revenue to the change orders and claims approved by the customers and other relevant documentary evidences supporting the management's estimate of revenue recognized.

For the measurement of progress of the construction projects, we obtained an understanding of the Group's processes to accumulate actual costs incurred and to estimate the expected costs to complete and tested the relevant controls. We considered the competence, capabilities and objectivity of the Group's engineers by referencing their qualifications, experience and reporting responsibilities. We examined the approved total estimated completion costs, any revisions thereto, and the cost report and cost-to-complete analysis. On a sampling basis, we tested actual costs incurred through examination of invoices and other supporting documents such as progress billings from subcontractors. We conducted ocular inspections on selected projects and inquired the status of the projects under construction with the Group's project engineers. We also inspected the associated project documentation, such as accomplishment reports and variation orders, and inquired about the significant deviations from the targeted completion. We also performed test computation of the POC calculation of management.

Accounting for the Investment in a Significant Associate

The Group has an investment in Maynilad Water Holdings Company, Inc. (MWHCI) that is accounted for under the equity method. More than 90% of MWHCI's net income is derived from Maynilad Water Services, Inc. (MWSI). For the year ended December 31, 2023, the Group's share in the net income of MWHCI amounted to ₱2,060.29 million and is material to the consolidated financial statements. The Group's share in the net income of MWHCI is significantly affected by: (a) MWSI's recognition of water and sewerage service revenue, (b) the amortization of MWSI's service concession assets (SCA) using the units-of-production (UOP) method, and (c) MWSI's recognition and measurement of provisions related to ongoing regulatory proceedings, disputes and tax assessments.



These matters are significant to our audit because (a) the recognition of water and sewerage service revenue of MWSI depends on the completeness and accuracy of capture of water consumption based on meter readings over the concession area taken on various dates, propriety of rates applied across various customer types, and reliability of the systems involved in processing the bills and in recording revenues; (b) the UOP method involves significant management judgment, estimates, and assumptions, particularly in determining the total estimated billable water volume over the remaining period of the Concession Agreement; and (c) significant management judgment is involved in MWSI's estimation of provisions related to ongoing regulatory proceedings, disputes and tax assessments. The inherent uncertainty over the outcome of these regulatory, legal and tax matters is brought about by the differences in the interpretation and implementation of the Revised Concession Agreement, relevant laws and tax regulations and/or rulings.

The Group's disclosures regarding these matters are included in Notes 3 and 10 to the consolidated financial statements.

Audit Response

Our audit procedures included, among others, obtaining the relevant financial information from management about MWHCI and performed recomputation of the Group's equity in net earnings of MWHCI as recognized in the consolidated financial statements.

On the recognition of water and sewerage service revenue of MWSI, we obtained an understanding of the water and sewerage service revenue process, which includes maintaining the customer database, capturing billable water consumption, uploading captured billable water consumption to the billing system, calculating billable amounts based on MWSS-approved rates, and uploading data from the billing system to the financial reporting system. We also evaluated the design of and tested the relevant controls over this process. In addition, we performed test recalculation of the billed amounts using the MWSS-approved rates and formulae, and compared these with the amounts reflected in the billing statements. Moreover, we involved our internal specialist in understanding the information technology (IT) processes and in testing the IT general controls over the IT systems supporting the revenue process.

On the amortization of MWSI's SCA using the UOP method, we reviewed the report of the management's specialist and gained an understanding of the methodology and the basis of computing the forecasted billable water. We evaluated the competence, capabilities, and objectivity of management's specialist who estimated the forecasted volumes. Furthermore, we compared the billable water volume during the year against the data generated from the billing system. We recalculated the amortization expense for the year based on the established billable water volume.

On the recognition and measurement of MWSI's provisions, we involved our internal specialist in evaluating management's assessment on whether provisions on the contingencies should be recognized, and the estimation of such amount. We also discussed with management and obtained their assessment on the expected outcome and the status of the regulatory proceedings and disputes arbitration. In addition, we obtained correspondences from relevant government agencies and tax authorities, replies from third party legal counsels and any relevant historical and recent decisions by the courts/tax authorities on similar matters.



Estimation of Mineable Ore Reserves

The Group's coal mining properties with a carrying value of ₱3,751.88 million as of December 31, 2023 are amortized using the units-of-production method. Under this method, management is required to estimate the volume of mineable ore reserves for the remaining life of the mine which is a key input to the amortization of the coal mining properties. This matter is significant to our audit because the estimation of the mineable ore reserves of the Group's coal mines requires use of assumptions and significant estimation from management's specialists.

The related information on the estimation of mineable ore reserves and related coal mining properties are discussed in Notes 3 and 12 to the consolidated financial statements.

Audit response

We obtained an understanding on management's processes and controls in the estimation of mineable ore reserves. We evaluated the competence, capabilities and objectivity of management's internal specialists engaged by the Group to perform an assessment of the ore reserves by considering their qualifications, experience and reporting responsibilities. We reviewed the internal specialists' report and obtained an understanding of the nature, scope and objectives of their work and basis of estimates, including the changes in the reserves during the year. We also tested the application of the estimated ore reserves in the amortization of mining properties.

Presentation and Valuation of 2x25 MW Gas Turbine Plant as Asset Held-for-Sale

The Group disclosed its intention to sell the 2x25 MW Gas Turbine Plant (the Asset) as discussed and approved in the minutes of meeting of the Board of Directors (BOD) held on August 2, 2022. The Group maintains that the carrying amount of the Asset will be recovered principally through a sale transaction rather than through continuing use. In October 2022, the Group has completely secured all relevant clearances from regulatory bodies to disconnect, deregister, decommission, and sell the Asset. In October 2023, upon the completion of the one-year period, the sale of the Asset was not finalized due to circumstances beyond the control of the Group but the commitment to the plan to sell the Asset remains. As of December 31, 2023, the Group has yet to complete the sale of the Asset with a carrying value of ₱713.22 million. The Group assessed that the Asset will continue to be accounted for as asset held-for-sale in accordance with Philippine Financial Reporting Standards (PFRS) 5, *Non-current Assets Held-for-Sale and Discontinued Operations*.

This is a key audit matter because the presentation and valuation of asset held-for-sale involves significant management judgments and estimates in assessing whether the requirements under PFRS 5 have been met.

The relevant information on this matter is disclosed in Notes 3 and 9 to the consolidated financial statements.



Audit response

We obtained management's evaluation on whether the requirements of PFRS 5 have been met, including the events and circumstances that extended the period to complete the sale beyond one year, as regards the proper presentation of the Asset in the consolidated financial statements. We determined whether these events and circumstances are within the exceptions of PFRS 5 requirements. We evaluated whether necessary actions were initiated by management to respond to these events and circumstances, and whether the sale of the Asset is still highly probable to take place by inspecting the agreements and any correspondences with the active buyer.

We determined that the Asset is carried at the lower of carrying amount and fair value less costs to sell. We reviewed the fair value assessment made by management, including assessment of key assumptions applied by comparing the fair value with the information from the agreements and correspondences with the active buyer. We obtained an understanding and reviewed the appropriateness of the nature, scope and basis of estimates of costs to sell the Asset.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in accordance with PFRS, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jennifer D. Ticlao.

SYCIP GORRES VELAYO & CO.



Jennifer D. Ticlao

Partner

CPA Certificate No. 109616

Tax Identification No. 245-571-753

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-110-2023, September 12, 2023, valid until September 11, 2026

PTR No. 10082023, January 6, 2024, Makati City

March 5, 2024



DMCI HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****(Amounts in Thousands of Pesos)**

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱32,158,078	₱28,408,474
Receivables - net (Note 5)	23,265,106	26,738,903
Current portion of contract assets (Note 6)	19,304,451	16,643,258
Inventories (Note 7)	67,902,205	61,524,534
Other current assets (Note 8)	12,088,585	10,189,642
	154,718,425	143,504,811
Asset held-for-sale (Note 9)	713,218	789,313
Total Current Assets	155,431,643	144,294,124
Noncurrent Assets		
Property, plant and equipment (Note 12)	53,673,801	57,638,317
Investments in associates and joint ventures (Note 10)	19,091,633	18,195,324
Contract assets - net of current portion (Note 6)	10,839,030	12,765,717
Pension assets - net (Note 22)	992,028	1,012,667
Deferred tax assets - net (Note 28)	922,891	554,597
Exploration and evaluation assets (Note 13)	505,513	390,384
Right-of-use assets (Note 32)	140,629	116,945
Investment properties (Note 11)	86,739	101,894
Other noncurrent assets (Note 13)	6,311,316	5,690,015
Total Noncurrent Assets	92,563,580	96,465,860
	₱247,995,223	₱240,759,984
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Note 14)	₱1,547,386	₱1,129,418
Accounts and other payables (Notes 16, 20 and 32)	30,495,688	28,376,732
Income tax payable	488,465	174,227
Current portion of liabilities for purchased land (Note 15)	753,046	960,623
Current portion of long-term debt (Note 18)	6,660,721	6,758,448
Current portion of contract liabilities and other customers' advances and deposits (Note 17)	16,151,576	12,322,699
Total Current Liabilities	56,096,882	49,722,147

(Forward)

	December 31	
	2023	2022
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 18)	₱41,261,215	₱44,669,935
Deferred tax liabilities - net (Note 28)	6,434,245	6,245,576
Contract liabilities - net of current portion (Note 17)	3,199,429	3,596,710
Liabilities for purchased land - net of current portion (Note 15)	538,221	844,078
Pension liabilities - net (Note 22)	334,982	148,850
Other noncurrent liabilities (Notes 19 and 32)	2,693,099	2,863,054
Total Noncurrent Liabilities	54,461,191	58,368,203
Total Liabilities	110,558,073	108,090,350
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-in capital	17,949,868	17,949,868
Treasury shares - Preferred (Note 21)	(7,069)	(7,069)
Retained earnings (Note 21)	90,797,032	85,194,218
Premium on acquisition of noncontrolling-interests (Note 31)	(817,958)	(817,958)
Remeasurements on pension plans - net of tax (Note 22)	899,283	975,442
Net accumulated unrealized gains on equity investments designated at fair value through other comprehensive income (FVOCI) (Note 13)	174,698	131,613
Share in other comprehensive income of associates (Note 10)	25,385	25,290
	109,021,239	103,451,404
Noncontrolling interests (Note 31)	28,415,911	29,218,230
Total Equity	137,437,150	132,669,634
	₱247,995,223	₱240,759,984

See accompanying Notes to Consolidated Financial Statements.



DMCI HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME****(Amounts in Thousands of Pesos, Except for Earnings Per Share Figures)**

	Years Ended December 31		
	2023	2022	2021
REVENUE (Note 33)			
Coal mining	₱51,633,898	₱69,759,876	₱35,592,979
Electricity sales	32,106,384	28,092,159	21,471,122
Real estate sales	18,587,311	21,398,777	24,328,512
Construction contracts	16,674,696	19,076,915	22,469,649
Nickel mining	3,386,352	3,788,595	4,022,442
Merchandise sales and others	440,473	483,371	458,165
	122,829,114	142,599,693	108,342,869
COSTS OF SALES AND SERVICES (Note 23)			
Coal mining	23,255,381	21,169,795	17,449,383
Electricity sales	14,481,403	13,685,705	11,814,131
Real estate sales	12,141,546	14,480,400	17,387,078
Construction contracts	15,316,709	17,577,604	21,194,313
Nickel mining	1,611,941	1,206,505	1,436,291
Merchandise sales and others	363,045	387,935	384,835
	67,170,025	68,507,944	69,666,031
GROSS PROFIT	55,659,089	74,091,749	38,676,838
OPERATING EXPENSES (Note 24)	20,700,298	25,066,956	14,087,696
	34,958,791	49,024,793	24,589,142
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES (Note 10)	2,145,377	1,506,278	1,612,328
OTHER INCOME (EXPENSES)			
Finance income (Note 25)	1,989,202	858,495	394,817
Finance costs (Note 26)	(964,167)	(1,108,564)	(1,139,255)
Other income - net (Note 27)	3,025,473	2,918,662	1,969,255
	4,050,508	2,668,593	1,224,817
INCOME BEFORE INCOME TAX	41,154,676	53,199,664	27,426,287
PROVISION FOR INCOME TAX (Note 28)	4,317,762	4,723,689	1,759,163
NET INCOME (Note 33)	₱36,836,914	₱48,475,975	₱25,667,124
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	₱24,722,372	₱31,087,484	₱18,394,231
Noncontrolling interests (Note 31)	12,114,542	17,388,491	7,272,893
	₱36,836,914	₱48,475,975	₱25,667,124
Basic/diluted earnings per share attributable to equity holders of the Parent Company (Note 29)	₱1.86	₱2.34	₱1.39

See accompanying Notes to Consolidated Financial Statements.



DMCI HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Amounts in Thousands of Pesos)

	Years Ended December 31		
	2023	2022	2021
NET INCOME	₱36,836,914	₱48,475,975	₱25,667,124
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss in subsequent periods			
Changes in fair values of investments in equity instruments designated at FVOCI (Note 13)	43,085	30,006	(1,262)
Net remeasurement gain (loss) on pension plans - net of tax (Note 22)	(94,733)	475,940	297,082
Share in other comprehensive income of associates (Note 10)	95	46,901	157,525
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(51,553)	552,847	453,345
TOTAL COMPREHENSIVE INCOME	₱36,785,361	₱49,028,822	₱26,120,469
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	₱24,689,393	₱31,627,261	₱18,857,152
Noncontrolling interests	12,095,968	17,401,561	7,263,317
	₱36,785,361	₱49,028,822	₱26,120,469

See accompanying Notes to Consolidated Financial Statements.

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands of Pesos)

Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Total Paid-in Capital (Note 21)	Treasury Shares - Preferred (Note 21)	Retained Earnings (Note 21)	Premium on Acquisition of Non- controlling Interests (Note 31)	Remeasuremen ts on Pension Plans - net of tax (Note 22)	Net Accumulated Unrealized Gains on Equity Investments Designated at FVOCI (Note 13)	Share in Other Comprehensive Income (Loss) of Associates (Note 10)		Noncontrolling Interests (Note 31)	Total Equity
										Total		
For the Year Ended December 31, 2023												
Balances as of January 1, 2023	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱85,194,218	(₱817,958)	₱975,442	₱131,613	₱25,290	₱103,451,404	₱29,218,230	₱132,669,634
Comprehensive income												
Net income	—	—	—	—	24,722,372	—	—	—	—	24,722,372	12,114,542	36,836,914
Other comprehensive income	—	—	—	—	—	—	(76,159)	43,085	95	(32,979)	(18,574)	(51,553)
Total comprehensive income	—	—	—	—	24,722,372	—	(76,159)	43,085	95	24,689,393	12,095,968	36,785,361
Cash dividends declared (Note 21)	—	—	—	—	(19,119,558)	—	—	—	—	(19,119,558)	(12,898,287)	(32,017,845)
Balances at December 31, 2023	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱90,797,032	(₱817,958)	₱899,283	₱174,698	₱25,385	₱109,021,239	₱28,415,911	₱137,437,150
For the Year Ended December 31, 2022												
Balances as of January 1, 2022	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱70,039,693	(₱817,958)	₱513,860	₱100,319	(₱21,611)	₱87,757,102	₱21,089,510	₱108,846,612
Comprehensive income												
Net income	—	—	—	—	31,087,484	—	—	—	—	31,087,484	17,388,491	48,475,975
Other comprehensive income	—	—	—	—	—	—	461,582	31,294	46,901	539,777	13,070	552,847
Total comprehensive income	—	—	—	—	31,087,484	—	461,582	31,294	46,901	31,627,261	17,401,561	49,028,822
Cash dividends declared (Note 21)	—	—	—	—	(15,932,959)	—	—	—	—	(15,932,959)	(9,272,841)	(25,205,800)
Balances at December 31, 2022	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱85,194,218	(₱817,958)	₱975,442	₱131,613	₱25,290	₱103,451,404	₱29,218,230	₱132,669,634

(Forward)



Attributable to Equity Holders of the Parent Company

	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Total Paid-in Capital (Note 21)	Treasury Shares - Preferred (Note 21)	Retained Earnings (Note 21)	Premium on Acquisition of Non- controlling Interests (Note 31)	Remeasurement on Pension Plans - net of tax (Note 22)	Net Accumulated Unrealized Gains on Equity Investments Designated at FVOCI (Note 13)	Share in Other Comprehensive Income (Loss) of Associates (Note 10)	Noncontrolling Interests (Note 31)	Total	Total Equity
For the Year Ended December 31, 2022												
Balances as of January 1, 2021	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱64,391,833	(₱817,958)	₱149,316	₱99,131	(₱118,800)	₱81,646,321	₱19,556,450	₱101,202,771
Comprehensive income (loss)												
Net income	—	—	—	—	18,394,231	—	—	—	—	18,394,231	7,272,893	25,667,124
Other comprehensive income (loss)	—	—	—	—	—	—	364,544	1,188	97,189	462,921	(9,576)	453,345
Total comprehensive income	—	—	—	—	18,394,231	—	364,544	1,188	97,189	18,857,152	7,263,317	26,120,469
Cash dividends declared (Note 21)	—	—	—	—	(12,746,371)	—	—	—	—	(12,746,371)	(5,730,257)	(18,476,628)
Balances at December 31, 2021	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱70,039,693	(₱817,958)	₱513,860	₱100,319	(₱21,611)	₱87,757,102	₱21,089,510	₱108,846,612

See accompanying Notes to Consolidated Financial Statements.



DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands of Pesos)

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱41,154,676	₱53,199,664	₱27,426,287
Adjustments for:			
Depreciation, depletion and amortization (Notes 11, 12, 13, 23, 24 and 32)	8,630,329	7,817,903	8,674,659
Finance costs (Note 26)	964,167	1,108,564	1,139,255
Net unrealized foreign exchange loss (gain)	217,125	(1,283,418)	174,050
Write-down/impairment of property, plant and equipment and asset held-for-sale (Notes 3, 12, 24 and 27)	76,095	466,240	1,041
Equity in net earnings of associates and joint ventures (Note 10)	(2,145,377)	(1,506,278)	(1,612,328)
Finance income (Note 25)	(1,989,202)	(858,495)	(394,817)
Gain on sale of undeveloped parcel of land (Note 27)	(141,792)	—	(12,432)
Net movement in net pension asset (liability)	80,460	171,771	(158,969)
Gain on sale of property, plant and equipment - net (Notes 12 and 27)	(55,914)	(69,346)	(189,372)
Recoveries from insurance claims and claims from third party settlement	(31,884)	—	—
Operating income before changes in working capital	46,758,683	59,046,605	35,047,374
Decrease (increase) in:			
Receivables and contract assets	3,224,211	(6,090,904)	(11,824,299)
Inventories	(4,866,708)	(5,372,448)	1,402,585
Other current assets	(1,898,943)	2,575,202	(2,471,300)
Increase (decrease) in:			
Contract liabilities and other customers' advances and deposits	3,431,596	(81,212)	(272,686)
Accounts and other payables	2,787,862	(481,531)	4,253,926
Liabilities for purchased land	(513,434)	233,332	(448,237)
Cash generated from operations	48,923,267	49,829,044	25,687,363
Income taxes paid	(3,998,389)	(6,354,377)	(2,198,634)
Interest paid (including interest capitalized as cost of inventory) (Note 7)	(1,858,629)	(1,611,318)	(1,407,899)
Interest received	1,504,282	858,495	392,642
Net cash provided by operating activities	₱44,570,531	₱42,721,844	₱22,473,472

(Forward)



	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from associates	₱915,551	₱834,367	₱45,000
Additions to:			
Property, plant and equipment (Note 12)	(5,460,280)	(6,514,073)	(6,451,869)
Investments in associates and joint ventures (Note 10)	—	—	(207,376)
Investment properties and exploration and evaluation assets (Notes 13)	(43,965)	(174,766)	(6,132)
Interest paid and capitalized as cost of property, plant and equipment (Note 12)	(74,143)	(1,188)	(3,162)
Proceeds from disposals of:			
Undeveloped land	1,339,286	—	—
Property, plant and equipment	86,777	93,684	469,388
Investment properties	—	—	19,320
Insurance claims and claims from third party settlement	31,884	—	—
Decrease (increase) in other noncurrent assets	(774,131)	(2,932,467)	1,662,636
Net cash used in investing activities	(3,979,021)	(8,694,443)	(4,472,195)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Short-term debt (Note 37)	917,968	1,065,655	350,000
Long-term debt (Note 37)	4,466,250	11,906,818	17,759,494
Payments of:			
Short-term debt (Note 37)	(500,000)	(975,600)	(5,110,697)
Long-term debt (Note 37)	(8,015,595)	(12,487,673)	(11,838,767)
Dividends to equity holders of the Parent Company (Notes 21 and 37)	(19,119,558)	(15,932,959)	(12,746,371)
Dividends to noncontrolling-interests (Notes 21 and 37)	(12,914,997)	(9,256,131)	(5,730,257)
Interest	(1,206,426)	(1,045,927)	(1,384,172)
Lease liabilities (Note 32)	(35,840)	(32,940)	(46,625)
Increase (decrease) in other noncurrent liabilities (Note 37)	(216,583)	1,514,788	164,271
Net cash used in financing activities	(36,624,781)	(25,243,969)	(18,583,124)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(217,125)	1,283,023	5,416
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,749,604	10,066,455	(576,431)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	28,408,474	18,342,019	18,918,450
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱32,158,078	₱28,408,474	₱18,342,019

See accompanying Notes to Consolidated Financial Statements.



DMCI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

DMCI Holdings, Inc. (the Parent Company) was incorporated on March 8, 1995 and is domiciled in the Philippines. The Parent Company's registered office address and principal place of business is at 3rd Floor, Dacon Building, 2281 Chino Roces Avenue, Makati City.

The Parent Company and its subsidiaries (collectively referred to herein as the Group) is primarily engaged in general construction, coal and nickel mining, power generation, real estate development, and manufacturing of certain construction materials. In addition, the Group has equity ownership in water concession business.

The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange (PSE).

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 5, 2024.

2. Material Accounting Policy Information

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) which have been measured at fair value. The Parent Company's functional currency and the Group's presentation currency is the Philippine Peso (₱). All amounts are rounded to the nearest thousand (₱000), except for earnings per share and par value information or unless otherwise indicated.

Any other differences in the comparative amounts from the amounts in the consolidated financial statements for the year ended December 31, 2023 are solely the result of reclassifications for comparative purposes and are not material.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs as issued and approved by SEC in response to COVID-19 pandemic.

Through DMCI Project Developers, Inc., a subsidiary under its real estate segment, the Group has availed of the relief granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of Philippine Interpretations Committee (PIC) Q&A 2018-12-D (assessment if the transaction price includes a significant financing component) until December 31, 2023.

The Group has also availed of the relief granted by SEC under MC No. 34-2020 deferring the adoption of IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, *Borrowing Cost* (the IFRIC Agenda Decision on Borrowing Cost) until December 31, 2023.

SEC MC No. 34-2020 deferring the adoption of the exclusion of land in the calculation of percentage of completion is not applicable to the Group as it is already in full compliance with the requirements of the provisions of (PIC) Q&A No. 2018-12 (see Note 7).



The details and the impact of the adoption of the above financial reporting reliefs are discussed in the Adoption of New and Amended Accounting Standards and Interpretations section of this Note.

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Philippine Interpretations Committee (PIC).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and,
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any noncontrolling-interests and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.



The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries (which are all incorporated and domiciled in the Philippines).

	Nature of Business	2023			2022		
		Direct	Indirect	Effective Interest	Direct	Indirect	Effective Interest
(In percentage)							
<u>General Construction:</u>							
D.M. Consunji, Inc. (DMCI)	General Construction	100.00	–	100.00	100.00	–	100.00
Beta Electromechanical Corporation (Beta Electric) ¹	General Construction	–	53.20	53.20	–	53.20	53.20
Raco Haven Automation Philippines, Inc. (Raco) ^{1*}	Non-operating	–	50.14	50.14	–	50.14	50.14
Oriken Dynamix Company, Inc. (Oriken) ^{1*}	Non-operating	–	89.00	89.00	–	89.00	89.00
DMCI Technical Training Center (DMCI Training) ¹	Services	–	100.00	100.00	–	100.00	100.00
<u>Real Estate:</u>							
DMCI Project Developers, Inc. (PDI)	Real Estate Developer	100.00	–	100.00	100.00	–	100.00
DMCI-PDI Hotels, Inc. (PDI Hotels) ²	Hotel Operator	–	100.00	100.00	–	100.00	100.00
DMCI Homes Property Management Corporation (DPMC) ²	Property Management	–	100.00	100.00	–	100.00	100.00
Zenith Mobility Solutions Services, Inc. (ZMSSI) ²	Services	–	100.00	100.00	–	100.00	100.00
Riviera Land Corporation (Riviera) ²	Real Estate Developer	–	100.00	100.00	–	100.00	100.00
Hampstead Gardens Corporation (Hampstead) ^{2*}	Real Estate Developer	–	100.00	100.00	–	100.00	100.00
DMCI Homes, Inc. (DMCI Homes) ^{2*}	Marketing Arm	–	100.00	100.00	–	100.00	100.00
L & I Development Corporation (LIDC) ^{2*}	Real estate Developer	–	100.00	100.00	–	100.00	100.00
<u>Coal Mining:</u>							
Semirara Mining and Power Corporation (SMPC)	Mining	56.65	–	56.65	56.65	–	56.65
<u>On-Grid Power:</u>							
Sem-Calaca Power Corporation (SCPC) ³	Power Generation	–	56.65	56.65	–	56.65	56.65
Southwest Luzon Power Generation Corporation (SLPGC) ³	Power Generation	–	56.65	56.65	–	56.65	56.65
Sem-Calaca RES Corporation (SCRC) ³	Retail	–	56.65	56.65	–	56.65	56.65
SEM-Cal Industrial Park Developers, Inc. (SIPDI) ³	Non-operational	–	56.65	56.65	–	56.65	56.65
Semirara Energy Utilities, Inc. (SEUI) ³	Non-operational	–	56.65	56.65	–	56.65	56.65
Southeast Luzon Power Generation Corporation (SeLPGC) ³	Non-operational	–	56.65	56.65	–	56.65	56.65
Semirara Materials and Resources Inc. (SMRI) ³	Non-operational	–	56.65	56.65	–	56.65	56.65
St. Raphael Power Generation Corporation (SRPGC) ³	Non-operational	–	56.65	56.65	–	56.65	56.65
Sem-Calaca Port Facilities, Inc. (SCPFI) ^{3 & 6}	Non-operational	–	56.65	56.65	–	56.65	56.65
<u>Off-Grid Power:</u>							
DMCI Power Corporation (DPC)	Power Generation	100.00	–	100.00	100.00	–	100.00
DMCI Masbate Power Corporation (DMCI Masbate) ⁴	Power Generation	–	100.00	100.00	–	100.00	100.00

(Forward)



		2023			2022		
		Direct	Indirect	Effective	Direct	Indirect	Effective
Nature of Business				Interest			Interest
(In percentage)							
<u>Nickel Mining:</u>							
DMCI Mining Corporation (DMC)	Holding Company	100.00	–	100.00	100.00	–	100.00
Berong Nickel Corporation (BNC) ⁵	Mining	–	74.80	74.80	–	74.80	74.80
Ulugan Resouces Holdings, Inc. (URHI) ⁵	Holding Company	–	30.00	30.00	–	30.00	30.00
Ulugan Nickel Corporation (UNC) ⁵	Holding Company	–	58.00	58.00	–	58.00	58.00
Nickeline Resources Holdings, Inc. (NRHI) ⁵	Holding Company	–	58.00	58.00	–	58.00	58.00
TMM Management, Inc. (TMM) ⁵	Services	–	40.00	40.00	–	40.00	40.00
Zambales Diversified Metals Corporation (ZDMC) ⁵	Mining	–	100.00	100.00	–	100.00	100.00
Zambales Chromite Mining Company Inc. (ZCMC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00
Fil-Asian Strategic Resources & Properties Corporation (FASRPC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00
Montague Resources Philippines Corporation (MRPC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00
Montemina Resources Corporation (MRC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00
Mt. Lanat Metals Corporation (MLMC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00
Fil-Euro Asia Nickel Corporation (FEANC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00
Heraan Holdings, Inc. (HHI) ⁵	Holding Company	–	100.00	100.00	–	100.00	100.00
Zambales Nickel Processing Corporation (ZNPC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00
Zamnorth Holdings Corporation (ZHC) ⁵	Holding Company	–	100.00	100.00	–	100.00	100.00
ZDMC Holdings Corporation (ZDMCHC) ⁵	Holding Company	–	100.00	100.00	–	100.00	100.00
<u>Manufacturing:</u>							
Semirara Cement Corporation (SemCem)	Non-operational	100.00	–	100.00	100.00	–	100.00
Wire Rope Corporation of the Philippines (Wire Rope)	Manufacturing	45.68	16.02	61.70	45.68	16.02	61.70

*Ongoing liquidation.

¹ DMCI's subsidiaries.

² PDI's subsidiaries.

³ SMPC's subsidiaries. SMRI was formerly known as Semirara Claystone, Inc. (SCI)

⁴ DPC's subsidiaries.

⁵ DMC's subsidiaries.

⁶ Wholly owned subsidiary of SCPC. Incorporated on December 20, 2022.

Change in Corporate Name of Semirara Claystone, Inc.

On April 15, 2022, SEC approved the change in name of Semirara Claystone, Inc. (SCI) to Semirara Materials and Resources, Inc. (SMRI).

Incorporation of Semirara Ports Facilities, Inc.

Semirara Ports Facilities, Inc. (SPFI) was incorporated on December 20, 2022 and is 100% owned by Sem-Calaca Power Corporation, a wholly owned subsidiary of SMPC. The Company is organized primarily to manage, operate and develop the ports in the Philippines.

Noncontrolling Interests

Noncontrolling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from equity holders of the Parent Company. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interests even if these result to the noncontrolling-interest, having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction.



Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interests is recognized in equity of the parent company in transactions where the noncontrolling interest are acquired or sold without loss of control.

The proportion of ownership interest held by noncontrolling interests presented below on the consolidated subsidiaries are consistent with the prior year:

	(In Percentage)
Beta Electromechanical Corporation (Beta Electromechanical)	46.80
Raco Haven Automation Philippines, Inc. (Raco)	49.86
Oriken Dynamix Company, Inc. (Oriken)	11.00
Semirara Mining and Power Corporation (SMPC)	43.35
Sem-Calaca Power Corporation (SCPC)	43.35
Southwest Luzon Power Generation Corporation (SLPGC)	43.35
Sem-Calaca RES Corporation (SCRC)	43.35
SEM-Cal Industrial Park Developers, Inc. (SIPDI)	43.35
Semirara Energy Utilities, Inc. (SEUI)	43.35
Southeast Luzon Power Generation Corporation (SeLPGC)	43.35
Semirara Materials and Resource, Inc. (SMRI)	43.35
St. Raphael Power Generation Corporation (SRPGC)	43.35
Sem-Calaca Port Facilities, Inc. (SCPFI)	43.35
Berong Nickel Corporation (BNC)	25.20
Ulugan Resouces Holdings, Inc. (URHI)	70.00
Ulugan Nickel Corporation (UNC)	42.00
Nickeline Resources Holdings, Inc. (NRHI)	42.00
TMM Management, Inc. (TMM)	60.00
Wire Rope Corporation of the Philippines (Wire Rope)	38.30

The voting rights held by the Group in the these subsidiaries are in proportion to their ownership interests, except for URHI and TMM (see Note 3).

Interests in Joint Control

DMCI, a wholly-owned subsidiary of the Parent Company, has interests in various joint arrangements (see Note 35), whereby the parties have a contractual arrangement that establishes joint control. DMCI recognizes its share of jointly held assets, liabilities, income and expenses of the joint operation with similar items, line by line, in its consolidated financial statements.

The financial statements of the joint operations are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements starting January 1, 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of these new standards did not have a significant impact on the consolidated financial statements of the Group.



- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments have had an impact on the Group’s disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group’s consolidated financial statements.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as ‘Pillar Two legislation’ and ‘Pillar Two income taxes’, respectively.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after January 1, 2023.



The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact of adopting these amendments.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

This amendment has no impact to the Group's consolidated financial statements.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted and that fact must be disclosed.

These amendments are not expected to have a material impact on the Group's consolidated financial statements.



Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

This standard is not applicable to the Group.

- Amendments to PAS 21, *Lack of exchangeability*

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

These amendments are not expected to have a material impact on the Group's consolidated financial statements

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or



contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

These amendments are not expected to have a material impact on the Group's consolidated financial statements.

- *Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)*

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the SEC issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

	Deferral Period
a. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023

After the deferral period, real estate companies have an accounting policy option of applying either the full retrospective approach or modified retrospective approach as provided under SEC MC 8-2021.

The Group availed of the SEC relief to defer the above specific provision of PIC Q&A No. 2018-12 on determining whether the transaction price includes a significant financing component. Had this provision been adopted, the mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively. The Group will adopt the guidance using the modified retrospective approach. The adoption of this guidance will impact interest income, interest expense, revenue from real estate sales, contract assets, provision for deferred income tax, deferred tax asset or liability and the opening balance of retained earnings.

- *Deferment of Implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (IAS 23, Borrowing Cost) for the Real Estate Industry*

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35I of IFRS 15. IFRIC concluded that borrowing costs



cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under IAS 23 considering that these inventories are ready for their intended sale in their current condition.

The IFRIC agenda decision would change the Parent Company's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities.

On February 21, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023.

The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred. The Group will adopt the IFRIC agenda decision using the modified retrospective approach. Adoption of this guidance would have impacted net income, real estate inventories, provision for deferred income tax, deferred tax liability, interest and other financing charges and the opening balance of retained earnings for the statement of financial position, and the cash flows from operations and financing activities for the statement of cash flows.

Material Accounting Policies

The material accounting policies that have been used in the preparation of consolidated financial statements are summarized below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Recognition and Measurement of Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

a. Initial recognition

Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at FVOCI, or at FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or at FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test' and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.



Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets comprise of financial assets at amortized cost, financial assets at FVPL and financial assets at FVOCI.

b. Subsequent measurement – Financial assets at amortized cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model, the objective of which is to hold assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group classifies cash and cash equivalents, receivables, due from related parties, and refundable deposit and deposit in escrow fund as financial assets at amortized cost (see Notes 4, 5, 8, and 13).

c. Subsequent measurement - Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its quoted and unquoted equity investments under this category (see Note 13).

c. Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired; or
- the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks



and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

a. Initial recognition

Financial liabilities are classified, at initial recognition, either as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities comprise of financial liabilities at amortized cost including accounts and other payables and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as pension liabilities, income tax payable, and other statutory liabilities).

b. Subsequent measurement – Payables, loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statements of income.

This category generally applies to short-term and long-term debt.

c. Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or canceled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets

The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate (EIR). The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit



exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables, except for receivables from related parties where the Group applies general approach, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For real estate, installment contracts receivable (ICR) and contract assets, the Group uses the vintage analysis for ECL by calculating the cumulative loss rates of a given ICR pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

As these are future cash flows, these are discounted back to the time of default (i.e., is defined by the Group as upon cancellation of CTS) using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

For other financial assets such receivable from related parties, other receivables and refundable deposits, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Standard & Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

For short term investments, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.



Deferred Financing Costs

Deferred financing costs represent debt issue costs arising from the fees incurred to obtain project financing. This is included in the initial measurement of the related debt. The deferred financing costs are treated as a discount on the related debt and are amortized using the effective interest method over the term of the related debt.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories

Real Estate Held for Sale and Development

Real estate held for sale and development consists of condominium units and subdivision land for sale and development.

Condominium units and subdivision land for sale are carried at the lower of aggregate cost and net realizable value (NRV). Costs include acquisition costs of the land, plus costs incurred for the construction, development and improvement of residential units. Borrowing costs are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Undeveloped land is carried at lower of cost and NRV.

The costs of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Valuation allowance is provided for real estate held for sale and development when the NRV of the properties are less than their carrying amounts.

Coal Inventory

Inventories are valued at the lower of cost NRV. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale for coal inventory or replacement cost for spare parts and supplies. Cost is determined using the weighted average production cost method for coal inventory and the moving average method for spare parts and supplies.

The cost of extracted coal includes stripping costs and other mine-related costs incurred during the period and allocated on per metric ton basis by dividing the total production cost with total volume of coal produced. Except for ship loading cost, which is a period cost, all other production related costs are charged to production cost. Spare parts and supplies are usually carried as inventories and are recognized in the consolidated statement of comprehensive income when consumed.

Inventories transferred to property, plant and equipment are used as a component of self-constructed property, plant and equipment and are recognized as expense during the useful life of that asset. Transfers of inventories to property, plant and equipment do not change the carrying amount of the inventories transferred, and that carrying amount becomes cost for recognition.



Nickel Ore Inventory

Nickel ore inventories are valued at the lower of cost and NRV. Cost of beneficiated nickel ore or nickeliferous laterite ore is determined by the moving average production cost and comprise of outside services, production overhead, personnel cost, and depreciation, amortization and depletion that are directly attributable in bringing the beneficiated nickel ore or nickeliferous laterite ore in its saleable condition. NRV for beneficiated nickel ore or nickeliferous laterite ore is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Stockpile tonnages are verified by periodic surveys.

Materials in Transit

Cost is determined using the specific identification basis.

Equipment Parts, Materials and Supplies

The cost of equipment parts, materials and supplies is determined principally by the average cost method (either by moving average or weighted average production cost).

Equipment parts and supplies are transferred from inventories to property, plant and equipment when the use of such supplies is expected to extend the useful life of the asset and increase its economic benefit. Transfers between inventories to property, plant and equipment do not change the carrying amount of the inventories transferred and they do not change the cost of that inventory for measurement or disclosure purposes.

Equipment parts and supplies used for repairs and maintenance of the equipment are recognized in the consolidated statements of income when consumed.

NRV for supplies and fuel is the current replacement cost. For supplies and fuel, cost is also determined using the moving average method and composed of purchase price, transport, handling and other costs directly attributable to its acquisition. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision or obsolescence.

Assets Held-for-Sale

The Group classifies noncurrent assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Noncurrent assets classified as held-for-sale are carried at the lower of carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification under PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations* is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification. Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group).



Property, plant and equipment are not depreciated or amortized once classified as held for sale. Assets classified as held for sale are presented separately as current items in the consolidated statements of financial position.

Immediately before the initial classification of the asset as held for sale, the carrying amount of the asset will be measured in accordance with applicable PFRSs. Any impairment loss on initial classification and subsequent measurement is recognized as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognized) is recognized in profit or loss.

Stripping Costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalized as part of the cost of mine properties and subsequently amortized over its useful life using the units-of-production method over the mine life. The capitalization of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The costs of such stripping are accounted for in the same way as development stripping (as discussed above).

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the coal body to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories.

Where the benefits are realized in the form of improved access to ore to be mined in the future, the costs are recognized as a noncurrent asset, referred to as a stripping activity asset, if the following criteria are met:

- Future economic benefits (being improved access to the coal body) are probable;
- The component of the coal body for which access will be improved can be accurately identified; and
- The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the consolidated statements of income as operating costs as they are incurred.

In identifying components of the coal body, the Group works closely with the mining operations department for each mining operation to analyze each of the mine plans. Generally, a component will be a subset of the total coal body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the coal body, the geographical location, and/or financial considerations.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of coal body, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory



produced and the stripping activity asset. This production measure is calculated for the identified component of the coal body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment' in the consolidated statement of financial position. This forms part of the total investment in the relevant cash generating unit (CGU), which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the UOP method over the life of the identified component of the coal body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the coal body. The stripping activity asset is then carried at cost less accumulated amortization and any impairment losses.

Mineable Ore Reserves

Mineable ore reserves are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. The Group estimates its mineable ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and require complex geological judgments to interpret the data.

The estimate on the mineable ore reserve is determined based on the information obtained from activities such as drilling, core logging or geophysical logging, coal sampling, sample database encoding, coal seam correlation and geological modelling. The Group will then estimate the recoverable reserves based upon factors such as estimates of commodity prices, future capital requirements, foreign currency exchange rates, and production costs along with geological assumptions and judgments made in estimating the size and grade of the coal body. Changes in the reserve or resource estimates may impact the amortization of mine properties included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment'.

Other assets

Other current and noncurrent assets, which are carried at cost, pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group.

Advances to Suppliers and Contractors

Advances to suppliers and contractors are recognized in the consolidated statement of financial position when it is probable that the future economic benefits will flow to the Group and the assets has cost or value that can be measured reliably. These assets are regularly evaluated for any impairment in value. Current and noncurrent classification is determined based on the usage/realization of the asset to which it is intended for (e.g., inventory, investment property, property plant and equipment).

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. Input VAT pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services. Deferred input VAT pertains to input VAT on accumulated purchases of property, plant and equipment for each month amounting to ₱1.00 million or more. This is amortized over five (5) years or the life of the property, plant and equipment, whichever is shorter,



in accordance with the Bureau of Internal Revenue (BIR) regulation. Output VAT pertains to the 12% tax due on the local sale of goods and services by the Group.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statements of financial position. When input VAT exceeds output VAT, the excess is recognized as an asset in the consolidated statements of financial position to the extent of the recoverable amount.

Investments in Associates and Joint Ventures

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investments in associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized and is not tested for impairment individually.

The consolidated statements of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share in profit or loss of an associate and joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and noncontrolling-interests in the subsidiaries of the associate or joint venture. If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group discontinues recognizing its share to the extent of the interest in associate or joint venture.

The financial statements of associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.



Investment Properties

Investment properties comprise completed property and property under construction or redevelopment that are held to earn rentals or capital appreciation or both and that are not occupied by the Group.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.

Depreciation and amortization of investment properties are computed using the straight-line method over the estimated useful lives (EUL) of assets of 20 to 25 years.

The assets' residual value, useful life, and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortizations are consistent with the expected pattern of economic benefits from items of investment property.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

Exploration and Evaluation Assets and Mining Properties

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies



License costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit. Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to consolidated statement of income as incurred, unless the Group's management concludes that a future economic benefit is more likely than not to be realized. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalized, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Expenditure is transferred from 'Exploration and evaluation assets' to 'Mining properties' which is a subcategory of 'Property, plant and equipment' once the work completed to date supports the future development of the property and such development receives appropriate approvals. After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized in 'Mining properties and equipment'.

Development expenditure is net of proceeds from the sale of ore extracted during the development phase.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation, depletion and amortization, and any impairment in value. Land is stated at cost, less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Costs also include decommissioning and site rehabilitation costs. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period in which the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property, plant and equipment.

Construction-in-progress included in property, plant and equipment is stated at cost. This includes the cost of the construction of property, plant and equipment and other direct costs. Construction-in-progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Depreciation, depletion and amortization of assets commences once the assets are put into operational use.



Depreciation and amortization of property, plant and equipment, except mine properties, are calculated on a straight-line basis over the following EUL of the respective assets or the remaining contract period, whichever is shorter:

	Years
Land improvements	5-25
Power plant, buildings and building improvements	10-25
Equipment and machinery under “coal mining properties and equipment”	2-3
Equipment and machinery under “nickel mining properties and equipment”	2-5
Construction equipment, machinery and tools	5-10
Office furniture, fixtures and equipment	3-5
Transportation equipment	4-5
Leasehold improvements	5-7

The EUL and depreciation, depletion and amortization methods are reviewed periodically to ensure that the period and methods of depreciation, depletion and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Land is stated at historical cost less any accumulated impairment losses. Historical cost includes the purchase price and directly attributable costs.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. When assets are retired, or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement income in the year the item is derecognized.

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded as part of cost of sales in the consolidated statement of income. During the period of development, the asset is tested for impairment annually.

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group’s property, plant and equipment, investment properties, right-of-use assets, intangible assets, assets held-for-sale, exploration and evaluation assets and investments in associates and joint ventures.



Property, Plant and Equipment, Investment Properties, Right-of-Use Assets, Intangible Assets and Assets Held-for-Sale

The Group assesses at each reporting date whether there is an indication that these assets may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, depletion and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation assets may exceed its recoverable amount. Under PFRS 6 one or more of the following facts and circumstances could indicate that an impairment test is required. The list is not intended to be exhaustive: (a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and (d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale.

Investments in associates and joint ventures

For investments in associates and joint ventures, after application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investment in associates or jointly controlled entities is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the carrying value and the recoverable amount of the investee company and recognizes the difference in the consolidated statement of income.

Liabilities for Purchased Land

Liabilities for purchased of land represents unpaid portion of the acquisition costs of raw land for future development, including other costs and expenses incurred to effect the transfer of title of the property. Noncurrent portion of the carrying amount is discounted using the applicable interest rate for similar type of liabilities at the inception of the transactions.



Equity

Capital Stock

Capital stock consists of common and preferred shares which are measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to 'Additional paid-in capital' account.

Treasury Shares

Treasury shares pertain to own equity instruments which are reacquired and are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid in capital when the shares were issued and to retained earnings for the remaining balance.

Retained Earnings

Retained earnings represent accumulated earnings of the Group, and any other adjustments to it as required by other standards, less dividends declared. The individual accumulated earnings of the subsidiaries are available for dividend declaration when these are declared as dividends by the subsidiaries as approved by their respective BOD.

Dividends on common shares are deducted from retained earnings when declared and approved by the BOD or shareholders of the Parent Company. Dividends payable are recorded as liability until paid. Dividends for the year that are declared and approved after the reporting date, if any, are dealt with as an event after the reporting date and disclosed accordingly.

Asset Acquisitions

To assess whether a transaction is the acquisition of a business, the Group applies first a quantitative concentration test (also known as a screening test). The Group is not required to apply the test but may elect to do so separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is required. Otherwise, or if the Group elects not to apply the test, the Group will perform the qualitative analysis of whether an acquired set of assets and activities includes at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business as defined under PFRS 3, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets) and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.



When the Group obtains control over a previously held joint operation, and the joint operation does not constitute a business, the transaction is also accounted for as an asset acquisition which does not give rise to goodwill. The acquisition cost to obtain control of the joint operation is allocated to the individual identifiable assets acquired and liabilities assumed, including the additional share of any assets and liabilities previously held or incurred jointly, on the basis of their relative fair values at the date of purchase. Previously held assets and liabilities of the joint operation should remain at their carrying amounts immediately before the transaction.

Revenue and Cost recognition

Revenue from contract with customers

The Group is primarily engaged in general construction, coal and nickel mining, power generation, real estate development, water concession and manufacturing. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is acting as principal in all of its significant revenue arrangements since it is the primary obligor in these revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Revenue recognized at a point in time

- *Coal Mining*

Revenue is recognized when control passes to the customer, which occurs at a point in time once the performance obligation to the customer is satisfied. The revenue is measured at the amount to which the Group expects to be entitled, being the price expected to be received upon final billing, and a corresponding trade receivable is recognized.

Revenue from local and export coal sales are denominated in Philippine Peso and US Dollar (US\$), respectively.

Cost of coal includes directly related production costs such as materials and supplies, fuel and lubricants, labor costs including outside services, depreciation and amortization, cost of decommissioning and site rehabilitation, and other related production overhead. These costs are recognized when incurred.

- *Nickel Mining*

Revenue is recognized when control passes to the customer, which occurs at a point in time when the beneficiated nickel ore/nickeliferous laterite ore is physically transferred onto a vessel or onto the buyer's vessel.

Cost of nickel includes cost of outside services, production overhead, personnel cost and depreciation, amortization and depletion that are directly attributable in bringing the inventory to its saleable condition. These are recognized in the period when the goods are delivered.

- *Sales and services*

Revenue from room use, food and beverage sales and other services are recognized when the related sales and services are rendered.

- *Merchandise Sales*

Revenue from merchandise sales is recognized upon delivery of the goods to and acceptance by the buyer and when the control is passed on to the buyers.



Revenue recognized over time using output method

- *Real Estate Sales*

The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period using the percentage of completion (POC) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by project engineers, and reviewed and approved by area managers under construction department which integrates the surveys of performance to date of the construction activities for both subcontracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables, under "Receivables", is included in the "Contract asset" account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized installment contract receivables is included in the "Contract liabilities" account in the liabilities section of the consolidated statement of financial position. The impact of the significant financing component on the transaction price has not been considered since the Group availed of the relief granted by the SEC under MC Nos. 14-2018 for the implementation issues of PFRS 15 affecting the real estate industry. Under the SEC MC No. 34-2020, the relief has been extended until December 31, 2023.

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

In addition, the Group recognizes as an asset these costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

- *Electricity Sales*

Revenue from sale of electricity is derived from its primary function of providing and selling electricity to customers of the generated and purchased electricity. The Group recognizes revenue from contract energy sales over time, using output method measured on actual energy delivered or nominated by the customer, net of adjustments, as agreed between parties.

Revenue from spot electricity sales is derived from the sale to the spot market of excess generated electricity over the contracted energy using price determined by the spot market, also known as Wholesale Electricity Spot Market (WESM), the market where electricity is traded, as mandated by Republic Act (RA) No. 9136 of the Department of Energy (DOE). Revenue is recognized over time using the output method measured principally on actual generation delivered to trading participants of WESM.



Under PFRS 15, the Group has concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power. In this case, any fixed capacity payments for the entire contract period is determined at contract inception and is recognized over time. The Group has concluded that revenue should be recognized over time and will continue to recognize revenue based on amounts billed.

Cost of electricity sales includes costs directly related to the production and sale of electricity such as cost of coal, coal handling expenses, bunker, lube, diesel, depreciation and other related production overhead costs. Cost of electricity sales are recognized at the time the related coal, bunker, lube and diesel inventories are consumed for the production of electricity. Cost of electricity sales also includes electricity purchased from the spot market and the related market fees. It is recognized as cost when the Group receives the electricity and simultaneously sells to its customers.

Revenue recognized over time using input method

- *Construction Contracts*

Revenue from construction contracts are recognized over time (POC) using the input method. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated costs of the project. The Group uses the cost accumulated by the accounting department to determine the actual resources used. Input method exclude the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on onerous contracts are recognized immediately when it is probable that the total unavoidable contract costs will exceed total contract revenue. The amount of such loss is determined irrespective of whether or not work has commenced on the contract; the stage of completion of contract activity; or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements that may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined. Profit incentives are recognized as revenue when their realization is reasonably assured.

The asset "Costs and estimated earnings in excess of billings on uncompleted contracts", which is presented under "Contract assets", represents total costs incurred and estimated earnings recognized in excess of amounts billed. The liability "Billings in excess of costs and estimated earnings on uncompleted contracts", which is presented under "Contract liabilities", represents billings in excess of total costs incurred and estimated earnings recognized. Contract retention receivables are presented as part of "Trade receivables" under the "Receivables" and "Other Noncurrent Assets" accounts in the consolidated statement of financial position.

Contract Balances

Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).



Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

For the Group's real estate segment, contract assets are initially recognized for revenue earned from development of real estate projects as receipt of consideration is conditional on successful completion of development. Upon completion of development and acceptance by the customer, the amounts recognized as contract assets are reclassified to receivables. It is recognized as "contract asset" account in the consolidated statement of financial position.

For the Group's construction segment, contract asset arises from the total contract costs incurred and estimated earnings recognized in excess of amounts billed.

Costs to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group's commission payments to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Cost of Sales and Services – Real estate sales" account in the consolidated statement of income. Capitalized cost to obtain a contract is included in 'Other current and noncurrent assets' account in the consolidated statement of financial position.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

For the Group's real estate segment, contract liability arises when the payment is made or the payment is due (whichever is earlier) from customers before the Group transfers goods or services to the customer. Contract liabilities are recognized as revenue when the Group performs (generally measured through POC) under the contract. The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

For the Group's construction segment, contract liability arises from billings in excess of total costs incurred and estimated earnings recognized.

Contract fulfillment assets

Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered.



The assessment of these criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group's contract fulfillment assets pertain to connection fees and land acquisition costs as included in the 'Inventory' account in the consolidated statement of financial position.

Amortization, derecognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract

The Group amortizes contract fulfillment assets and capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales.

A contract fulfillment asset or capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that contract fulfillment asset or capitalized cost to obtain a contract may be impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive, less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits.

Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Other Revenue and Income Recognition

Forfeitures and cancellation of real estate contracts

Income from forfeited reservation and collections is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

Income from commissioning

Income from commissioning pertains to the excess of proceeds from the sale of electricity produced during the testing and commissioning of the power plant over the actual cost incurred to perform the testing and commissioning.

Dividend income

Dividend income is recognized when the Group's right to receive payment is established, which is generally when shareholders approve the dividend.



Rental income

Rental income arising from operating leases on investment properties and construction equipment is accounted for on a straight-line basis over the lease terms.

Interest income

Interest income is recognized as interest accrues using the effective interest method.

Operating Expenses

Operating expenses are expenses that arise in the ordinary course of operations of the Group. These usually take the form of an outflow or depletion of assets such as cash and cash equivalents, supplies, investment properties and property, plant and equipment. Expenses are recognized in the consolidated statement of income when incurred.

Borrowing Costs

As discussed above, the Group availed of the relief granted by SEC under MC No. 34-2020 (see Note 7). Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Borrowing costs are also capitalized on the purchased cost of a site property acquired specially for development but only where activities necessary to prepare the asset for development are in progress.

Foreign Currency Translations and Transactions

The consolidated financial statements are presented in Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate at the reporting date. All differences are taken to consolidated statement of income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Pension Cost

The Group has a noncontributory defined benefit multi-employer retirement plan.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.



Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

The Group as a lessee

Except for short-term leases and leases of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

“Right-of-use assets” are presented under noncurrent assets in the consolidated statement of financial position.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.



Short-term leases

The Group applies the short-term lease recognition exemption to its leases of office spaces, storage and warehouse spaces that have lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on these short-term leases are recognized as expense on a straight-line basis over the lease term.

Income Taxes

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences with certain exception. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and investments in joint ventures.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantially enacted at the financial reporting date. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets relate to the same taxable entity and the same taxation authority.

For periods where the income tax holiday (ITH) is in effect, no deferred taxes are recognized in the consolidated financial statements as the ITH status of the subsidiary neither results in a deductible temporary difference or temporary taxable difference. However, for temporary differences that are expected to reverse beyond the ITH, deferred taxes are recognized.



Earnings Per Share (EPS)

Basic EPS is computed by dividing the consolidated net income for the year attributable to equity holders of the Parent Company (net income for the period less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period. Diluted EPS is computed by dividing the net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

Operating Segment

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group generally accounts for intersegment revenues and expenses at agreed transfer prices. Income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of income after taxes. Financial information on operating segments is presented in Note 33 to the consolidated financial statements.

Provisions

Provisions are recognized only when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provision for decommissioning and site rehabilitation costs

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes closure of plants, dismantling and removing of structures, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of rehabilitated area.

The obligation generally arises when the asset is installed, or the ground environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets and restoration of power plant sites. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of comprehensive income.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated



financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements on the period in which the change occurs.

Events After the Reporting Period

Post year-end events up to the date of the auditor's report that provide additional information about the Group's position at reporting date (adjusting events) are reflected in the consolidated financial statements. Any post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

3. Material Accounting Judgments, Estimates and Assumptions

The preparation of the accompanying consolidated financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group did not include the renewal and termination period of several lease contracts since the renewal and termination options is based on mutual agreement, thus currently not enforceable (see Note 32).

Classification of asset held-for-sale

The Group classified its 2x25 MW gas turbine plant as asset held-for-sale under PFRS 5, *Noncurrent Assets Held-for-Sale and Discontinued Operations*, as result of the assessment that the assets' carrying amount will be recovered principally through a sale transaction rather than through continuing use.



The following criteria are met:

- a) The asset is available for immediate sale in its present condition.
- b) The sale is highly probable to be completed within 12 months from the classification date.
- c) The Group is committed to sell the 2x25 MW gas turbine plant as evidenced by the approval of the Group's BOD on August 2, 2022, and the clearances obtained from relevant government agencies in October 2022.
- d) The Group has initiated an active programme to locate a buyer upon approval of the BOD.
- e) The Group determined that it is unlikely that the plan will be significantly changed or withdrawn.

The Group identified that the above criteria are met in October 2022 upon completely securing all relevant clearances from regulatory bodies to disconnect, deregister, decommission and sell the asset and reclassified the asset as held-for-sale (see Note 9).

During the initial one-year period, circumstances arise that were previously considered unlikely, and, as a result, the sale of the gas turbine plant was not finalized as of the end of October 2023. The Group took the necessary actions to respond to these circumstances and was able to locate a buyer and agree with the terms and conditions of the sale. As of December 31, 2023, the criteria for the extension of the one-year period are met and the gas turbine plant remains as an Asset held-for-sale in accordance with PFRS 5.

Revenue recognition method and measure of progress

- *Real estate revenue recognition*

The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use; and (b) the Group has an enforceable right to payment for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. The Group also considers the buyer's commitment to continue the sale which may be ascertained through the significance of the buyer's initial payments and the stage of completion of the project.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments (buyer's equity) in relation to the total contract price. Collectability is assessed by considering factors such as history with the buyer, age of real estate receivables and pricing of the property. Also, management evaluates the historical sales cancellations and back-outs if it would still support its current threshold of buyers' equity before commencing revenue recognition.

In measuring the progress of its performance obligation over time, the Group uses the output method which is based on the physical proportion of work done on the real estate project and requires technical determination by the Group's specialists (project engineers). The Group believes that this method faithfully depicts the Group's performance in transferring control of real estate development to the customers.



- *Construction revenue recognition*

- a. Existence of a contract

The Group assessed that various documents or arrangements (whether separately or collectively) will create a contract in accordance with PFRS 15. The Group considered relevant facts and circumstances including customary business practices and assessed that the enforceability of its documents or arrangements depends on the nature and requirements stated in the terms of those documents or arrangements. Certain documents that indicate enforceability of contract include Letter/ Notice of Award, Letter of Intent, Notice to Proceed and Purchase Order.

- b. Revenue recognition method and measure of progress

The Group concluded that revenue for construction services is to be recognized over time because (a) the customer controls assets as it is created or enhanced; (b) the Group's performance does not create an asset with an alternative use and; (c) the Group has an enforceable right for performance completed to date. The Group assessed that the first criterion is consistent with the rationale for percentage of completion (POC) revenue recognition approach for construction contract. Moreover, the customer can also specify the design of the asset being constructed and the Group builds the asset on the customer's land or premises and the customer can generally control any work in progress arising from the Group's performance. The last criterion is evident in the actual provisions of the contract. As the Group cannot direct the asset to another customer, it satisfies the criteria of no alternative use.

In measuring the progress of its performance obligation over time, the Group uses the input method which is based on actual costs incurred to date relative to the total estimated cost to complete the construction projects. The Group believes that this method faithfully depicts the Group's performance in transferring control of construction services to the customers.

- c. Identifying performance obligation

Construction projects of the Group usually includes individually distinct goods and services. These goods and services are distinct as the customers can benefit from the service on its own and are separately identifiable. However, the Group assessed that goods and services are not separately identifiable from other promises in the contract. The Group provides significant service of integrating the various goods and services (inputs) into a single output for which the customer has contracted. Consequently, the Group accounts for all of the goods and services in the contract as a single performance obligation.

With regard to variation orders, the Group assessed that these do not result in the addition of distinct goods and services and are not identified as separate performance obligations because they are highly interrelated with the services in the original contract, and are part of the contractor's service of integrating services into a single output for which the Group has been contracted.

- *Mining and electricity sales – Revenue recognition method and measure of progress*

The Group concluded that revenue from coal and nickel ore sales is to be recognized at a point in time as the control transfers to customers at the date of shipment.

On the other hand, the Group's revenue from power sales is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the delivery of power that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance obligation



The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance of its obligation to its customers, since the customer obtains the benefit from the Group's performance based on actual energy delivered each month.

Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation assets requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase.

Some of the criteria include, but are not limited to the following:

- the level of capital expenditure compared to construction cost estimates;
- completion of a reasonable period of testing of the property and equipment;
- ability to produce ore in saleable form; and,
- ability to sustain ongoing production of ore.

When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation or depletion commences.

Determination of components of ore bodies and allocation of measures for stripping cost allocation

The Group has identified that each of its two active mine pits, Narra and Molave, is a whole separate ore component and cannot be further subdivided into smaller components due to the nature of the coal seam orientation and mine plan.

Judgment is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the coal body (i.e., stripping ratio) is the most suitable production measure. The Group recognizes stripping activity asset by comparing the actual stripping ratio during the year for each component and the component's mine life stripping ratio.

Evaluation and reassessment of control

The Group refers to the guidance in PFRS 10, *Consolidated Financial Statements*, when determining whether the Group controls an investee. Particularly, the Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group considers the purpose and design of the investee, its relevant activities and how decisions about those activities are made and whether the rights give it the current ability to direct the relevant activities (see Note 10).

The Group controls an investee if and only if it has all the following:

- a. power over the investee;
- b. exposure, or rights, to variable returns from its involvement with the investee; and,
- c. the ability to use its power over the investee to affect the amount of the investor's returns.



Ownership interests in URHI and TMM represent 30% and 40%, respectively. The stockholders of these entities signed the Memorandum of Understanding (MOU) that gives the Group the ability to direct the relevant activities and power to affect its returns considering that critical decision-making position in running the operations are occupied by the representatives of the Group.

Management's Use of Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a. Mining

Estimating mineable ore reserves

The Group uses the estimated minable ore reserve in the determination of the amount of amortization of mining properties using units-of-production (UOP) method. The Group estimates its mineable ore reserves by using estimates provided by third party, and professionally qualified mining engineers and geologist (specialists). These estimates on the mineable ore reserves are determined based on the information obtained from activities such as drilling, core logging or geophysical logging, coal sampling, sample database encoding, coal seam correlation and geological modelling.

The carrying value of mining properties and mining rights, included in "Property, plant and equipment" as presented in the consolidated statements of financial position amounted to ₱3,751.88 million and ₱4,196.98 million in 2023 and 2022, respectively (see Note 12).

Estimating coal stockpile inventory quantities

The Group estimates the stockpile inventory of clean and unwashed coal by conducting a topographic survey which is performed by in-house and third-party surveyors. The survey is conducted by in-house surveyors on a monthly basis with a confirmatory survey by third party surveyors at year end. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus five percent (5%). Thus, an increase or decrease in the estimation threshold for any period would differ if the Group utilized different estimates and this would either increase or decrease the profit for the year. The coal pile inventory as of December 31, 2023 and 2022 amounted to ₱1,884.44 million and ₱2,557.12 million, respectively (see Note 7).

Estimating provision for decommissioning and mine site rehabilitation costs

The Group is legally required to fulfill certain obligations under its Department of Energy and National Resources (DENR) issued Environmental Compliance Certificate when its activities have ended in the depleted mine pits. In addition, the Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for decommissioning and mine site rehabilitation costs as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities given the approved decommissioning and mine site rehabilitation plan, (e.g., costs of reforestation, and maintenance of the rehabilitated area), technological changes, regulatory changes, cost increases, and changes in inflation rates and discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided.

An increase in decommissioning and site rehabilitation costs would increase the carrying amount of the related assets and increase noncurrent liabilities. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.



As of December 31, 2023 and 2022, the provision for decommissioning and mine site rehabilitation for coal mining activities amounted to ₱322.26 million and ₱285.95 million, respectively. As of the same dates, the provision for decommissioning and minesite rehabilitation cost for the nickel mining activities amounted to ₱115.51 million and ₱95.56 million, respectively (see Note 19).

b. Construction

Revenue recognition – construction contracts

The Group's construction revenue is based on the POC method measured principally on the basis of total actual cost incurred to date over the estimated total cost of the project. Actual cost incurred to date includes labor, materials and overhead which are billed and unbilled by contractors. The Group also updates the estimated total cost of the project based on latest discussions with customers to include any revisions to the job order sheets and the cost variance analysis against the supporting details. The POC method is applied to the contract price after considering approved change orders.

When it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognized as an expense immediately. The amount of such a loss is determined irrespective of:

- (a) whether work has commenced on the contract;
- (b) the stage of completion of contract activity; or
- (c) the amount of profits expected to arise on other contracts which are not treated as a single construction contract.

The Group regularly reviews its construction projects and used the above guidance in determining whether there are projects with contract cost exceeding contract revenues. Based on the best estimate of the Group, adjustments were made in the books for those projects with expected losses in 2023 and 2022. There is no assurance that the use of estimates may not result in material adjustments in future periods. Revenue from construction contracts amounted to ₱16,674.70 million, ₱19,076.92 million and ₱22,469.65 million in 2023, 2022 and 2021, respectively (see Note 33).

Determining method to estimate variable consideration for variation orders

It is common for the Group to receive numerous variation orders from the customers during the period of construction. These variation orders could arise due to changes in the design of the asset being constructed and in the type of materials to be used for construction.

The Group estimates the transaction price for the variation orders based on a probability-weighted average approach (expected value method) based on historical experience.

c. Real estate

Revenue recognition – real estate sales

The assessment process for the POC and the estimated project development costs requires technical determination by management's specialists (project engineers) and involves significant management judgment. The Group applies POC method in determining real estate revenue. The POC is measured principally on the basis of the estimated completion of a physical proportion of the contract work based on the inputs of the internal project engineers.

Revenue from real estate sales amounted to ₱18,587.31 million, ₱21,398.78 million and ₱24,328.51 million in 2023, 2022 and 2021, respectively (see Note 33).



d. Power

Determination of fair value less cost to sell

The Group estimated the recoverable amount of the 2x25 MW gas turbine plant based from offers received from buyers in the advanced stage of negotiations or, if available, the final selling price agreed with the buyer, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing the asset (e.g. dismantling and handling costs) (see Note 9).

Estimating provision for decommissioning and site rehabilitation costs

The Group is contractually required to fulfill certain obligations under Section 8 of the Land Lease Agreement (LLA) upon its termination or cancellation. Significant estimates and assumptions are made in determining the provision for site rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. An increase in decommissioning and site rehabilitation costs would increase the property, plant and equipment and increase noncurrent liabilities.

The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the provision for decommissioning and site rehabilitation costs are reviewed and updated annually.

As of December 31, 2023 and 2022, the estimated provision for decommissioning and site rehabilitation costs amounted to ₱31.61 million and ₱29.11 million, respectively (see Note 19).

Estimating allowance for expected credit losses (ECLs)

a. *Installment contracts receivable and contract assets*

The Group uses the vintage analysis in calculating the ECLs for real estate ICR. Vintage analysis calculates the vintage default rate of each period through a ratio of default occurrences of each given point in time in that year to the total number of receivable issuances or occurrences during that period or year. The rates are also determined based on the default occurrences of customer segments that have similar loss patterns (i.e., by payment scheme).

The vintage analysis is initially based on the Group's historically observed default rates. The Group will adjust the historical credit loss experience with forward-looking information. For instance, if forecasted economic conditions (i.e., bank lending rates and interest rates) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historically observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

b. *Trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).



The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and foreign exchange rates. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Group has considered the impact of COVID-19 pandemic and revisited its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL.

The changes in the gross carrying amount of receivables during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

The above assessment resulted to recognition of additional allowance for impairment of ₱31.30 million, ₱9.54 million and ₱33.39 million in 2023, 2022 and 2021, respectively (see Notes 5 and 24).

Evaluation of net realizable value of inventories

Inventories are valued at the lower of cost and NRV. This requires the Group to make an estimate of the inventories' selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV.

For real estate inventories, the Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of the real estate inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. In evaluating NRV, recent market conditions and current market prices have been considered.

For inventories such as equipment parts, materials in transit and supplies, the Group's estimate of the NRV of inventories is based on evidence available at the time the estimates are made of the amount that these inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at reporting date. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Inventories carried at cost amounted to ₱58,578.40 million and ₱52,312.89 million as of December 31, 2023 and 2022, respectively. Inventories carried at NRV amounted to ₱9,323.80 million and ₱9,211.65 million as of December 31, 2023 and 2022, respectively (see Note 7).

Estimating useful lives of property, plant and equipment (see 'estimation of minable ore reserves' for the discussion of amortization of coal mining properties)

The Group estimated the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets.

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation expense and decrease noncurrent assets.



In estimating the useful life of depreciable assets that are constructed in a leased property, the Group considers the enforceability of and the intent of management to exercise the option to purchase the leased property. For these assets, the depreciation period is over the economic useful life of the asset which may be longer than the remaining lease period.

As of December 31, 2023 and 2022, the carrying value of property, plant and equipment of the Group amounted to ₱53,673.80 million and ₱57,638.32 million, respectively (see Note 12).

Impairment assessment of nonfinancial assets

The Group assesses impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important and which could trigger an impairment review include the following:

- significant underperformance relative to projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and,
- significant negative industry or economic trends or change in technology.

When indicators exist, an impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Assets that are subject to impairment testing when impairment indicators are present are as follows:

	2023	2022
Asset held-for-sale (Note 9)	₱713,218	₱789,313
Investments in associates and joint ventures (Note 10)	19,091,633	18,195,324
Property, plant and equipment (Note 12)	53,673,801	57,638,317
Right-of-use assets (Note 32)	140,629	116,945
Other current assets (Note 8)*	9,410,688	8,829,378
Other noncurrent assets (Note 13)*	5,167,265	3,554,249

*Excluding current and noncurrent financial assets.

Maynilad Water

On May 18, 2021, the Revised Concession Agreement (RCA) has been executed and signed by the representative parties of MWSI and Metropolitan Waterworks and Sewerage System (MWSS). On December 10, 2021, Republic Act 11600 was signed into law (see Note 36). On December 14, 2021, Maynilad Water again requested the MWSS Board to defer the RCA's Effective Date by another two months (until February 16, 2022) or until the Republic Letter of Undertaking is issued. On June 30, 2022, Maynilad received MWSS's letter of even date informing Maynilad Water that the DOF has issued the Republic Undertaking dated June 24, 2022 signed by the Executive Secretary and the DOF Secretary.

Maynilad Water wrote the MWSS on July 1, 2022 informing them that the signed Republic Letter of Undertaking does not conform to the agreed form in the RCA, and, thus, Section 16.3 (iii) I of the RCA has not been satisfied.

On May 10, 2023, MWSS and Maynilad signed the Amendments to the RCA which took effect retroactively on June 29, 2022. Along with the Amendments to the RCA, the Letter of Undertaking in the form agreed by the parties was also issued. The Letter of Undertaking's effectivity retroacts to July 1, 2022 (see Note 36).



Management believes that no impairment indicator exists for the Group's other nonfinancial assets.

Estimating the incremental borrowing rate

The Group uses its incremental borrowing rate (IBR) to measure lease liabilities because the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The Group's lease liabilities amounted to ₱89.24 million and ₱70.70 million as of December 31, 2023 and 2022, respectively (see Notes 19 and 32).

Deferred tax assets

The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO to be utilized. However, there is no assurance that the Group will generate sufficient future taxable income to allow all or part of the deferred tax assets to be utilized.

The deferred tax assets recognized amounted to ₱1,680.58 million and ₱1,339.02 million as of December 31, 2023 and 2022, respectively. The unrecognized deferred tax assets of the Group amounted to ₱74.62 million and ₱203.88 million as of December 31, 2023 and 2022, respectively (see Note 28).

Estimating pension obligation and other retirement benefits

The cost of defined benefit pension plans and other employee benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The net pension liabilities as at December 31, 2023 and 2022 amounted to ₱334.98 million and ₱148.85 million, respectively (see Note 22). Net pension assets amounted to ₱992.89 million and ₱1,012.67 million as of December 31, 2023 and 2022, respectively (see Note 22).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit liability. Future salary increases are based on expected future inflation rates and other relevant factors.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.



Contingencies

The Group is currently involved in various legal proceedings and taxation matters. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the evaluation of the case, the estimates of potential claims or in the effectiveness of the strategies relating to these proceedings (see Note 35).

4. Cash and Cash Equivalents

	2023	2022
Cash on hand and in banks	₱8,238,983	₱8,444,448
Cash equivalents	23,919,095	19,964,026
	₱32,158,078	₱28,408,474

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term placements made for varying periods of up to three (3) months, depending on the immediate cash requirements of the Group, and earn annual interest ranging from 0.50% to 7.50%, 0.50% to 6.00% and 0.25% to 1.75% in 2023, 2022 and 2021, respectively. Total finance income earned on cash in banks and cash equivalents amounted to ₱1,504.28 million, ₱509.65 million and ₱70.44 million in 2023, 2022 and 2021, respectively (see Note 25).

5. Receivables

	2023	2022
Trade:		
Coal mining	₱5,945,199	₱7,351,674
Electricity sales	5,801,611	5,591,220
Construction contracts	4,011,467	6,274,186
Real estate	3,319,660	3,458,309
Nickel mining	81,895	118,850
Merchandising and others	116,228	128,040
	19,276,060	22,922,279
Receivables from related parties (Note 20)	2,450,235	1,049,028
Other receivables	3,351,305	4,548,792
	25,077,600	28,520,099
Less allowance for expected credit losses	1,812,494	1,781,196
	₱23,265,106	₱26,738,903

Trade Receivables

Coal and nickel mining

Receivable from mining pertains to receivables from the sale of coal and nickel ore both to domestic and international markets. These receivables are noninterest-bearing and generally have 30 to 45-day credit terms.



Construction contracts

Receivables from construction contracts principally consist of receivables arising from third-party construction projects over period of construction. These are non-interest bearing and collectible over a period of 30- to 60-day term. These also include current portion of retentions which pertain to the part of the contract billed and retained as security and shall be released upon the period allotted as indicated in the contract. These are collected after a certain period of time upon acceptance by project owners upon presentation of certificate of completion amounting to ₱479.97 million and ₱2,153.22 million as of December 31, 2023 and 2022, respectively. Retention receivables pertain to the part of the contract which the contract owner retains as security and shall be released after the period allotted as indicated in the contract for the discovery of defects and other non-compliance from the specifications indicated. Noncurrent portion of retention receivables is presented as part of “Other Noncurrent Assets” in the consolidated statements of financial position (see Note 13).

Electricity sales

Receivables from electricity sales are claims from power distribution utilities, spot market operator and other customers for the sale of contracted energy and spot sales transactions. These are generally on a 30-day credit term and are carried at original invoice amounts, less discounts and rebates.

Real estate

Real estate receivables consist of accounts collectible in equal monthly principal installments with various terms up to a maximum of 10 years. These are recognized at amortized cost using the EIR method. The corresponding titles to the residential units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Installment contracts receivable are collateralized by the related property sold. In 2023, 2022 and 2021, annual interest rates on installment contracts receivable range from 10.00% to 15.00%. Interest on installment contracts receivable amounted to ₱484.92 million, ₱348.85 million and ₱320.43 million in 2023, 2022 and 2021, respectively (see Note 25).

The Group retains the assigned receivables in the “real estate receivables” account and records the proceeds from these sales as long-term debt (see Note 18). The carrying value of installment contracts receivable sold with recourse amounted to ₱2.52 million and ₱119.19 million as of December 31, 2023 and 2022, respectively. The installment contracts receivable on a with recourse basis are used as collaterals for the bank loans obtained.

Merchandising and others

Receivables from merchandise sales and others arise from the sale of wires, services rendered and others to various local companies. These receivables are noninterest-bearing and generally have a 30 to 60-day credit terms.

Other Receivables

Other receivables include the Group’s receivables from condominium corporations, advances to brokers and receivable from sale of fly ashes. These receivables are noninterest-bearing and are generally collectible within one (1) year from the reporting date.



Allowance for expected credit losses

Movements in the allowance for expected credit losses are as follows:

2023

	Trade Receivables			
	Electricity Sales	Coal Mining	Other Receivables	Total
At January 1	₱895,564	₱41,927	₱843,795	₱1,781,196
Provision (Note 24)	1,368	—	29,840	31,298
At December 31	₱896,932	₱41,927	₱873,635	₱1,812,494

2022

	Trade Receivables			
	Electricity Sales	Coal Mining	Other Receivables	Total
At January 1	₱867,032	₱41,927	₱862,696	₱1,771,655
Provision (Reversal) (Note 24)	28,532	—	(18,991)	9,541
At December 31	₱895,564	₱41,927	₱843,705	₱1,781,196

6. Contract assets

	2023	2022
Contract assets	₱26,769,160	₱26,556,650
Costs and estimated earnings in excess of billings on uncompleted contracts	3,374,321	2,852,325
	30,143,481	29,408,975
Less: Contract assets - noncurrent portion	10,839,030	12,765,717
Current portion	₱19,304,451	₱16,643,258

Contract Assets

Real estate segment

For real estate segment, contract assets are initially recognized for revenue earned from property under development rendered but not yet to be billed to customers. Upon billing of invoice, the amounts recognized as contract assets are reclassified as installment contracts receivable.

Construction segment

For construction segment, contract assets represent total costs incurred and estimated earnings recognized in excess of amounts billed.

Costs and estimated earnings in excess of billings on uncompleted contracts of the construction segment are as follows:

	2023	2022
Total costs incurred	₱69,335,673	₱70,941,153
Add estimated earnings recognized	4,156,964	5,050,417
	73,492,637	75,991,570
Less total billings (including unliquidated advances from contract owners of ₱8.19 billion in 2023 and ₱5.84 billion in 2022)	79,107,338	81,661,636
	(₱5,614,701)	(₱5,670,066)



The foregoing balances are reflected in the consolidated statements of financial position under the following accounts:

	2023	2022
Contract assets (liabilities)		
Costs and estimated earnings in excess of billings on uncompleted contracts	₱2,785,204	₱2,852,325
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 17)	(8,399,905)	(8,522,391)
	(₱5,614,701)	(₱5,670,066)

7. Inventories

	2023	2022
At cost:		
Real estate held for sale and development	₱51,342,601	₱46,738,228
Equipment parts, materials in transit and supplies	5,281,775	2,995,845
Coal inventory	1,884,435	2,557,123
Nickel ore	69,593	21,692
	58,578,404	52,312,888
At NRV:		
Equipment parts, materials in transit and supplies (Note 12)	9,323,801	9,211,646
	₱67,902,205	₱61,524,534

Real estate inventories recognized as cost of sales amounted to ₱11,172.42 million, ₱12,878.56 million and ₱17,713.79 million in 2023, 2022 and 2021, respectively (see Note 23). Costs of real estate sales includes acquisition cost of land, amount paid to contractors, development costs, capitalized borrowing costs, and other costs attributable to bringing the real estate inventories to their intended condition. Borrowing costs capitalized in 2023, 2022 and 2021 amounted to ₱1,858.63 million, ₱1,611.32 million and ₱1,407.90 million, respectively. The capitalization rates used to determine the amount of borrowing costs eligible for capitalization in 2023, 2022 and 2021 are 5.35%, 4.89% and 4.60%, respectively.

There is no real estate held for sale and development used as collateral or pledged as security to secure liabilities. Summary of the movement in real estate held for sale and development is set out below:

	2023	2022
Balance at beginning of year	₱46,738,228	₱41,361,333
Construction/development cost incurred	14,818,461	15,399,648
Land acquired during the year	452,321	1,550,894
Borrowing costs capitalized	1,858,629	1,611,318
Cost of undeveloped land sold during the year	(1,197,494)	—
Recognized as cost of sales (Note 23)*	(11,327,544)	(13,123,720)
Transfers to property, plant and equipment (Note 12)		(61,245)
Balance at end of year	₱51,342,601	₱46,738,228

*Includes depreciation expense amounting to ₱155.12 million and ₱245.16 million in 2023 and 2022, respectively.



The Group sold undeveloped parcels of land in 2023 at a gain of ₱186.34 million (nil in 2022). The gain on sale of land is presented under "Other income" account in the consolidated statements of income (see Note 27).

Coal and power inventories transferred to property, plant and equipment are used as a component of self-constructed property, plant and equipment and are recognized as expense over the useful life of the asset (see Note 12).

Coal pile inventory is stated at cost, which is lower than NRV. The cost of coal inventories recognized as 'Cost of coal mining' in the consolidated statements of comprehensive income amounted to ₱22,014.95 million and ₱20,039.12 million in 2023 and 2022, respectively (see Note 23).

Coal pile inventory at cost includes capitalized depreciation of ₱262.74 million and ₱324.22 million in 2023 and 2022, respectively (see Note 12).

Movement in the Group's allowance for inventory obsolescence are as follows:

	2023	2022
Balance at beginning of year	₱269,032	₱230,051
Provision for inventory write-down (Note 24)	—	38,981
Reversal (Note 24)	(79,864)	—
Balance at end of year	₱189,168	₱269,032

The Group recognized provision for inventory write down amounting to ₱38.98 million in 2022.

This amount includes provision of ₱36.78 million in 2022 which pertains to the spare parts of the 2x25 MW gas turbine plant classified as "Asset held-for-sale" under PFRS 5 (see Note 9). This is included in "Miscellaneous" under operating expenses in profit or loss (see Note 24).

In 2023, the Group made a reversal on the previously recognized allowance for inventory obsolescence amounting to ₱79.86 million.

8. Other Current Assets

	2023	2022
Advances to suppliers and contractors	₱3,673,867	₱3,167,630
Creditable withholding taxes	3,105,585	2,538,592
Refundable deposits (Notes 13 and 34)	2,084,549	855,987
Input VAT	1,365,285	1,352,191
Deposit in escrow fund (Note 34)	593,348	504,277
Cost to obtain a contract - current portion (Notes 3 and 13)	223,829	810,380
Others	1,042,122	960,585
	₱12,088,585	₱10,189,642

Advances to suppliers and contractors

Advances to suppliers and contractors under current assets are recouped upon rendering of services or delivery of asset within the Group's normal operating cycle. The balance, net of the related allowance, is estimated to be recoverable in future periods.



Creditable withholding taxes

Creditable withholding taxes pertain to the amount withheld by the Group's customers from their income payments. These will be claimed as tax credit and will be used against future income tax payable. In 2022, the Group recognized impairment loss of ₱40.71 million. With the collections received in 2023, the Group reassessed the impairment loss and reversed ₱2.43 million of the previously recognized allowance (see Note 24).

Refundable deposits

Refundable deposits pertain to bill deposits and guaranty deposits for utilities that will be recovered within one (1) year.

Input VAT

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is applied against output VAT. The balance, net of the related allowance, is recoverable in future periods.

Deposit in escrow fund

Deposit in escrow fund pertains to fund deposits for securing license to sell (LTS) of the Group's real estate projects.

Costs to obtain a contract

Costs to obtain a contract with a customer pertain to commissions paid to brokers and marketing agents on the sale of pre-completed real estate units.

The balances below pertain to the costs to obtain contracts included in the other current and noncurrent assets:

	2023	2022
Balance at beginning of year	₱2,287,363	₱2,491,867
Additions	1,106,769	1,056,865
Amortization	(770,654)	(1,161,369)
Balance at end of year	2,623,478	2,387,363
Noncurrent portion (Note 13)	2,399,649	1,576,983
Current portion	₱223,829	₱810,380

The amortization of capitalized commission and advance commissions which are expensed as incurred totaling ₱813.98 million, ₱1,237.70 million and ₱1,148.03 million in 2023, 2022 and 2021, respectively, are presented under 'Cost of sales and services - real estate sales' account in the consolidated statements of income (see Note 23).

Others

Others include prepayments on insurance, maintenance costs, advances to officers and employees, local and real property taxes and various types of advances and other charges which could be recovered within one (1) year.



9. Asset Held-for-Sale

In 2022, the Group assessed that the carrying amount of its 2x25 MW gas turbine plant will be recovered principally through a sale transaction rather than continuing use.

The gas turbine pertains to two (2) units of GE TM2500 G6 Generator (“the Asset”) which was acquired in 2016 to provide ancillary services. However, since its withdrawal from the ancillary contract, the gas turbine continued to run and supply electricity directly to the spot market. The gas turbine is one of the power generating assets of SLPGC under the Power Segment.

The plan to decommission and sell the Asset was approved on August 2, 2022 by the BOD. On October 3, 2022, the Group has completely secured all relevant clearances from regulatory bodies to disconnect, deregister, decommission, and sell the Asset.

The Group has launched an active search for interested buyers of the gas turbine and had ongoing negotiations in the advanced stages. Management expects that the sale transaction will be finalized within 12 months from end of reporting period.

In accordance with PFRS 5, the Group measured the Asset at the lower of carrying amount and fair value less costs to sell while depreciation ceased immediately upon reclassification. Consequently, a loss on write-down amounting to ₱171.77 million was recognized to bring the Asset’s carrying amount to its net realizable value or fair value less costs to sell in 2022 (see Notes 12 and 24).

The Company recorded an allowance for inventory write down on related spare parts of the Assets amounting to ₱36.78 million as of December 31, 2023 and 2022 (see Note 6).

In October 2023, upon the completion of the one-year period, the sale of the asset was not finalized. Hence, the period to complete the sale was extended beyond one year due to circumstances beyond the control of the Group but the commitment to the plan to sell the asset remains.

The Group took the necessary actions to respond to these circumstances and was able to locate a buyer and agree with the terms and conditions of the sale. Prepayments were received from the buyer based on the progress made in the dismantling of the Asset as of December 31, 2023. These were recorded under ‘Accounts and other payables’ in the consolidated statements of financial position (see Note 16). Final payment will be made upon transfer of the Asset to the buyer.

Management believes that the sale transaction will be finalized within 12 months from reassessed classification date. As a result, the Group retains the classification of the Asset as held-for-sale as of December 31, 2023 in accordance with PFRS 5. Consequently, the Group recorded an additional loss on write-down amounting to ₱76.10 million in 2023 to revalue the Asset’s carrying amount based on the current net realizable value or fair value less costs to sell (see Note 24).

As of December 31, 2023 and 2022, asset held-for-sale amounted to ₱713.22 million and ₱789.31 million, respectively.



10. Investments in Associates and Joint Ventures

The details of the Group's investments in associates and joint ventures follow:

	2023	2022
Acquisition cost		
Balance at beginning and end of year	₱1,146,469	₱1,146,469
Accumulated impairment loss	(6,798)	(6,798)
	1,139,671	1,139,671
Accumulated equity in net earnings		
Balance at beginning of year	17,008,752	16,480,394
Equity in net earnings	2,145,377	1,506,278
Dividends and others	(1,202,262)	(977,920)
Balance at end of year	17,951,867	17,008,752
Share in other comprehensive income	95	46,901
	₱19,091,633	₱18,195,324

The details of the Group's equity in the net assets of its associates and joint ventures, which are all incorporated in the Philippines, and the corresponding percentages of ownership follow:

	Percentages of Ownership		Equity in Net Assets	
	2023	2022	2023	2022
Associates:				
Maynilad Water Holding Company, Inc. (MWHCI)	27.19	27.19	₱18,092,595	₱17,184,796
Subic Water and Sewerage Company, Inc. (Subic Water)	30.00	30.00	296,887	276,020
Bachy Soletanche Philippines Corporation (Bachy)	49.00	49.00	43,060	43,060
Celebrity Sports Plaza	4.62	4.62	17,710	18,100
			18,450,252	17,521,976
Joint Ventures:				
RLC DMCI Property Ventures, Inc. (RDPVI)	50.00	50.00	₱518,767	₱538,346
DMC Estate Development Ventures Inc. (DMC-EDVI)	50.00	50.00	107,294	119,682
DMCI-First Balfour Joint Venture (DMFB)	51.00	51.00	15,320	15,320
			641,381	673,348
			₱19,091,633	₱18,195,324

There have been no outstanding capital commitments in 2023 and 2022.

The following table summarizes the Group's share in the significant financial information of the associates and joint ventures that are material to the Group:

	2023	
	MWHCI	Subic Water
Statement of financial position		
Current assets	₱10,442,173	₱508,827
Noncurrent assets	162,478,813	1,285,417
Current liabilities	(24,519,357)	(208,704)
Noncurrent liabilities	(73,019,462)	(213,394)
Noncontrolling interests	(4,746,752)	—
Equity attributable to parent company	70,635,415	1,372,146
Proportion of the Group's ownership	27.19%	30%

(Forward)



	2023	
	MWHCI	Subic Water
Equity in net assets of associates	₱19,205,769	₱411,644
Less unrealized gains	(1,113,174)	(114,757)
Carrying amount of the investment	₱18,092,595	₱296,887
Statement of income		
Revenue and other income	₱27,323,265	₱756,948
Costs and expenses	19,116,677	687,393
Net income	8,206,588	69,555
Net income attributable to NCI	629,198	—
Net income attributable to parent company	₱7,577,390	₱69,555
	2022	
	MWHCI	Subic Water
Statement of financial position		
Current assets	₱16,158,002	₱462,366
Noncurrent assets	136,734,927	1,315,668
Current liabilities	(27,466,639)	(208,696)
Noncurrent liabilities	(54,472,389)	(204,227)
Noncontrolling interests	(4,360,407)	—
Equity attributable to parent company	66,593,494	1,365,111
Proportion of the Group's ownership	27.19%	30%
Equity in net assets of associates	18,106,771	409,533
Less unrealized gains	(921,975)	(116,303)
Carrying amount of the investment	₱17,184,796	₱293,230
Statement of income		
Revenue and other income	₱22,874,733	₱539,074
Costs and expenses	17,250,418	446,443
Net income	5,624,315	92,631
Net income attributable to NCI	402,282	—
Net income attributable to parent company	₱5,222,033	₱92,631

The Group's dividend income from MWHCI amounted to ₱915.55 million, ₱759.83 million and ₱760.10 million in 2023, 2022 and 2021, while dividend income from Subic Water amounted to ₱45.00 million both in 2022 and 2021 (nil in 2023).

Equity in net earnings from MWHCI amounted to ₱2,060.29 million, ₱1,419.87 million and ₱1,566.18 million in 2023, 2022 and 2021, respectively, while equity in net earnings from Subic Water amounted to ₱20.87 million, ₱27.79 million and ₱28.28 million in 2023, 2022 and 2021, respectively.

The carrying amount of the investment in MWHCI is reduced by unrealized gains from transaction with a subsidiary of the Parent Company, relating to engineering and construction projects which are bid out to various contractors and are awarded on an arms-length basis. Equity in net earnings from MWHCI are adjusted for the realization of these unrealized gains and losses.



MWHCI

MWHCI is a company incorporated in the Philippines. The primary contributor in the consolidated net income of MWHCI is its 92.85% owned subsidiary, MWSI. MWSI is involved in the operations of privatized system of waterworks and sewerage services, including the provision of allied and ancillary services. The Group's equity in net earnings of MWHCI represents its share in the consolidated net income attributable to MWHCI.

Rollforward of the carrying value of the investment in MWHCI follows:

	2023	2022
Acquisition cost	₱390,428	₱390,428
Accumulated equity in net earnings		
Balance at beginning of year	16,794,368	16,163,863
Equity in net earnings	2,060,292	1,419,871
Dividends received and other adjustments	(1,152,493)	(789,366)
Balance at end of year	17,702,167	16,794,368
	₱18,092,595	₱17,184,796

Subic Water

On January 22, 1997, the Group subscribed to 3.26 million shares at the par value of ₱10 per share for an aggregate value of ₱32.62 million in Subic Water, a joint venture company among Subic Bay Metropolitan Authority (SBMA), a government-owned corporation, Olongapo City Water District, and Cascal Services Limited (a company organized under the laws of England).

On April 1, 2016, PDI disposed its 10% share in Subic Water. The remaining percentage of ownership in Subic Water after the sale is 30%.

RLC DMCI Property Ventures Inc. (RDPVI)

In October 2018, PDI and Robinsons Land Corporation (RLC) entered into a joint venture agreement to develop a condominium project. Each party will hold a 50% ownership interest in the joint venture. In March 2019, RDPVI, the joint venture, was incorporated to purchase, acquire and develop into a residential condominium project a portion of the parcels of land situated in Las Piñas City and to operate, manage, sell and/or lease the resulting condominium units and parking spaces therein

DMC Estate Development Ventures, Inc. (DMC EDVI)

In June 2021, the Group and DMC Urban Property Developers Inc. (UPDI) entered into a joint venture agreement to purchase, acquire and develop parcels of land into condominium project for residential and commercial uses. Each party holds a 50% ownership interest in the joint venture.

The aggregate carrying amount of the Group's individually immaterial investments in associates and joint ventures in 2023 and 2022 amounted to ₱702.15 million and ₱734.51 million, respectively.

The Group's share in the other comprehensive loss of the associates and joint venture (e.g., remeasurement of retirement liability) is presented under equity section in the consolidated statements of financial position.



11. Investment Properties

	2023		
	Buildings and Building Improvements	Condominium Units	Total
Cost			
Balance at beginning and end of year	₱214,998	₱37,639	₱252,637
Accumulated Depreciation and Amortization			
Balances at beginning of year	125,465	25,278	150,743
Depreciation and amortization (Note 23)	13,663	1,492	15,155
Balances at end of year	139,128	26,770	165,898
Net Book Value	₱75,870	₱10,869	₱86,739

The aggregate fair values of the investment properties as of December 31, 2023 and 2022 amounted to ₱224.63 million and ₱266.55 million, respectively.

	2022		
	Buildings and Building Improvements	Condominium Units	Total
Cost			
Balances at beginning of year	₱214,998	₱37,811	₱252,809
Disposal	—	(172)	(172)
Balances at end of year	214,998	37,639	252,637
Accumulated Depreciation and Amortization			
Balances at beginning of year	125,465	29,557	155,022
Depreciation and amortization (Note 23)	—	15,098	15,098
Disposal	—	(19,377)	(19,377)
Balances at end of year	125,465	25,278	150,743
Net Book Value	₱89,533	₱12,361	₱101,894

The fair values of investment properties were determined using either the income approach using discounted cash flow (DCF) method or by the market data approach. These are both categorized within Level 3 of the fair value hierarchy. The fair value of investment properties, which has been determined using DCF method with discount rates ranging from 5.87% to 5.94%, exceeds its carrying cost. The fair values of the investment properties which were arrived at using the market data approach require the establishment of comparable properties by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparables. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

Rental income from investment properties (included under 'Other income - net') amounted to ₱38.33 million, ₱51.12 million and ₱45.83 million in 2023, 2022 and 2021, respectively (see Note 27). Direct operating expenses (included under 'Operating expenses' in the consolidated statements of income) arising from investment properties amounted to ₱15.16 million, ₱26.46 million and ₱14.87 million in 2023, 2022 and 2021, respectively (see Note 24).

There are no investment properties as of December 31, 2023 and 2022 that are pledged as security against liabilities. The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase or construct or develop investment properties or for repairs, maintenance and enhancements.



12. Property, Plant and Equipment

Movements in this account follow:

	2023									
	Land and Land Improvements	Power Plant, Buildings and Building Improvements	Coal Mining Properties and Equipment	Nickel Mining Properties and Equipment	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Total
Cost										
Balances at beginning of year	₱3,286,101	₱67,699,924	₱42,086,339	₱5,727,626	₱14,198,246	₱979,580	₱1,145,796	₱367,484	₱1,843,824	₱137,334,920
Additions	179,723	778,750	3,878,429	—	548,485	192,647	154,053	130,902	31,778	5,894,767
Transfers (Note 7)	—	239,372	—	—	—	—	—	—	—	239,372
Disposals	—	(144,315)	(18,131)	—	(66,880)	—	(18,738)	—	—	(248,064)
Others	—	—	(391,142)	—	—	—	—	—	—	(391,142)
Adjustments (Note 19)	—	—	35,499	(4,701)	—	—	—	—	—	30,798
Balances at end of year	3,465,824	68,573,731	45,590,994	5,722,925	14,679,851	1,172,227	1,281,111	498,386	1,875,602	142,860,651
Accumulated Depreciation, Depletion and Amortization										
Balances at end of year	1,255,978	27,214,664	35,456,300	1,706,249	12,196,063	858,143	745,969	263,237	—	79,696,603
Depreciation, depletion and amortization (Notes 22 and 23)	32,864	3,379,257	4,282,135	271,467	1,496,031	207,013	24,833	13,848	—	9,707,448
Disposals	—	(144,315)	(1,600)	—	(52,548)	—	(18,738)	—	—	(217,201)
Balances at end of year	1,288,842	30,449,606	39,736,835	1,977,716	13,639,546	1,065,156	752,064	277,085	—	89,186,850
Net Book Value	₱2,176,982	₱38,124,125	₱5,854,159	₱3,745,209	₱1,040,305	₱107,071	₱529,047	₱221,301	₱1,875,602	₱53,673,801



2022

	Land and Land Improvements	Power Plant, Buildings and Building Improvements	Coal Mining Properties and Equipment	Nickel Mining Properties and Equipment	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Total
Cost										
Balances at beginning of year	₱3,198,004	₱67,376,365	₱38,370,710	₱5,731,464	₱13,911,848	₱899,184	₱957,354	₱363,154	₱1,034,564	₱131,842,647
Additions	26,852	33,663	3,830,141	—	479,050	80,396	188,442	4,330	1,839,716	6,482,590
Transfers (Note 7)	61,245	695,206	—	—	—	—	—	—	—	756,451
Disposals	—	(20,163)	(96,063)	—	(192,652)	—	—	—	—	(308,878)
Asset held-for-sale (Note 9)	—	(1,415,603)	—	—	—	—	—	—	—	(1,415,603)
Adjustments (Note 19)	—	1,030,456	(18,449)	(3,838)	—	—	—	—	(1,030,456)	(22,287)
Balances at end of year	3,286,101	67,699,924	42,086,339	5,727,626	14,198,246	979,580	1,145,796	367,484	1,843,824	137,334,920
Accumulated Depreciation, Depletion and Amortization										
Balances at beginning of year	1,166,816	24,234,483	32,392,372	1,629,025	11,393,546	797,072	612,093	261,262	—	72,486,669
Depreciation, depletion and amortization (Notes 23 and 24)	89,162	3,436,134	3,145,907	77,224	1,100,129	61,996	134,419	1,975	—	8,046,946
Write-down	—	171,771	—	—	—	—	—	—	—	171,771
Disposals	—	(1,433)	(81,979)	—	(297,612)	(925)	(543)	—	—	(382,492)
Asset held for sale	—	(626,291)	—	—	—	—	—	—	—	(626,291)
Balances at end of year	1,255,978	27,214,664	35,456,300	1,706,249	12,196,063	858,143	745,969	263,237	—	79,696,603
Net Book Value	₱2,030,123	₱40,485,260	₱6,630,039	₱4,021,377	₱2,002,183	₱121,437	₱399,827	₱104,247	₱1,843,824	₱57,638,317



Land

- On June 30, 2021 the Group availed of the option to purchase parcels of land or “Optioned Assets” under Option Existence Notice (OEN) dated February 3, 2020 and in accordance with the provisions of the Land Lease Agreement (LLA) with PSALM. Total acquisition cost of the optioned assets amounted to ₱43.11 million (see Notes 32 and 35).
- The Group also sold land and various equipment items at a net gain of ₱55.91 million, ₱69.35 million and ₱189.37 million and in 2023, 2022 and 2021, respectively (see Note 27).

Power plant, buildings and building improvements

- The Group reclassified its 2x25 MW gas turbine plant to “Asset held-for-sale” in October 2022. Depreciation of the asset ceased immediately upon reclassification.

Immediately before the classification of the 2x25 MW ancillary gas turbine plant as asset held-for-sale, loss on write-down of asset amounting to ₱171.77 million was recognized to bring the asset’s carrying amount to its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use, amounting to ₱789.31 million. Subsequently, the carrying value of the 2x25 MW ancillary gas turbine plant amounting to ₱789.31 million was reclassified as “Asset held-for-sale” (see Note 9).

- Transfer to property plant and equipment in 2023 and 2022 pertains to power plant spare parts which are used in the general repairs and maintenance of the Group’s power plants.

Construction-in-progress

- Construction-in-progress includes capitalized pre-construction costs for the thermal power plant of SRPGC amounting to ₱111.67 million as of December 31, 2023 and 2022 (see Notes 3 and 35). As of December 31, 2023, construction of the plant itself has yet to commence pending completion of the connectivity to the grid care of NGCP. Based on management’s estimation of the recoverable amount, there is no resulting impairment loss for both 2023 and 2022.

Reclassifications from “Construction in progress” amounting to ₱128.91 million and ₱1,030.46 million as of December 31, 2023 and 2022, respectively, pertain to completion of construction and regular rehabilitation works on existing facilities.

- Interest expense incurred on long-term debts capitalized as part of ‘Construction in Progress’ amounted to ₱269.99 million and ₱169.32 million in 2023 and 2022, respectively. The capitalization rate used to determine the borrowing eligible for capitalization ranges from 4.30% to 7.04% and from 4.29% to 6.57% in 2023 and 2022, respectively.

Coal mining properties

- Coal mining properties include the expected cost of decommissioning and site rehabilitation of mine sites and future clean-up of its power plants. The impact of annual re-estimation is shown in the rollforward as an adjustment (see Note 19).

Coal mining properties also include the stripping activity assets and exploration and evaluation assets for costs of materials and fuel used, cost of operating dump trucks, excavators and other equipment costs amount others.

- The Group received a purchase discount in 2023 amounting to ₱407.67 million in relation to its purchase of an item of property, plant and equipment. This is shown in the rollforward as others.



As of December 31, 2023 and 2022, coal mining properties included in “Coal Mining Properties and Equipment” amounted to ₱3,751.88 million and ₱4,196.98 million, respectively (see Note 3).

Nickel mining properties

- Nickel mining properties pertains to the Acoje project located in the Municipalities of Sta. Cruz and Candelaria, Province of Zambales (where the Group has an ongoing application on one of its mining properties, see Note 3) and the Berong project situated in Barangay Berong, Municipality of Quezon, Province of Palawan.

As of December 31, 2023 and 2022, nickel mining properties included in “Nickel Mining Properties and Equipment” amounted to ₱3,517.76 million and ₱3,733.04 million, respectively (see Note 3).

13. Exploration and Evaluation Assets and Other Noncurrent Assets

Exploration and evaluation assets

Exploration and evaluation assets are capitalized expenditures that are directly related to the exploration and evaluation of the area covered by the Group’s mining tenements. Exploration and evaluation assets amounted to ₱505.51 million and ₱390.38 million as of December 31, 2023 and 2022, respectively. These costs pertain to exploration activities on various nickel projects mainly in Zambales and Palawan mining areas that were covered by related exploration permits granted to the nickel mining entities.

Other noncurrent assets

Other noncurrent assets consist of the following:

	2023	2022
Cost to obtain a contract - net of current portion (Notes 3 and 8)	₱2,399,649	₱1,576,983
Retention receivable (Note 5)	298,712	1,520,552
Deferred input VAT	298,126	554,264
Refundable deposits (Notes 8 and 34)	475,754	435,324
Equity investments designated at FVOCI	229,671	186,586
Advances to suppliers and contractors	369,585	179,890
Deposits and funds for future investment	766,923	136,666
Software cost	56,661	49,032
Others	1,416,235	1,050,718
	₱6,311,316	₱5,690,015

Deferred input VAT

This pertains to the unamortized input VAT incurred from acquisition of capital assets mostly coming from the completed coal-fired thermal power plant and gas turbine, acquisition of capital goods and services for power plant maintenance program and acquisition of construction equipment.



Refundable deposits

Refundable deposits pertain to utilities and security deposits which are measured at cost and will be recouped against future billings. This also includes rental deposits which are noninterest-bearing and are refundable 60 days after the expiration of the lease period.

Others

Others include environmental guarantee fund and advances for the cost of the right-of-way grants on lots affected by the transmission lines to be developed by the Group.

Equity investments designated at FVOCI

	2023	2022
Quoted securities		
Cost	₱52,796	₱52,796
Cumulative unrealized gains recognized in OCI	174,698	131,613
	227,494	184,409
Unquoted securities		
Gross amount	110,388	110,388
Less allowance for probable loss	108,211	108,211
	2,177	2,177
	₱229,671	₱186,586

Quoted securities

The quoted securities include investments in golf and yacht club shares. Movements in the unrealized gains follow:

	2023	2022
Balance at beginning of year	₱131,613	₱101,607
Changes in fair values of equity investments designated at FVOCI	43,085	30,006
Balance at end of year	₱174,698	₱131,613

Unquoted securities

This account consists mainly of investments in various shares of stock in management services and leisure and recreation entities.

The aggregate cost of investments amounting to ₱108.21 million were provided with allowance for impairment as management assessed that investments on these shares of stock are not recoverable as of December 31, 2023 and 2022.

Advances to suppliers and contractors

Advances to suppliers and contractors under noncurrent assets represent prepayment for the acquisition and construction of property, plant and equipment.

Deposits and funds for future investment

In 2012 and 2014, the Group entered into an agreement with a third party to purchase three holding companies (HoldCos) and three development companies (DevCos) with which the HoldCos have investments. The agreement sets out the intention of final ownership of the HoldCos and DevCos, where the Group will eventually own 73% of the HoldCos and 84% of the DevCos. The Group opened a bank account as required by the agreement and made available US\$2.80 million cash (bank account) from which payments of the shares will be drawn. Initial payments made for the assignment



of 33% share in HoldCos and 40% share in DevCos amounted to US\$0.25 million and US\$0.75 million, respectively, which were drawn from the bank account.

The acquisition of shares, which are final and effective on date of assignment, imposes a condition that all pending cases faced by the third party, the three HoldCos and three DevCos are resolved in their favor. As of December 31, 2023 and 2022, the conditions set forth under the agreement have not yet been satisfied.

Software cost

Movements in software cost account follow:

	2023	2022
Cost		
Balance at beginning of year	₱604,459	₱559,859
Additions	41,459	44,600
Balance at end of year	645,918	604,459
Accumulated Amortization		
Balance at beginning of year	555,427	530,321
Amortization (Notes 23 and 24)	33,830	25,106
Balance at end of year	589,257	555,427
Net Book Value	₱56,661	₱49,032

14. Short-term Debt

	2023	2022
Bank loans	₱1,498,837	₱1,048,918
Acceptances and trust receipts payable	48,549	80,500
	₱1,547,386	₱1,129,418

Bank loans

The Group's bank loans consist of unsecured Peso-denominated short-term borrowings from local banks which bear annual interest ranging from 2.09% to 8.08% and 4.75% to 6.57% in 2023 and 2022, respectively, and are payable on monthly, quarterly and lump-sum bases on various maturity dates within the next 12 months after the reporting date.

In 2023 and 2022, the Group obtained various short-term loans from local banks primarily for working capital requirements.

Acceptances and trust receipts payable

Acceptances and trust receipts payable are used by the Group to facilitate payment for importations of materials, fixed assets and other assets. These are interest-bearing and with maturity of less than one (1) year.

Finance costs incurred on short-term borrowings and acceptances and trust receipts payable, net of capitalized borrowing cost, amounted to ₱168.52 million, ₱142.14 million and ₱106.50 million in 2023, 2022 and 2021, respectively (see Note 26).



15. Liabilities for Purchased Land

Liabilities for purchase of land represent the balance of the Group's obligations to various real estate property sellers for the acquisition of various parcels of land and residential condominium units. The terms of the deed of absolute sale covering the land acquisitions provided that such obligations are payable only after the following conditions, among others, have been complied with: (a) presentation by the property sellers of the original transfer certificates of title covering the purchased parcels of land; (b) submission of certificates of non-delinquency on real estate taxes; and (c) physical turnover of the acquired parcels of land to the Group.

The outstanding balance of liabilities for purchased land as of December 31, 2023 and 2022 follow:

	2023	2022
Current	₱753,046	₱960,623
Noncurrent	538,221	844,078
	₱1,291,267	₱1,804,701

Liabilities for purchased land were recorded at fair value at initial recognition. These are payable over a period of two (2) to four (4) years. The fair value is derived using discounted cash flow model using the discount rate ranging from 5.87% to 5.94% and 5.22% to 6.46% in 2023 and 2022, respectively, based on applicable rates for similar types of liabilities.

16. Accounts and Other Payables

	2023	2022
Trade and other payables:		
Suppliers and subcontractors	₱12,865,016	₱14,718,661
Others (Note 32)	526,735	574,458
Accrued costs and expenses		
Project cost	2,257,132	2,359,676
Payable to DOE (Note 30)	3,336,570	2,169,247
Withholding and other taxes	284,556	264,960
Salaries	233,863	161,988
Interest	87,363	96,132
Various operating expenses	3,366,619	3,499,883
Output VAT payable - net	3,588,058	2,710,821
Commission payable - current portion (Note 19)	2,835,958	923,240
Refundable deposits (Note 34)	670,608	594,094
Payable to related parties (Note 20)	324,275	224,478
Financial benefits payable	118,935	79,094
	₱30,495,688	₱28,376,732

Trade and other payables

Suppliers

Payable to suppliers includes liabilities to various foreign and local suppliers for open account purchases of equipment and equipment parts and supplies. These are noninterest-bearing and are normally settled on a 30 to 60-day credit terms.



Subcontractors

Payable to subcontractors arises when the Group receives progress billing from its subcontractors for the construction cost of a certain project and is recouped against monthly billings. These subcontractors were selected by the contract owners to provide materials, labor and other services necessary for the completion of a project. Payables to subcontractors are noninterest-bearing and are normally settled on 15 to 60-day credit terms.

Other payables

Other payables include retention payable on contract payments, payable to marketing agents and nickel mine right owners and current portion of lease liabilities. Retention on contract payments is being withheld from the contractors as guaranty for any claims against them. These are settled and paid once the warranty period has expired. Payables to marketing agents and nickel mine right owners are noninterest-bearing and are normally settled within one (1) year.

Accrued costs and expenses

Accrued project cost

Accrued project cost pertains to direct materials, labor, overhead and subcontractor costs for work accomplished by the suppliers and subcontractors but were not yet billed to the Group.

Payable to DOE

Liability to DOE represents the share of DOE in the gross revenue from SMPC's coal production (including accrued interest on the outstanding balance), computed in accordance with the Coal Operating Contract (see Note 30).

Accrual of various operating expenses

This include accruals for contracted services, utilities, supplies, advertising, and other administrative expenses.

Output VAT payable

Output VAT payable pertains to the VAT due on the sale of goods or services by the Group, net of input VAT.

Commission payable

Commission payable pertains to the amount payable to sales agents for each contract that they obtain for the sale of pre-completed real estate units. These are settled based on the collection from the contract with customers with various terms up to a maximum of 10 years. The noncurrent portion of commission payable is presented under "Other noncurrent liability" account in the consolidated statements of financial position (see Note 19).

Refundable deposits

Refundable deposits consist mainly of deposits which are refundable due to cancellation of real estate sales as well as deposits made by unit owners upon turnover of the unit which will be remitted to its utility provider.

Financial benefits payable

As mandated by R.A. 9136 or the Electric Power Industry Reform Act (EPIRA) of 2001 and the Energy Regulations No. 1-94, issued by DOE, the BOD authorized the Group on June 10, 2010 to enter and execute a Memorandum of Agreement with the DOE relative to or in connection with the establishment of Trust Accounts for the financial benefits to the host communities equal to ₱0.01 per kilowatt hour generated.



17. Contract Liabilities and Other Customers' Advances and Deposits

	2023	2022
Contract liabilities - real estate	₱5,343,790	₱3,732,000
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 6)	8,399,905	8,522,391
Other customers' advances and deposits	5,607,310	3,665,018
	19,351,005	15,919,409
Less noncurrent portion of		
Contract liabilities - real estate	2,880,850	1,607,888
Billings in excess of costs and estimated earnings on uncompleted contracts	318,579	1,988,822
Current portion	₱16,151,576	₱12,322,699

Contract liabilities – real estate

Contract liabilities represent the payments of buyers which do not qualify yet for revenue recognition as real estate sales and any excess of collections over the recognized revenue on sale of real estate inventories. The movement in contract liabilities is mainly due to reservation sales and advance payment of buyers less real estate sales recognized upon reaching the buyer's equity threshold and from increase in percentage of completion of projects.

The amount of revenue recognized from contract liabilities at the beginning of the year amounted to ₱2,604.86 million, ₱2,527.30 million and ₱3,293.05 million in 2023, 2022 and 2021, respectively.

Billings in excess of costs and estimated earnings on uncompleted contracts

This pertains to billings in excess of total costs incurred and estimated earnings recognized in the construction segment.

Other customers' advances and deposits

Other customers' advances and deposits represent collections from real estate customers for taxes and fees payable such as documentary stamp tax and transfer tax for the transfer of title to the buyer.

18. Long-term Debt

	2023	2022
Bank loans	₱47,921,936	₱51,428,383
Less noncurrent portion	41,261,215	44,669,935
Current portion	₱6,660,721	₱6,758,448



Details of the bank loans follow:

	Outstanding Balances		Maturity	Interest Rate	Payment Terms
	2023	2022			
Loans from banks and other institutions					
Term loans and corporate notes	₱37,595,745	₱37,019,209	Various maturities from 2020 to 2027	Interest rates based on applicable benchmark plus credit spread ranging from 60 to 75 basis points	Term loans: Payment shall be made on a quarterly basis Corporate notes: Payments shall be based on aggregate percentage of issue amount of each series equally divided over applicable quarters (4th/7th to 27th quarter) and the balance is payable at maturity
Peso-denominated loans	10,547,480	14,522,945	Various maturities from 2020 to 2027	Fixed interest rates ranging from 4.00% to 5.13% and floating interest rates based on applicable benchmark plus credit spread ranging from 25 to 60 basis points	Amortized/bullet
Liabilities on installment contracts receivable	2,522	119,188	Various maturities 2022 to 2029	Interest at prevailing market rates	Payable in equal and continuous monthly payment not exceeding 120 days commencing 1 month from date of execution
	48,145,747	51,661,342			
Less: Unamortized debt issuance cost	223,811	232,959			
	₱47,921,936	₱51,428,383			

The movements in unamortized debt issuance cost follow:

	2023	2022
Balance at beginning of year	₱232,959	₱234,506
Additions	33,750	66,000
Amortization (Note 26)	(42,898)	(67,547)
Balance at end of year	₱223,811	₱232,959



Interest expense on long-term debt, net of capitalized interest, recognized under 'Finance cost' amounted to ₱719.32 million, ₱871.41 million and ₱775.73 million in 2023, 2022 and 2021, respectively (see Note 26).

The schedule of repayments of loans based on existing terms are provided in Note 34.

Other relevant information on the Group's long-term borrowings are provided below:

- The loan agreements on long-term debt of certain subsidiaries provide for certain restrictions and requirements such as, among others, maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the respective subsidiaries as of December 31, 2023 and 2022.
- As discussed in Note 5, the installment contracts receivable under the receivable purchase agreements are used as collaterals in the loans payable obtained. These amounted to ₱2.52 million and ₱119.19 million as of December 31, 2023 and 2022, respectively, and these represent net proceeds from sale of portion of PDI's installment contracts receivable to local banks pursuant to the receivable purchase agreements entered into by PDI on various dates. The agreements also provide the submission of condominium certificates of title and their related postdated checks issued by the buyers.
- All long-term debt of the Group are clean and unsecured. The Group is compliant with the respective loan covenants.

19. Other Noncurrent Liabilities

	2023	2022
Commission payable - noncurrent portion (Note 16)	₱1,811,745	₱1,576,807
Provision for decommissioning and site rehabilitation costs (Note 3)	469,383	410,605
Lease liabilities (Notes 3 and 32)	75,428	56,742
Retention payable	326,124	782,923
Other payables	10,419	35,977
	₱2,693,099	₱2,863,054

Provision for decommissioning and site rehabilitation costs

The Group makes full provision for the future cost of rehabilitating the coal mine sites on a discounted basis on the development of the coal mines. These provisions were recognized based on the Group's internal estimates. Assumptions based on the current regulatory requirements and economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability. These estimates are reviewed annually to take into account any material changes to the assumptions.

However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in return, will depend upon future ore and coal prices, which are inherently uncertain.



Provision for decommissioning and site rehabilitation costs also include cost of rehabilitation of the Group's power plants and nickel ore mine sites. Discount rates used by the Group to compute for the present value of liability for decommissioning and mine site rehabilitation costs are from 5.96% to 8.70% in 2023, 3.61% to 8.70% in 2022 and 4.86% to 8.58% in 2021. Segment breakdown of provision for decommissioning and site rehabilitation costs follows:

	2023	2022
Coal	₱322,262	₱285,945
Nickel	115,511	95,555
On-grid power	31,610	29,105
	₱469,383	₱410,605

The rollforward analysis of the provision for decommissioning and site rehabilitation costs account follows:

	2023	2022
Balance at beginning of year	₱410,605	₱449,047
Effect of change in estimates	92,489	(25,427)
Actual usage	(61,805)	(34,463)
Accretion of interest (Note 26)	28,094	21,448
Balance at end of year	₱469,383	₱410,605

The Group revised its mine work program based on the current conditions of the mining operations. Management revisited certain procedures, practices and assumptions on its existing rehabilitation plan (e.g., timing of mining operations, reforestation requirements, movement of the overburden) which resulted to adjustment in the previously estimated provision for decommissioning and mine site rehabilitation costs.

Resulting changes in estimate pertaining to the Group's minesites amounted to ₱92.49 million and ₱25.42 million (recognized as adjustment to 'Coal mining properties and equipment' and 'Coal mining properties and equipment' under Property, plant and equipment account) in 2023 and 2022, respectively (see Note 12).

Retention Payable

Retention payable represents amounts withheld by the Group on subcontractors' progress billings and payable upon expiration of defect liability period.

Other payables

Noncurrent trade and other payables include noninterest-bearing payable to suppliers and subcontractors and accrued expenses which are expected to be settled within two (2) to three (3) years from the reporting date.



20. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individuals or corporate entities. Transactions entered into by the Group with affiliates are made at normal commercial prices and terms. These are settled in cash, unless otherwise specified.

The significant related party transactions entered into by the Group with its related parties and the amounts included in the accompanying consolidated financial statements with respect to these transactions follow:

2023		
Reference	Transaction Amount	Due from (Due to)
Receivable from related parties (Note 5)		
(a)	₱4,267,586	₱2,284,006
(b)	—	13,390
(c)	111,247	40,635
(d)	298,764	112,204
		₱2,450,235
Payable to related parties (Note 16)		
(e)	₱1,163,977	(₱135,137)
(f)	592,274	(93,568)
(g)	62,978	(15,849)
(h)	113,757	(77,567)
(i)	20,488	(1,574)
(j)	21,004	(580)
		(₱324,275)
2022		
Reference	Transaction Amount	Due from (Due to)
Receivable from related parties (Note 5)		
(a)	₱3,911,337	₱917,868
(b)	—	13,390
(c)	14,697	—
(d)	313,585	117,770
		₱1,049,028
Payable to related parties (Note 16)		
(e)	₱721,408	(₱65,085)
(f)	176,613	(62,394)
(g)	15,705	(3,141)
(h)	33,969	(14,481)
(i)	119,582	(11,464)
(j)	276,379	(67,913)
		(₱224,478)



- (a) The Group provides services to its other affiliates in relation to its construction projects. Outstanding receivables lodged in “Receivables from related parties” amounted to ₱2,284.01 million and ₱917.87 million as of December 31, 2023 and 2022, respectively. In an addition, billings in excess of costs and estimated earning on uncompleted contracts from its affiliates amounted to ₱673.10 million and ₱357.72 million as of December 31, 2023 and 2022, respectively.
- (b) In 2020, the Group sold a marine vessel to its affiliate for ₱620.58 million, of which ₱13.39 million remain uncollected as of December 31, 2023.
- (c) The Group rents out its equipment to its affiliates for their construction projects.
- (d) The Group paid for the contracted services, material issuances, diesel, rental expenses and other supplies of its affiliates.
- (e) Certain affiliate had transactions with the Group for services rendered such as shiploading, coal delivery and coal handling. Freight costs charged by the affiliate are included as part of the cost of coal inventory.
- (f) An affiliate of the Group provides labor services relating to coal operations, including those services rendered by consultants. The related expenses are included in the “Cost of sales and services” in the consolidated statements of income.
- (g) A shareholder of the Group provides maintenance of the Group’s accounting system, Navision, which is used by some of the Group’s subsidiaries. Related expenses are presented as part of “Miscellaneous” under “Operating expenses” in consolidated statements of income. In addition, the Group has reimbursable expenses for security services, professional fees, among others.
- (h) An affiliate of the Group transports visitors and employees from point to point in relation to the Group’s ordinary course of business and vice versa and bills the Group for the utilization costs of the aircrafts. The related expenses are included in “Cost of sales and services”.
- (i) An affiliate had transactions with the Group for office and parking rental of units to which related expenses are presented as part of “Operating expenses” in the consolidated statements of income.
- (j) An affiliate provides the Group various barges and tugboats for use in the delivery of nickel ore to its various customers.

Terms and conditions of transactions with related parties

Outstanding balances as of December 31, 2023 and 2022, are unsecured and noninterest-bearing, and are all due within one year, normally within 30-60 day credit term.

The Group has approval process and established limits when entering into material related party transactions. The Related Party Transaction Review Committee shall approve all material related party transactions before their commencement. Material related party transactions shall be identified taking into account the related party registry. Transactions amounting to 10% or more of the total consolidated assets of the Group that were entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process requirement.

As of December 31, 2023 and 2022, the Group has not made any allowance for expected credit loss relating to amounts owed by related parties. The Group applies a general approach in calculating the ECL.



The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the affiliates and the economic environment.

Compensation of Key Management Personnel

Key management personnel of the Group include all directors and senior management. The aggregate compensation and benefits of key management personnel of the Group follows:

	2023	2022	2021
Short-term employee benefits	₱203,314	₱211,910	₱141,921
Post-employment benefits (Note 22)	60,900	9,014	7,638
	₱264,214	₱220,924	₱149,559

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plan.

21. Equity

Capital Stock

As of December 31, 2023 and 2022, the Parent Company's capital stock as of December 31, 2023 and 2022 consists of:

	Authorized Capital Stock	Outstanding
Common shares, ₱1 par value	19,900,000,000	13,277,470,000
Preferred shares, ₱1 par value	100,000,000	3,780
Less: Treasury shares		2,820
		960

The preferred stock is redeemable, non-voting, non-participating and cumulative with par value of ₱1.00 per share. The preferred shareholders' previous right of converting the preferred shares to common shares expired in March 2002.

Below is the summary of the Parent Company's track record of registration of securities with the SEC as of December 31, 2023:

	Number of Shares Registered (in billions)	Number of holders of securities as of year end
December 31, 2021	13.28	727
Add/(Deduct) Movement	—	(28)
December 31, 2022	13.28	699
Add/(Deduct) Movement	—	8
December 31, 2023	13.28	707

Retained Earnings

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2023 and 2022 amounted to ₱1,879.14 million and ₱785.26 million, respectively.



Dividend declaration

The Parent Company's BOD approved the declaration of cash dividends in favor of all its stockholders as follows:

	2023	2022	2021
March 29, 2023, ₱0.61 per share regular cash dividend to shareholders on record as of April 17, 2023, payable on or before April 28, 2023.	₱8,099,257	₱—	₱—
March 29, 2023, ₱0.11 per share special cash dividend to shareholders on record as of April 17, 2023, payable on or before April 28, 2023.	1,460,522	—	—
October 10, 2023 ₱0.72 per share special cash dividend to shareholders on record as of October 24, 2023, payable on or before November 9, 2023.	9,559,779	—	—
April 1, 2022, ₱0.34 per share regular cash dividend to shareholders on record as of April 19, 2022, payable on or before April 29, 2022.	—	4,514,340	—
April 1, 2022, ₱0.14 per share special cash dividend to shareholders on record as of April 19, 2022, payable on or before April 29, 2022.	—	1,858,846	—
October 18, 2022 ₱0.72 per share special cash dividend to shareholders on record as of November 2, 2022, payable on or before November 16, 2022.	—	9,559,773	—
March 29, 2021, ₱0.13 per share regular cash dividend to shareholders on record as of April 15, 2021, payable on or before April 26, 2021.	—	—	1,726,071
March 29, 2021, ₱0.35 per share special cash dividend to shareholders on record as of April 15, 2021, payable on or before April 26, 2021.	—	—	4,647,115
October 12, 2021, ₱0.48 per share special cash dividend to shareholders on record as of October 26, 2021, payable on or before November 10, 2021.	—	—	6,373,185
	₱19,119,558	₱15,932,959	₱12,746,371

On various dates in 2023, 2022 and 2021, partially-owned subsidiaries of the Group declared dividends amounting to ₱14,876.92 million, ₱21,252.74 million and ₱12,753.55 million, respectively, of which dividends to noncontrolling-interest amounted to ₱8,427.29 million, ₱9,272.84 million, and ₱5,730.28 million, respectively. The unpaid dividends to noncontrolling-interests as of December 31, 2022 amounted to ₱3.33 million (nil in 2023, see Note 16).



The unappropriated retained earnings include undistributed net earnings amounting to ₱89,467.65 million and ₱84,409.23 million as of December 31, 2023 and 2022, respectively, representing accumulated equity in the net earnings of consolidated subsidiaries, associates and jointly controlled entities accounted for under the equity method. These are not available for dividend declaration until declared by the subsidiaries, associates and the joint ventures representing accumulated equity.

Premium on acquisition of non-controlling-interests

SMPC bought back its own shares totaling to 14,061,670 from 2016 to 2018. This resulted to an increase in effective ownership of the Parent Company on SMPC and its subsidiaries to 56.65% and the recognition of premium on acquisition of non-controlling interest amounting to ₱817.96 million.

Capital Management

The primary objective of the Group's capital management strategy 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 Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. There were no changes made in the Group's capital management objectives, policies or processes. The Group considers total equity attributable to equity holders of the Parent Company less net accumulated unrealized gains on equity investments designated at FVOCI, as capital.

The Group is not subject to any externally imposed capital requirements.

22. Employee Benefits

Retirement Plans

The Group has a funded, noncontributory, defined benefit pension plan covering substantially all of its regular employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary. The latest actuarial valuation report of the retirement plans was made as of December 31, 2023.

Certain entities within the Group are under the Multiemployer Retirement Plan (the Plan). The Group's retirement funds are administered by appointed trustee banks which are under the supervision of the respective Board of Trustees (BOT) of the plans. The responsibilities of the BOT, among others, include the following:

- To hold, invest and reinvest the fund for the exclusive benefits of the members and beneficiaries of the retirement plan and for this purpose the BOT is further authorized to designate and appoint a qualified Investment Manager with such powers as may be required to realize and obtain maximum yield on investment of the fund; and,
- To make payments and distributions in cash, securities and other assets to the members and beneficiaries of the Plan.



Under the existing regulatory framework, Republic Act No. 7641, *The New Retirement Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following table summarizes the components of net pension expense (included in "Salaries, wages and employee benefits" account) and pension income (included in "Other income" account) for the years ended December 31, 2023, 2022, and 2021 (see Notes 24 and 27):

Pension Expense

	2023	2022	2021
Current service cost	₱204,238	₱253,954	₱258,754
Net interest income on benefit obligation and plan assets	(122,574)	(37,642)	(11,118)
Effect of the asset limit	57,109	13,134	5,866
Total pension expense	₱138,773	₱229,446	₱253,502

Movements in the fair value of plan assets of the Group follow:

	2023	2022
Balance at beginning of year	₱3,824,522	₱3,193,851
Interest income	274,067	159,695
Remeasurement gain (loss)	(213,286)	542,047
Benefits paid from plan assets	(94,907)	(86,071)
Contributions	25,246	15,000
Balance at end of year	₱3,815,642	₱3,824,522

Changes in the present value of the defined benefit obligation follow:

	2023	2022
Balances at beginning of year	₱2,171,046	₱2,455,521
Current service cost	204,238	253,954
Interest expense	151,493	122,053
Benefits paid - from plan assets	(94,907)	(86,071)
Benefits paid - direct payments	(7,162)	(30,828)
Remeasurement loss (gain) arising from:		
Financial assumptions	259,391	(389,995)
Demographic assumptions	(93,658)	(174,789)
Experience adjustments	6,486	21,201
Transfer	(295,885)	—
Balances at end of year	₱2,301,042	₱2,171,046



Below is the net pension asset for those entities within the Group with net pension asset position:

	2023	2022
Fair value of plan assets	₱2,832,449	₱2,774,999
Present value of funded defined benefit obligations	(982,867)	(972,673)
	1,849,582	1,802,326
Effect on asset ceiling	(857,554)	(789,659)
Net pension asset	₱992,028	₱1,012,667

Movements in the net pension asset follow:

	2023	2022
Net pension asset at beginning of year	₱1,012,667	₱814,947
Remeasurements gain (loss) recognized in other comprehensive income	(6,202)	127,838
Net pension income (expense)	(14,437)	69,882
Net pension asset at end of year	₱992,028	₱1,012,667

Movements in the effect of asset ceiling follow:

	2023	2022
Effect of asset ceiling at beginning of year	₱789,659	₱260,033
Interest on the effect of asset ceiling	57,109	13,134
Changes in the effect of asset ceiling	10,786	516,492
Effect of asset ceiling at end of year	₱857,554	₱789,659

Below is the net pension liability for those entities within the Group with net pension liability position:

	2023	2022
Present value of funded defined benefit obligations	(₱1,318,175)	(₱1,198,373)
Fair value of plan assets	983,193	1,049,523
Net pension liability	(₱334,982)	(₱148,850)

Movements in the net pension liability follow:

	2023	2022
Net pension liability at beginning of year	(₱148,850)	(₱301,256)
Net pension income	124,336	488,838
Remeasurement gain recognized in other comprehensive income	(231,206)	(290,604)
Benefits paid - direct payment	(7,162)	(30,828)
Contributions	(72,100)	(15,000)
Net pension liability at end of year	(₱334,982)	(₱148,850)



Breakdown of remeasurements recognized in other comprehensive income in 2023 and 2022 follow:

	2023	2022
Remeasurement gain (loss) on plan assets	(P213,286)	P542,047
Remeasurement gain (loss) on defined benefit obligations	172,219	(542,628)
Changes in the effect of asset ceiling	(85,244)	635,168
Net remeasurement losses on pension plans	(126,311)	634,587
Income tax effect	31,578	(158,647)
Net remeasurement (loss) on pension plans - net of tax	(P94,733)	P475,940

The major categories and corresponding fair values of plan assets and liabilities by class of the Group's Plan as at the end of each reporting period are as follows:

	2023	2022
Cash and cash equivalents		
Cash in banks	P784,713	P38,728
Time deposits	—	548,635
	784,713	587,363
Investments in stocks		
Common shares of domestic corporations		
Quoted		1,721,333
Unquoted	84,417	280,429
Preference shares	8,286	163,208
	92,703	2,164,970
Investment in government securities		
Fixed rate treasury notes (FXTNs)	1,290,729	567,555
Retail treasury bonds (RTBs)	1,570,236	269,731
	2,860,965	837,286
Investment in other securities and debt instruments		
AAA rated debt securities	50,114	215,703
Not rated debt securities	—	—
	50,114	215,703
Other receivables	27,147	19,200
Accrued trust fees and other payables	—	—
Benefits payable	—	—
Fair value of plan assets	P3,815,642	P3,824,522

Trust fees paid in 2023, 2022 and 2021 amounted to P2.74 million, P2.33 million and P2.28 million, respectively.

The composition of the fair value of the Fund includes:

- *Cash and cash equivalents* - include savings and time deposit with various banks and special deposit account with Bangko Sentral ng Pilipinas (BSP SDA).
- *Investment in stocks* - includes investment in common and preferred shares both traded and not traded in the PSE.
- *Investment in government securities* - includes investment in Philippine RTBs and FXTNs.
- *Investments in other securities and debt instruments* - include investment in long-term debt notes and retail bonds.



- *Other receivables* - includes interest and dividends receivable generated from investments included in the plan.
- *Accrued trust fees and other payables* - pertain mainly to charges of trust or in the management of the Plan.

The overall administration and management of the plan rest upon the Plan's BOT. The voting rights on the above securities rest to the BOT for funds directly held through the Group's officers and indirectly for those entered into through other trust agreements with the trustee bank authorized to administer the investment and reinvestments of the funds.

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2023	2022	2021
Discount rate	7% to 6.16%	4.79% to 7.38%	4.79% to 5.21%
Salary increase rate	3.00% to 7.00%	3.00% to 10.00%	3.00% to 10.00%

The weighted average duration of significant defined benefit obligation per segment are as follows (average number of years):

	2023	2022
Construction and others	3.6 years	8.5 years
Coal mining	5.1 years	4.6 years
Nickel mining	10.2 years	13.6 years
Real estate development	13.7 years	10 years
Power - On grid	12.6 years	11.3 years
Power - Off grid	9.8 years	15.7 years

There are no unusual or significant risks to which the Plan exposes the Group. However, in the event a benefit claim arises under the Retirement Plan and the Retirement Fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from the Group to the Retirement Fund.

There was no plan amendment, curtailment, or settlement recognized for the years ended December 31, 2023 and 2022.

Sensitivity analysis on the actuarial assumptions

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the Defined Benefit Obligation (DBO) at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the DBO.



It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

	Increase (decrease)	2023	2022
Discount rates	+100 basis points	(P192,940)	(P155,861)
	-100 basis points	264,619	181,172
Salary increases	+1.00%	222,485	180,238
	-1.00%	(190,997)	(140,565)

23. Costs of Sales and Services

	2023	2022	2021
Cost of Sales			
Cost of real estate held for sale and development (Note 7)	P11,172,424	P12,878,564	P17,713,791
Fuel and lubricants	12,479,306	12,654,107	8,306,836
Materials and supplies	5,345,724	4,957,555	870,420
Depreciation and amortization (Notes 12, 13 and 32)	4,120,529	3,511,045	3,392,622
Direct labor	2,601,573	2,136,506	1,983,360
Production overhead	1,566,306	2,730,719	703,504
Hauling, shiploading and handling costs (Note 20)	1,357,690	1,100,578	1,436,291
Outside services	937,362	694,432	536,426
Commission expense (Note 8)	813,984	1,237,695	1,148,030
Others	393,158	596,395	1,508,841
	40,788,056	42,497,596	37,600,121
Cost of Services			
Materials and supplies	6,388,265	6,602,942	9,845,238
Depreciation and amortization (Notes 12, 13 and 32)	4,256,717	3,844,624	4,810,755
Fuel and lubricants	3,364,844	2,417,372	1,790,454
Outside services	3,638,538	4,379,838	4,598,456
Direct labor	3,503,916	3,211,400	4,882,082
Production overhead	2,972,844	2,913,382	3,391,888
Spot purchases of electricity	880,726	1,885,581	2,187,503
Hauling, shiploading and handling costs (Note 20)	754,088	276,359	440,004
Others	622,031	478,850	119,530
	26,381,969	26,010,348	32,065,910
	P67,170,025	P68,507,944	P69,666,031

Cost of real estate sales presented in the consolidated statements of income includes cost of running hotel and property management operations amounting to P155.14 million, P119.00 million and P108.68 million for 2023, 2022 and 2021, respectively.



Related revenue from hotel and property management operations amounted to ₱282.83 million, ₱253.13 million and ₱226.54 million in 2023, 2022 and 2021, respectively.

Depreciation, depletion and amortization included in the consolidated statements of income follow:

	2023	2022	2021
Included in:			
Cost of electricity sales	₱3,050,825	₱2,829,982	₱3,056,850
Cost of coal mining	3,882,037	3,034,379	3,664,034
Cost of construction contracts and others	695,958	788,429	844,857
Cost of real estate development	592,886	245,156	322,652
Cost of nickel mining	155,540	457,723	314,984
Operating expenses (Note 24)	253,083	462,234	471,282
	₱8,630,329	₱7,817,903	₱8,674,659
Depreciation, depletion and amortization of:			
Property, plant and equipment (Note 12)	₱9,707,448	₱8,046,946	₱9,524,620
Other noncurrent assets (Note 13)	33,830	25,106	78,737
Investment properties (Note 11)	15,155	15,098	34,761
Right-of-use assets (Note 32)	25,357	28,786	50,713
	₱9,781,790	₱8,115,936	₱9,688,831

Depreciation, depletion and amortization capitalized in ending inventories and mine properties included in 'Property, Plant and Equipment' amounted to ₱1,151.46 million, ₱298.03 million and ₱1,014.17 million in 2023, 2022 and 2021, respectively.

Salaries, wages and employee benefits included in the consolidated statements of income follow:

	2023	2022	2021
Presented under:			
Costs of sales and services	₱5,472,925	₱5,213,167	₱6,083,355
Operating expenses (Note 24)	2,349,526	2,496,604	2,270,021
	₱7,822,451	₱7,709,771	₱8,353,376

24. Operating Expenses

	2023	2022	2021
Government share (Note 30)	₱10,682,608	₱15,963,371	₱6,354,771
Salaries, wages and employee benefits (Note 23)	2,349,526	2,496,604	2,270,021
Taxes and licenses	1,719,400	1,502,194	1,491,415
Repairs and maintenance	1,594,123	1,066,956	602,063
Outside services	1,495,586	1,019,521	1,117,058
Insurance	510,434	419,820	328,223
Depreciation and amortization (Notes 11, 12, 13, 23 and 32)	253,083	462,234	471,282
Advertising and marketing	429,970	241,735	121,816
Supplies	267,182	228,389	167,592

(Forward)



	2023	2022	2021
Association dues	₱162,153	₱233,330	₱90,470
Loss on write-down of inventories, asset held-for-sale and property, plant and equipment - net of reversals (Notes 7, 9 and 12)	(3,765)	210,750	168,540
Rent (Note 32)	206,086	166,350	170,860
Transportation and travel	105,758	156,672	75,171
Communication, light and water	92,735	143,254	173,006
Entertainment, amusement and recreation	138,430	138,743	177,126
Provision for ECL and probable losses - net of reversals (Notes 5 and 8)	28,872	50,247	33,388
Miscellaneous	668,117	566,786	274,894
	₱20,700,298	₱25,066,956	₱14,087,696

25. Finance Income

Finance income is derived from the following sources:

	2023	2022	2021
Interest on:			
Installment contracts receivable (Note 5)	₱484,920	₱348,849	₱320,434
Short-term placements (Note 4)	165,681	55,159	62,091
Bank savings accounts (Note 4)	1,338,601	454,487	8,344
Others	—	—	3,948
	₱1,989,202	₱858,495	₱394,817

26. Finance Costs

The finance costs are incurred from the following:

	2023	2022	2021
Long-term debt (Note 18)	₱719,320	₱871,413	₱775,729
Short-term debt (Note 14)	168,522	142,141	106,500
Amortization of debt issuance cost (Note 18)	42,898	67,547	81,930
Accretion on unamortized discount on provision for decommissioning and site rehabilitation costs (Note 19)	28,094	21,448	170,057
Lease liabilities (Note 32)	5,333	6,015	5,039
	₱964,167	₱1,108,564	₱1,139,255



27. Other Income (Charges) - Net

	2023	2022	2021
Forfeitures and cancellation of real estate contracts	₱1,635,979	₱965,716	₱731,518
Sales of fly ash	472,005	220,674	167,590
Rental income (Note 11)	376,915	213,221	168,397
Gain on sale of undeveloped parcel of land	141,792	—	12,432
Gain on sale of property, plant and equipment - net (Note 12)	55,914	69,346	189,372
Foreign exchange gains (losses)	(120,057)	1,131,258	370,415
Others - net (Note 12)	462,925	318,447	329,531
	₱3,025,473	₱2,918,662	₱1,969,255

Others – net

Others include penalty charges, holding fees, fees for change in ownership, transfer fees, restructuring fees, lease facilitation fees, gain on pre-termination of option contract and lease contract modification, and others.

28. Income Tax

The provision for income tax shown in the consolidated statements of income consists of:

	2023	2022	2021
Current	₱4,042,180	₱3,649,902	₱1,469,188
Deferred	5,135	985,487	277,435
Final	270,447	88,300	12,540
	₱4,317,762	₱4,723,689	₱1,759,163

The components of net deferred tax assets as of December 31, 2023 and 2022 follow:

	2023	2022
Deferred tax assets on:		
Allowance for:		
Expected credit losses	₱502,607	₱436,256
Inventory obsolescence	38,472	—
Unrealized gross loss on construction contracts	2,436	1,309
Pension liabilities - net	153,782	30,762
Impairment	71,712	52,688
Unrealized foreign exchange loss	86,156	—
Provision for decommissioning and site rehabilitation	48,369	10,702
Accruals of expenses	1,869	9,675
Others	24,474	19,806
	929,877	561,198
Deferred tax liabilities on:		
Unrealized foreign exchange gain	(6,986)	(6,601)
	₱922,891	₱554,597



The components of net deferred tax liabilities as of December 31, 2023 and 2022 follow:

	2023	2022
Deferred tax assets on:		
Pension liabilities - net	₱677,751	₱671,040
Deferred commission expense	53,120	—
Allowance for expected credit losses	17,851	94,072
Others	1,985	12,706
	750,707	777,818
Deferred tax liabilities on:		
Excess of book over tax income pertaining to real estate sales	(4,632,004)	(4,272,553)
Unamortized fair value on nickel mining rights acquired	(1,136,978)	(1,175,766)
Capitalized interest on real estate for sale and development deducted in advance	(640,765)	(456,599)
Deferred commission expense	—	(28,171)
Unrealized foreign exchange gain - net	(607,342)	(892,227)
Pension assets - net	(16,208)	(13,261)
Unrealized gross profit on construction contracts	(7,269)	(7,411)
Unamortized transaction cost on loans payable	(46,642)	(44,039)
Mine rehabilitation	(2,003)	(2,003)
Others	(95,741)	(131,364)
	(7,184,952)	(7,023,394)
	(₱6,434,245)	(₱6,245,576)

The Group has the following deductible temporary differences, NOLCO and MCIT that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized:

	2023	2022
Allowance for impairment losses	₱159,691	₱364,047
NOLCO	68,626	376,336
Allowance for probable losses	—	30,196
MCIT	—	11,235
Others	70,166	—

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used.

The Group did not recognize deferred tax assets on NOLCO and MCIT from the following periods:

Year Incurred	NOLCO	MCIT	Expiry Year
2023	₱578	—	2026
2022	13,252	—	2025
2021	40,320	—	2026
2020	14,476	11,235	2025/2023
	₱68,626	₱11,235	



Rollforward analysis of the Group's NOLCO and MCIT follows:

	NOLCO		MCIT	
	2023	2022	2023	2022
Balances at beginning of year	₱376,336	₱541,042	₱11,235	₱11,456
Additions	578	13,252	—	—
Expirations and usage	(308,288)	(177,958)	(11,235)	(221)
Balances at end of year	₱68,626	₱376,336	₱—	₱11,235

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4 of Bayanihan to Recover as One Act (Bayanihan 2) which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive years immediately following the year of such loss.

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2023	2022
Statutory income tax rate	25.00%	25.00%
Adjustments for:		
Income under income tax holiday	(13.16)	(15.98)
Nondeductible expenses	0.47	0.76
Nontaxable equity in net earnings of associates and joint ventures	(1.30)	(0.71)
Changes in unrecognized deferred tax assets	(0.01)	(0.23)
Excess costs of construction contracts	(0.10)	(0.09)
Effect of OSD availment	(0.07)	(0.08)
Interest income subjected to final tax at a lower rate – net	(0.26)	(0.04)
Others	(0.08)	0.25
Effective income tax rate	10.49%	8.88%

Registrations with Department of Energy and BOI

a. *Certain power generation companies - Registration with the BOI*

Certain power generation companies in the Group have been registered with the BOI. Accordingly, they are entitled, among others, to ITH incentives covering 4 to 10 years. To be able to avail of the incentives, these companies are required to maintain a minimum equity level. As of December 31, 2023 and 2022, the Group have complied with the requirements.

In 2023 and 2022, the Group availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱79.16 million (nil in 2023).

b. *SMPC - Expanding Producer of Coal (Narra and Molave Minesite)*

On August 31, 2012 and February 24, 2016, BOI has granted SMPC Certificate of Registration (COR) as New Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987 in relation to the operation in Narra Minesite (formerly Bobog) (COR No. 2012-183) and Molave Minesite (COR No. 2017-042), respectively.



As a registered entity, SMPC is entitled to the following incentives for the two CORs, among others:

- (a) ITH incentive for four (4) years from January 2015 and January 2017 for Narra Minesite and Molave Minesite, respectively, or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.
- (b) Income qualified for ITH availment shall not exceed by more than 10% of the projected income represented by SMPC in its application provided the project's actual investments and employment match SMPC's representation in the application.

On July 12, 2021, SMPC applied for another extension of one (1) year of ITH incentive for Molave Mine. On December 16, 2021, the BOI approved the Parent Company's application for extension for one (1) year of ITH incentive for Molave Mine.

The approved bonus year under Certificate of Registration No. 2016-042 is for the period October 15, 2021 to October 14, 2022 using the net foreign exchange earnings criterion pursuant to Executive Order No. 226.

In 2022, the BOI provided the SMPC the option to amend the ITH incentive (bonus) expiration year for Molave mine to October 2023 subject to SMPC paying the Taxable Year 2020 income tax due amounting to ₱897.30 million and the related interest.

In 2022, SMPC recognized ₱897.30 million of income tax due on its income in 2020, as part of its provision for current income tax.

In January 2023, SMPC settled the income tax due for the Taxable Year 2020 at ₱1,088.46 million inclusive of interest amounting to ₱191.16 million. Hence, the ITH incentive (bonus) will expire beginning October 2023 and the income from the registered activities of the BOI project (Molave mine pit) from October 2023 will be subjected to regular corporate tax of 25%.

The BOI corrected the ITH availment period of the BOI project pursuant to Art. 39(a)(1)(iii) of E.O. 226 under Certificate of Registration No. 2016-042 from October 15, 2021 to October 14, 2022 to October 15, 2022 to October 14, 2023. SMPC availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱21,559.39 million, ₱36,375.37 million and ₱14,316.71 million in 2023, 2022 and 2021, respectively.

Corporate Recovery and Tax Incentive for Enterprise (CREATE) Act

On March 26, 2021, the President of the Philippines signed into law Republic Act No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, which took effect on April 11, 2021. The CREATE Act introduces reforms to the corporate income tax and incentive systems by implementing changes to the current tax regulations. Some of these changes, which became effective beginning July 1, 2020, are as follows:

- Reduction in the RCIT rate from 30% to 20% for entities with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding the value of land on which the business entity's office, plant and equipment are situated);
- Reduction in the RCIT from 30% to 25% for all other corporations;
- Reduction in the MCIT rate from 2% to 1% of gross income for 3 years or until June 30, 2023; and
- Repeal of the imposition of 10% improperly accumulated earnings tax (IAET).



29. Earnings Per Share

The following table presents information necessary to calculate basic/diluted earnings per share on net income attributable to equity holders of the Parent Company (amounts in thousands, except basic/diluted earnings per share):

	2023	2022	2021
Net income attributable to equity holders of Parent Company	₱24,722,372	₱31,087,484	₱18,394,231
Divided by weighted average number of common shares	13,277,470	13,277,470	13,277,470
Basic/diluted earnings per share	₱1.86	₱2.34	₱1.39

There were no potentially dilutive ordinary shares. Accordingly, no diluted earnings per share is presented in 2023, 2022 and 2021.

30. Coal Operating Contract with DOE

The DOE issued Coal Operating Contract (COC) to SMPC which gives it the exclusive right to conduct exploration, development and coal mining operations in Semirara Island. In return for the mining rights granted to SMPC, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator's fee and special allowance. The DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by SMPC to feed its power plant used for mining operations in determining the amount due to DOE.

On May 13, 2008, the DOE granted SMPC's request for an extension of its COC for another 15-year or until July 14, 2027.

Royalty dues for DOE's share under this contract, amounted to ₱10,682.61 million, ₱15,963.37 million and ₱6,354.77 million in 2023, 2022 and 2021, respectively, included under 'Operating expenses' in the consolidated statements of income (see Note 24). Payable to DOE, amounting to ₱3,336.57 million and ₱2,169.25 million as of December 31, 2023 and 2022, respectively, are included under the 'Trade and other payables' account in the consolidated statements of financial position (see Note 16).

31. Material Partly-Owned Subsidiary

The financial information of the Group's subsidiaries with material noncontrolling-interest are provided below. These information are based on amounts in the consolidated financial statements of the subsidiary.



Semirara Mining and Power Corporation (SMPC) and Subsidiaries

	2023	2022
Consolidated statements of financial position		
Current assets	₱46,135,496	₱44,900,091
Noncurrent assets	38,992,947	42,202,692
Total assets	85,128,443	87,102,783
Current liabilities	19,396,338	15,448,278
Noncurrent liabilities	3,354,126	7,402,107
Total liabilities	22,750,464	22,850,385
Equity	₱62,377,979	₱64,252,398
Consolidated statements of comprehensive income		
Revenue	₱76,960,415	₱91,128,693
Cost of sales	32,909,510	29,755,152
Gross profit	44,050,905	61,373,541
Operating expenses	(15,117,258)	(19,952,229)
Other income (charges) - net	1,148,070	801,623
Income before income tax	30,081,717	42,222,935
Provision for income tax	2,148,421	2,351,778
Net income	27,933,296	39,871,157
Other comprehensive income (loss)	(53,882)	24,088
Total comprehensive income	₱27,879,414	₱39,895,245
Cash flow information		
Operating	₱36,199,879	₱40,774,888
Investing	(3,960,334)	(4,036,681)
Financing	(33,261,456)	(26,178,115)
Effect of exchange rate changes on cash and cash equivalents	(47,717)	1,283,418
Net increase (decrease) in cash and cash equivalents	(₱1,069,628)	₱11,843,510

The accumulated balances of material noncontrolling-interest of SMPC and subsidiaries at December 31, 2023 and 2022 amounted to ₱23,015.53 million and ₱28,129.25 million, respectively. Dividends paid to noncontrolling interests amounted to ₱12,129.43 million and ₱9,212.43 in 2023 and 2022, respectively.

Noncontrolling-interests pertain to 2016 to 2018 shares of SMPC bought back own shares totaling to 14,061,670 from 2016 to 2018. This resulted to an increase in effective ownership of the parent Company on SMPC and its subsidiaries to 56.65% and the recognition of premium on acquisition of non-controlling interest amounting to ₱817.96 million.



32. Leases

The Group as a Lessee

The Group has lease contracts for various items of land, office spaces and foreshore leases used in its operations. Leases of land and foreshore lease generally have lease terms between five (5) and 25 years, while office spaces generally have lease terms of two (2) to seven (7) years. The Group also has certain leases of office spaces, warehouse and storage spaces which have lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption for these leases.

Movements in the Group's right-of-use assets and lease liabilities follow:

Right of use assets

	Year ended December 31, 2023		
	Land	Office space	Total
Cost			
Balances at beginning of year	₱103,168	₱190,936	₱294,104
Additions	—	49,041	49,041
Balances at end of year	103,168	239,977	343,145
Accumulated amortization			
Balances at beginning of year	24,106	153,053	177,159
Amortization (Note 23)	—	25,357	25,357
Balances at end of year	24,106	178,410	202,516
	₱79,062	₱61,567	₱140,629

	Year ended December 31, 2022		
	Land	Office space	Total
Cost			
Balances at beginning of year	₱103,168	₱190,936	₱294,104
Additions	—	—	—
Balances at end of year	103,168	190,936	294,104
Accumulated amortization			
Balances at beginning of year	24,106	124,267	148,373
Amortization (Note 23)	—	28,786	28,786
Balances at end of year	24,106	153,053	177,159
	₱79,062	₱37,883	₱116,945

On June 30, 2021, the Group purchased the parcels of land under PSALM OEN which amounted to ₱43.11 million (see Notes 12 and 36). Unused rentals as of option exercise date amounted to ₱1.13 million which was applied against the total purchase price.

Lease liabilities

	2023	2022
Beginning balance	₱70,701	₱97,626
Additions	49,041	—
Payment	(35,840)	(32,940)
Accretion (Note 26)	5,333	6,015
	₱89,235	₱70,701



The following are the amounts recognized in consolidated statements of income in 2023 and 2022:

	2023	2022
Depreciation expense of right-of-use assets charged to:		
Cost of sales and services (Note 23)	₱6,020	₱6,621
Operating expenses (Note 24)	19,337	22,165
Expenses relating to short-term leases charged to operating expenses (Note 24)	206,086	166,350
Interest expense on lease liabilities (Note 26)	5,333	6,015
	₱236,776	₱201,151

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3).

Lease liabilities are included in the consolidated statements of financial position under "accounts and other payables" and "other noncurrent liabilities" (see Notes 16 and 19).

As of December 31, 2023 and 2022, future undiscounted minimum lease payments under operating lease are as follows:

	2023	2022
Within one year	₱19,399	₱20,827
After one year but not more than five years	61,514	46,073
More than five years	30,502	29,189
	₱111,415	₱96,089

Operating Lease - As Lessor

The Group entered into lease agreements with third parties covering its investment property portfolio (see Note 11). The lease agreements provide for a fixed monthly rental with an escalation ranging from 4.50% to 7.00% annually both in 2023 and 2022. These are renewable under the terms and condition agreed with the lessees.

As of December 31, 2023 and 2022, future minimum lease receivables under the aforementioned operating lease are as follows:

	2023	2022
Within one year	₱29,390	₱42,592
After one year but not more than five years	109,827	163,144
More than five years	42,645	65,774
	₱181,862	₱271,510

33. Operating Segments

Business Segment Information

For management purposes, the Group is organized into seven (7) major business units that are largely organized and managed separately according to industry. Reporting operating segments are as follows:

- Construction and others - engaged in various construction projects and construction-related businesses such as production and trading of concrete products, handling steel fabrication and electrical and foundation works.



- Coal mining - engaged in the exploration, mining and development of coal resources on Semirara Island in Caluya, Antique.
- Nickel mining - engaged primarily in mining and selling nickel ore from existing stockpile in Acoje mines in Zambales and Berong mines in Palawan.
- Real estate - focused in mid-income residential development carried under the brand name DMCI Homes. It is also engaged in hotel services and property management.
- On-grid Power - engaged in power generation through coal-fired power plants providing electricity to distribution utilities and indirect members of WESM.
- Off-grid Power - engaged in power generation through satellite power plants providing electricity to areas that are not connected to the main transmission grid.
- Water - includes share in net earnings from associates, MWHCI and Subic Water, which are engaged in water services for the west portion of Metro Manila and Olongapo City and Subic Bay Freeport, respectively.

No operating segments have been aggregated to form the above reportable operating segments.

The Chief Executive Officer (CEO) 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 revenue, earnings before interest, income taxes and depreciation and amortization (EBITDA) and operating profit or loss, and is measured consistently in the consolidated financial statements. The Group's management reporting and controlling systems use accounting policies that are the same as those described in Note 2 in the material accounting policy information under PFRSs.

EBITDA is the measure of segment profit (loss) used in segment reporting and comprises of revenues, cost of sales and services and selling and general administrative expenses before interest, taxes and depreciation and amortization.

The Group disaggregates its revenue information in the same manner as it reports its segment information. The Group, through its on-grid power segment, has electricity sales to a power distribution utility company that accounts for about 20%, 14%, and 16% of the Group's total revenue in 2023, 2022 and 2021, respectively.

Group financing (including finance costs and finance income) and income taxes are also managed per operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Business Segments

The following tables present revenue, net income and depreciation and amortization information regarding business segments for the years ended December 31, 2023, 2022 and 2021 and property, plant and equipment additions, total assets and total liabilities for the business segments as of December 31, 2023, 2022 and 2021.



Year ended December 31, 2023

	Construction and Others*	Coal Mining	Nickel Mining	Real Estate Development	Power On-Grid	Power Off-Grid	Water	Parent Company	Total
Revenue	₱17,115,169	₱51,633,898	₱3,386,352	₱18,587,311	₱24,692,254	₱7,414,130	₱—	₱—	₱122,829,114
Equity in net earnings of associates and joint ventures	—	—	—	64,218	—	—	2,081,159	—	2,145,377
Other income (expense)	92,925	46,117	88,662	2,281,556	512,349	1,816	—	2,048	3,025,473
	17,208,094	51,680,015	3,475,014	20,933,085	25,204,603	7,415,946	2,081,159	2,048	127,999,964
Cost of sales and services (before depreciation and amortization)	14,397,982	19,373,344	1,019,055	12,483,302	6,684,508	4,834,588	—	—	58,792,779
Government share (Note 24)	—	10,682,608	—	—	—	—	—	—	10,682,608
Operating expense (before depreciation and amortization)	616,603	810,109	979,160	2,996,697	3,176,211	1,097,496	—	88,331	9,764,607
	15,014,585	30,866,061	1,998,215	15,479,999	9,860,719	5,932,084	—	88,331	79,239,994
EBITDA	2,193,509	20,813,954	1,476,799	5,453,086	15,343,884	1,483,862	2,081,159	(86,283)	48,759,970
Other income (expenses)									
Finance income (cost) (Notes 25 and 26)	(20,401)	674,801	(9,599)	467,813	(78,965)	(153,467)	—	144,853	1,025,035
Depreciation and amortization (Notes 23 and 24)	(714,994)	(3,905,337)	(627,735)	(299,810)	(2,832,417)	(247,495)	—	(2,541)	(8,630,329)
Pretax income	1,458,114	17,583,418	839,465	5,621,089	12,432,502	1,082,900	2,081,159	56,029	41,154,676
Provision for income tax (Note 28)	202,688	107,342	212,616	1,604,847	2,036,633	124,170	—	29,466	4,317,762
Net income	₱1,255,426	₱17,476,076	₱626,849	₱4,016,242	₱10,395,869	₱958,730	₱2,081,159	₱26,563	₱36,836,914
Net income attributable to noncontrolling-interests	18,989	7,800,699	(28,403)	—	4,323,257	—	—	—	12,114,542
Net income attributable to equity holders of the Parent Company	₱1,236,437	₱9,675,377	₱655,252	₱4,016,242	₱6,072,612	₱958,730	₱2,081,159	₱26,563	₱24,722,372
Segment Assets									
Cash	₱4,576,539	₱12,130,515	₱852,807	₱4,360,494	₱6,854,481	₱214,436	₱—	₱3,168,806	₱32,158,078
Receivables and contract assets	9,965,045	6,339,750	122,881	31,241,510	2,843,413	2,889,341	—	6,647	53,408,587
Inventories	1,095,736	11,248,443	121,129	51,333,502	3,287,545	815,850	—	—	67,902,205
Investment in associates and joint venture	58,939	—	—	1,329,618	—	—	—	17,703,076	19,091,633
Fixed assets**	2,269,335	6,907,750	4,627,828	1,527,555	31,265,029	7,663,403	—	5,153	54,266,053
Others	7,472,098	1,359,213	1,101,068	8,044,486	1,834,805	1,292,992	—	64,005	21,168,667
	₱25,437,692	₱37,985,671	₱6,825,713	₱97,837,165	₱46,085,273	₱12,876,022	₱—	₱20,947,687	₱247,995,223
Segment Liabilities									
Contract liabilities	₱8,689,677	₱520,983	₱—	₱10,140,345	₱—	₱—	₱—	₱—	₱19,351,005
Short-term and long-term debt	353,269	725,661	350,000	37,374,456	5,999,489	4,666,447	—	—	49,469,322
Others	7,325,756	12,223,354	1,824,992	14,756,659	2,676,443	2,771,430	—	159,112	41,737,746
	₱16,368,702	₱13,469,998	₱2,174,992	₱62,271,460	₱8,675,932	₱7,437,877	₱—	₱159,113	₱110,558,073
Other disclosures									
Property, plant and equipment additions (Note 12)	₱210,976	₱4,043,703	₱206,936	₱321,143	₱398,264	₱712,456	₱—	₱1,289	₱5,894,776
Acquisition of land for future development (Note 7)	—	—	—	452,321	—	—	—	—	452,321

*Revenue from construction segment includes sales and service revenue from Wire Rope.

**Includes property, plant and equipment, investment properties and exploration and evaluation assets



Year ended December 31, 2022

	Construction and Others*	Coal Mining	Nickel Mining	Real Estate Development	Power On-Grid	Power Off-Grid	Water	Parent Company	Total
Revenue	₱19,560,286	₱69,759,876	₱3,788,595	₱21,398,777	₱20,622,572	₱7,469,587	₱—	₱—	₱142,599,693
Equity in net earnings of associates and joint ventures	—	—	—	63,936	—	—	1,442,342	—	1,506,278
Other income (expense)	10,272	1,022,942	134,933	1,509,221	232,406	1,923	5,318	1,647	2,918,662
	19,570,558	70,782,818	3,923,528	22,971,934	20,854,978	7,471,510	1,447,660	1,647	147,024,633
Cost of sales and services (before depreciation and amortization)	17,177,110	19,107,700	748,782	14,235,244	4,443,400	5,440,039	—	—	61,152,275
Government share (Note 24)	—	15,963,371	—	—	—	—	—	—	15,963,371
Operating expense (before depreciation and amortization)	625,627	819,651	860,498	2,720,174	2,744,853	764,579	—	105,969	8,641,351
	17,802,737	35,890,722	1,609,280	16,955,418	7,188,253	6,204,618	—	105,969	85,756,997
EBITDA	1,767,821	34,892,096	2,314,248	6,016,516	13,666,725	1,266,892	1,447,660	(104,322)	61,267,636
Other income (expenses)									
Finance income (cost) (Notes 25 and 26)	(42,388)	30,817	(17,628)	257,293	(475,990)	(51,056)	—	48,883	(250,069)
Depreciation and amortization (Notes 23 and 24)	(808,206)	(3,060,173)	(487,612)	(368,176)	(2,756,623)	(334,837)	—	(2,276)	(7,817,903)
Pretax income	917,227	31,862,740	1,809,008	5,905,633	10,434,112	880,999	1,447,660	(57,715)	53,199,664
Provision for income tax (Note 28)	240,380	1,211,729	445,977	1,529,730	1,145,452	141,377	—	9,044	4,723,689
Net income	₱676,847	₱30,651,011	₱1,363,031	₱4,375,903	₱9,288,660	₱739,622	₱1,447,660	(₱66,759)	₱48,475,975
Net income attributable to noncontrolling-interests	20,940	14,046,499	78,390	—	3,242,662	—	—	—	17,388,491
Net income attributable to equity holders of the Parent Company	₱655,907	₱16,604,512	₱1,284,641	₱4,375,903	₱6,045,998	₱739,622	₱1,447,660	(₱66,759)	₱31,087,484
Segment Assets									
Cash	₱1,428,258	₱15,534,336	₱1,101,302	₱3,581,395	₱4,515,973	₱196,794	₱—	₱2,050,416	₱28,408,474
Receivables and contract assets	11,085,755	7,379,762	140,130	31,286,730	2,779,979	3,466,230	—	9,292	56,147,878
Inventories	1,451,086	9,752,363	65,883	46,729,128	2,947,241	578,833	—	—	61,524,534
Investment in associates and joint venture	58,380	—	—	1,265,230	—	—	—	16,871,714	18,195,324
Fixed assets**	2,598,987	7,556,964	4,912,910	1,673,458	34,056,688	7,324,377	—	7,211	58,130,595
Others	6,462,211	999,860	944,361	6,324,665	2,169,630	1,400,209	—	52,243	18,353,179
	₱23,084,677	₱41,223,285	₱7,164,586	₱90,860,606	₱46,469,511	₱12,966,443	₱—	₱18,990,876	₱240,759,984
Segment Liabilities									
Contract liabilities	₱6,398,279	₱366,754	₱—	₱9,154,376	₱—	₱—	₱—	₱—	₱15,919,409
Short-term and long-term debt	681,969	948,056	350,000	35,768,032	9,248,131	5,561,613	—	—	52,557,801
Others	7,460,691	9,631,757	2,370,872	14,384,813	2,128,284	3,554,071	—	82,652	39,613,140
	₱14,540,939	₱10,946,567	₱2,720,872	₱59,307,221	₱11,376,415	₱9,115,684	₱—	₱82,652	₱108,090,350
Other disclosures									
Property, plant and equipment additions (Note 12)	₱210,976	₱2,518,089	₱322,340	₱372,898	₱1,785,592	₱1,333,940	₱—	₱—	₱6,543,835
Acquisition of land for future development (Note 7)	—	—	—	1,550,894	—	—	—	—	1,550,894

*Revenue from construction segment includes sales and service revenue from Wire Rope.

**Includes property, plant and equipment, investment properties and exploration and evaluation assets



Year ended December 31, 2021

	Construction and Others*	Coal Mining	Nickel Mining	Real Estate Development	Power On-Grid	Power Off-Grid	Water	Parent Company	Total
Revenue	₱22,927,814	₱35,592,979	₱4,022,442	₱24,328,512	₱16,831,449	₱4,639,673	₱—	₱—	₱108,342,869
Equity in net earnings of associates and joint ventures	—	—	—	17,863	—	—	1,594,465	—	1,612,328
Other income (expense)	188,098	405,248	89,241	1,085,665	178,204	19,062	—	3,737	1,969,255
	23,115,912	35,998,227	4,111,683	25,432,040	17,009,653	4,658,735	1,594,465	3,737	111,924,452
Cost of sales and services (before depreciation and amortization)	20,366,379	13,619,257	1,133,315	17,437,072	6,031,451	2,875,180	—	—	61,462,654
Government share (Note 24)	—	6,354,771	—	—	—	—	—	—	6,354,771
Operating expense (before depreciation and amortization)	676,490	488,082	767,008	2,306,983	2,247,200	718,154	—	57,726	7,261,643
	21,042,869	20,462,110	1,900,323	19,744,055	8,278,651	3,593,334	—	57,726	75,079,068
EBITDA	2,073,043	15,536,117	2,211,360	5,687,985	8,731,002	1,065,401	1,594,465	(53,989)	36,845,384
Other income (expenses)									
Finance income (cost) (Notes 25 and 26)	(34,939)	(289,913)	(8,491)	271,638	(664,092)	(42,178)	—	23,537	(744,438)
Depreciation and amortization (Notes 23 and 24)	(890,757)	(3,863,096)	(332,097)	(340,181)	(2,899,237)	(347,629)	—	(1,662)	(8,674,659)
Pretax income	1,147,347	11,383,108	1,870,772	5,619,442	5,167,673	675,594	1,594,465	(32,114)	27,426,287
Provision for income tax (Note 28)	192,856	89,751	213,181	891,400	280,371	87,003	—	4,601	1,759,163
Net income	₱954,491	₱11,293,357	₱1,657,591	₱4,728,042	₱4,887,302	₱588,591	₱1,594,465	(₱36,715)	₱25,667,124
Net income attributable to noncontrolling-interests	25,720	4,950,344	216,309	7,465	2,073,055	—	—	—	7,272,893
Net income attributable to equity holders of the Parent Company	₱928,771	₱6,343,013	₱1,441,282	₱4,720,577	₱2,814,247	₱588,591	₱1,594,465	(₱36,715)	₱18,394,231
Segment Assets									
Cash	₱2,013,179	₱4,610,250	₱799,786	₱4,472,228	₱3,602,873	₱227,343	₱—	₱2,616,359	₱18,342,018
Receivables and contract assets	12,779,930	4,433,532	336,803	28,367,197	2,636,970	1,498,936	—	3,606	50,056,974
Inventories	1,681,636	7,335,508	240,757	41,352,233	3,205,828	392,911	—	—	54,208,873
Investment in associates and joint venture	58,380	—	—	910,204	—	—	—	16,554,292	17,522,876
Fixed assets**	3,224,602	7,194,858	4,810,768	1,846,968	36,625,392	5,979,481	—	6,888	59,688,957
Others	5,407,199	1,049,960	737,009	5,413,720	1,632,192	1,030,514	—	55,196	15,325,790
	₱25,164,926	₱24,624,108	₱6,925,123	₱82,362,550	₱47,703,255	₱9,129,185	₱—	₱19,236,341	₱215,145,488
Segment Liabilities									
Contract liabilities	₱7,136,885	₱38,664	₱58,968	₱9,166,423	₱—	₱—	₱—	₱—	₱16,400,940
Short-term and long-term debt	1,158,224	3,363,603	350,000	32,634,592	11,703,032	3,839,150	—	—	53,048,601
Others	9,380,653	8,735,558	2,176,221	12,717,497	2,047,039	1,705,154	—	87,213	36,849,335
	₱17,675,762	₱12,137,825	₱2,585,189	₱54,518,512	₱13,750,071	₱5,544,304	₱—	₱87,213	₱106,298,876
Other disclosures									
Property, plant and equipment additions (Note 12)	₱770,279	₱3,246,371	₱413,929	₱572,760	₱2,480,842	₱1,100,745	₱—	₱796	₱8,585,722
Acquisition of land for future development (Note 7)	—	—	—	589,788	—	—	—	—	589,788
Transfer of undeveloped land (Notes 7 and 12)	—	—	—	140,134	—	—	—	—	140,134

*Revenue from construction segment includes sales and service revenue from Wire Rope.

**Includes property, plant and equipment, investment properties and exploration and evaluation assets



34. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise financing for its operations and capital expenditures. The Group also has various significant other financial assets and liabilities, such as receivables and payables which arise directly from its operations.

The main risks arising from the use of financial instruments are liquidity risk, market risk and credit risk. The Group's BOD reviews and approves policies for managing each of these risks and they are summarized below.

a. Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations.

A significant part of the Group's financial assets that are held to meet the cash outflows include cash equivalents and accounts receivables. Although accounts receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Group considers the following as mitigating factors for liquidity risk:

- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored to avoid past due collectibles.
- The Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues both on-shore and off-shore which is included in the Group's corporate planning for liquidity management.

The following table summarizes the maturity profile of the Group's financial assets and financial liabilities as of December 31, 2023 and 2022, based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Group's financial assets in order to provide a complete view of the Group's contractual commitments.

	2023				Total
	Within 1 year	Beyond 1 year up to 2 years	Beyond 2 years up to 3 years	Beyond 3 years	
Financial assets at amortized cost					
Cash in banks and cash equivalents	₱32,130,677	₱—	₱—	₱—	₱32,130,677
Receivables - net					
Trade:					
Coal mining	5,945,199	—	—	—	5,945,199
Electricity sales	5,801,611	—	—	—	5,801,611
General construction	4,011,467	—	—	—	4,011,467

(Forward)



2023					
	Within 1 year	Beyond 1 year up to 2 years	Beyond 2 years up to 3 years	Beyond 3 years	Total
Real estate	₱3,319,660	₱—	₱—	₱—	₱3,319,660
Nickel mining	81,895	—	—	—	81,895
Merchandising and others	116,228	—	—	—	116,228
Receivables from related parties	2,450,235	—	—	—	2,450,235
Other receivables	3,351,305	—	—	—	3,351,305
Other assets					
Refundable deposits	2,163,914	382,741	13,648	—	2,560,303
Deposit in escrow fund	593,348	—	—	—	593,348
	59,965,539	382,741	13,648	—	60,361,928
Other Financial Liabilities					
Short-term debt**	194,190	—	—	—	194,190
Accounts and other payables***	26,270,276	—	—	—	26,270,276
Liabilities for purchased land	753,046	393,187	7,111	137,923	1,291,267
Long-term debt**	9,804,639	6,351,745	15,298,249	26,192,144	57,646,777
Total undiscounted financial liabilities	37,022,151	6,744,932	15,305,360	26,330,067	85,402,510
Liquidity gap	₱22,943,388	(₱6,362,191)	(₱15,291,712)	(₱26,330,067)	(₱25,040,582)

*Excluding cash on hand amounting to ₱27,401

**Including future interest payment.

***Excluding nonfinancial liabilities.

2022					
	Within 1 year	Beyond 1 year up to 2 years	Beyond 2 years up to 3 years	Beyond 3 years	Total
Financial assets at amortized cost					
Cash in banks and cash equivalents	₱28,384,917	₱—	₱—	₱—	₱28,384,917
Receivables - net					
Trade:					
Coal mining	7,351,674	—	—	—	7,351,674
Electricity sales	5,591,220	—	—	—	5,591,220
General construction	4,753,634	209,512	1,217,351	93,689	6,274,186
Real estate	3,458,309	—	—	—	3,458,309
Nickel mining	118,850	—	—	—	118,850
Merchandising and others	128,040	—	—	—	128,040
Receivables from related parties	1,049,028	—	—	—	1,049,028
Other receivables	4,548,792	—	—	—	4,548,792
Other assets					
Refundable deposits	855,987	411,241	24,058	25	1,291,311
Deposit in escrow fund	504,277	—	—	—	504,277
	56,744,728	620,753	1,241,409	93,714	58,700,604
Other Financial Liabilities					
Short-term debt**	1,185,889	—	—	—	1,185,889
Accounts and other payables***	27,703,544	—	—	—	27,703,544
Liabilities for purchased land	960,623	697,044	9,111	137,923	1,804,702
Long-term debt**	6,282,463	9,756,022	9,073,171	32,206,740	57,318,396
Total undiscounted financial liabilities	36,132,519	10,453,066	9,082,282	32,344,663	88,012,531
Liquidity gap	₱20,612,209	(₱9,832,313)	(₱7,840,873)	(₱32,250,949)	(₱29,311,926)

*Excluding cash on hand amounting to ₱23,557

**Including future interest payment.

***Excluding nonfinancial liabilities



b. Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in equity prices, market prices, interest rates and foreign currency exchange rates.

The sensitivity analyses have been prepared on the following bases:

- Equity price risk - movements in equity indices
- Market price risk - movements in one-year historical coal prices
- Interest rate risk – movement in market interest rate on unsecured bank loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2023 and 2022.

c. Equity Price Risk

The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as Equity investment designated at FVOCI.

Quoted securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

The analyses below are performed for reasonably possible movements in the Philippine Stock Exchange (PSE) index for quoted shares and other sources for golf and club shares with all other variables held constant, showing the impact on equity:

	Change in variable		Effect on equity (Other comprehensive income)	
	2023	2022	2023	2022
PSE	-33.30%	-1.41%	(P12,814)	(P464)
	+33.30%	+1.41%	12,814	464
Others	+19.93%	+23.72%	7,669	7,800
	-19.93%	-23.72%	(7,669)	(7,800)

The sensitivity analyses shown above are based on the assumption that the movement in PSE composite index and other quoted equity securities will be most likely be limited to an upward or downward fluctuation of 33.30% and 19.93% in 2023 and 1.41% and 23.72% in 2022, respectively.

The Group, used as basis of these assumptions, the annual percentage change in PSE composite index and annual percentage change of quoted prices as obtained from published quotes of golf and club shares.

The impact of sensitivity of equity prices on the Group's equity excludes the impact on transactions affecting the consolidated statements of income.



d. *Commodity Price Risk*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Coal

The price that the Group can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Group is not subject to domestic competition in the Philippines, the pricing of all of its coal sales is linked to the price of imported coal. World thermal coal prices are affected by numerous factors outside the Group's control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the world supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs.

As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility.

There can be no assurance that world coal prices will be sustained or that domestic and international competitors will not seek to replace the Group in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Group's profits.

To mitigate this risk, the Group continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved. Also, in order to mitigate any negative impact resulting from price changes, it is the Group's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin. The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract.

Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e., abnormal rise in cost of fuel, foreign exchange).

Below are the details of the Group's coal sales to the domestic market and to the export market (as a percentage of total coal sales volume):

	2023	2022
Domestic market	33.59%	41.76%
Export market	66.41%	58.24%
	100%	100%



The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of December 31, 2023 and 2022 with all other variables held constant. The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on 1-year historical price movements in 2023 and 2022.

Change in coal price	Effect on income before income tax	
	2023	2022
<i>Based on ending coal inventory</i>		
Increase by 29% in 2023 and 19% in 2022	₱774,424	₱1,088,405
Decrease by 29% in 2023 and 19% in 2022	(774,424)	(1,088,405)
<i>Based on coal sales volume</i>		
Increase by 33% in 2023 and 18% in 2022	₱13,164,053	₱9,880,538
Decrease by 33% in 2023 and 18% in 2022	(13,164,053)	(9,880,538)

e. *Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table demonstrates the sensitivity of the Group's income before income tax and equity to a reasonably possible change in interest rates, with all variables held constant, through the impact on floating rate borrowings:

	2023		
	Change in basis points	Effect on income before income tax	Effect on equity
Peso floating rate borrowings	+100 bps	(₱108,537)	(₱81,403)
	-100 bps	108,537	81,403
	2022		
	Change in basis points	Effect on income before income tax	Effect on equity
Peso floating rate borrowings	+100 bps	(₱227,669)	₱170,751
	-100 bps	227,669	(170,751)

The sensitivity analyses shown above are based on the assumption that the interest movements will be more likely be limited to hundred basis points upward or downward fluctuation in both 2023 and 2022. The forecasted movements in percentages of interest rates used were derived based on the Group's historical changes in the market interest rates on unsecured bank loans.



f. Foreign Currency Risk

Foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's currency risks arise mainly from cash and cash equivalents, receivables, accounts and other payable, short-term loans and long-term loans of the Group which are denominated in a currency other than the Group's functional currency. The effect on the Group's consolidated statements of income is computed based on the carrying value of the floating rate receivables as at December 31, 2023 and 2022.

The Group does not have any foreign currency hedging arrangements.

The following tables demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities):

	Increase (decrease) in foreign currency rate		Effect on income before income tax (in PHP)	
	2023	2022	2023	2022
US Dollar ¹	+2.54%	+3.32%	₱176,921	₱549,353
	-2.54%	-3.32%	(176,921))	(549,353)
Japanese Yen ²	+5.98%	+5.95%	4,152	15,074
	-5.98%	-5.95%	(4,152)	(15,074)
UK Pounds ³	+0.29%	+5.74%	1	39
	-0.29%	-5.74%	(1)	(39)
E.M.U. Euro ⁴	+1.61%	+3.64%	831	3,239
	-1.61%	-3.64%	(831)	(3,239)

1. The exchange rates used were ₱55.57 to \$1 and ₱56.12 to \$1 for the year ended December 31, 2023 and 2022, respectively.

2. The exchange rates used were ₱0.39 to ¥1 and ₱0.42 to ¥1 for the year ended December 31, 2023 and 2022, respectively.

3. The exchange rates used were ₱70.76 to £1 and ₱67.44 to £1 for the year ended December 31, 2023 and 2022, respectively.

4. The exchange rates used were ₱61.47 to €1 and ₱59.55 to €1 for the year ended December 31, 2023 and 2022, respectively.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine Peso equivalents as of December 31, 2023 and 2022 follows:

2023

	U.S. Dollar	Japanese Yen	UK Pounds	E.M.U Euro	Equivalent in PHP
Financial assets					
Cash and cash equivalents	\$154,455	¥152,131	£4	€486	₱8,668,206
Receivables	71,092	24,445	—	353	3,981,251
Advances	300	—	—	—	16,611
	225,847	176,576	4	839	12,666,068
Financial liabilities					
Accounts payable and accrued expenses	(100,264)	—	—	—	(5,571,280)
	\$125,583	¥176,576	£4	€839	₱7,094,788



2022

	U.S. Dollar	Japanese Yen	UK Pounds	E.M.U Euro	Equivalent in PHP
Financial assets					
Cash and cash equivalents	\$186,707	¥1,436,887	£51	€3,532	₱13,505,652
Receivables	29,984	296,938	—	945	1,861,612
Advances	300	—	—	—	16,727
	216,991	1,733,825	51	4,477	15,383,991
Financial liabilities					
Accounts payable and accrued expenses	(71,239)	—	(10)	—	(3,997,655)
	\$145,752	¥1,733,825	£41	€4,477	₱11,386,336

The effect on the Group's income before tax is computed on the carrying value of the Group's foreign currency denominated financial assets and liabilities as at December 31, 2023 and 2022.

g. *Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's maximum exposure to credit risk for the components of the consolidated statements of financial position at December 31, 2023 and 2022 is the carrying amounts except for real estate receivables. The Group's exposure to credit risk arises from default of the counterparties which include certain financial institutions, real estate buyers, subcontractors, suppliers and various electric companies. Credit risk management involves dealing only with recognized, creditworthy third parties. It is the Group's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. The Treasury Department's policy sets a credit limit for each counterparty. In addition, receivable balances are monitored on an ongoing basis. The Group's financial assets are not subject to collateral and other credit enhancement except for real estate receivables. As of December 31, 2023 and 2022, the Group's exposure to bad debts is significant for the power on-grid segment and those with doubtful of collection had been provided with allowance as discussed in Note 5.

Real estate contracts

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored.

The Group uses vintage analysis approach to calculate ECLs for real estate receivables. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability of default model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.



The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 5. Title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another CTS to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default (i.e., recovery rate is more than 100%). The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Electricity sales

The Group earns substantially all of its revenue from bilateral contracts, WESM and from various electric companies. WESM and the various electric companies are committed to pay for the energy generated by the power plant facilities.

Under the current regulatory regime, the generation rate charged by the Group to WESM is determined in accordance with the WESM Price Determination Methodology (PDM) approved by the ERC and are complete pass-through charges to WESM. PDM is intended to provide the specific computational formula that will enable the market participants to verify the correctness of the charges being imposed. Likewise, the generation rate charged by the Group to various electric companies is not subject to regulations and are complete pass-through charges to various electric companies.

Impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Coal mining and nickel mining

The Group evaluates the financial condition of the local customers before deliveries are made to them. On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject to the Group's approval, hence, mitigating the risk on collection.

The Group generally offers 80% of coal delivered payable within 30 days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered.

Impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.



General construction

The credit risk for construction receivables is mitigated by the fact that the Group can resort to carry out its contractor's lien over the project with varying degrees of effectiveness depending on the jurisprudence applicable on location of the project. A contractor's lien is the legal right of the Group to take over the projects-in-progress and have priority in the settlement of contractor's receivables and claims on the projects-in-progress and have priority in the settlement of contractor's receivables and claims on the projects in progress is usually higher than receivables from and future commitments with the project owners. Trade and retention receivables from project owners are normally high standard because of the creditworthiness of project owners and collection remedy of contractor's lien accorded contractor in certain cases.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

Generally, trade receivables are written off when deemed unrecoverable and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks that have proven track record in financial soundness.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

The tables below present the summary of the Group's exposure to credit risk as of December 31 and show the credit quality of the assets by indicating whether the assets are subjected to the 12-month ECL or lifetime ECL.

	2023			
		Lifetime ECL		
	12-month ECL	Not credit impaired	Lifetime ECL Credit impaired	Total
Cash in bank and cash equivalents*	₱32,130,677	₱–	₱–	₱32,130,677
Receivables				
Trade				
Coal mining	–	5,903,272	41,927	5,945,199
Electricity sales	–	4,892,360	909,251	5,801,611
General construction	–	4,011,467	–	4,011,467
Real estate	–	3,319,660	–	3,319,660
Merchandising	–	116,228	–	116,228
Nickel mining	–	81,895	–	81,895
Receivable from related parties	–	2,450,235	–	2,450,235
Other receivables	–	2,489,989	861,316	3,351,305
Refundable deposits	2,560,303	–	–	2,560,303
Deposit in escrow funds	593,348	–	–	593,348
Total	₱35,284,328	₱23,265,106	₱1,812,494	₱60,361,928

*Excludes cash on hand amounting to ₱27,401



The Group did not accrue any interest income on impaired financial assets.

	2022			
	12-month ECL	Lifetime ECL Not credit impaired	Lifetime ECL Credit impaired	Total
Cash in bank and cash equivalents*	₱28,384,917	₱–	₱–	₱28,384,917
Receivables				
Trade				
Coal mining	–	7,309,747	41,927	7,351,674
Electricity sales	–	4,714,647	876,573	5,591,220
General construction	–	6,274,186	–	6,274,186
Real estate	–	3,458,309	–	3,458,309
Merchandising	–	128,040	–	128,040
Nickel mining	–	118,850	–	118,850
Receivable from related parties	–	1,049,028	–	1,049,028
Other receivables	–	3,686,096	862,696	4,548,792
Refundable deposits	1,291,311	–	–	1,291,311
Deposit in escrow funds	504,277	–	–	504,277
Total	₱30,180,505	₱26,738,903	₱1,781,196	₱58,700,604

*Excludes cash on hand amounting to ₱23,557

Fair Value of Financial Instruments

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Group's financial instruments as of December 31, 2023 and 2022:

	2023		2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets at amortized cost				
Cash and cash equivalents				
Cash in banks	₱8,211,582	₱8,211,582	₱8,420,891	₱8,420,891
Cash equivalents	23,919,095	23,919,095	19,964,026	19,964,026
Receivables - net				
Trade				
General construction	4,011,467	4,011,467	6,274,186	6,274,186
Real estate	3,319,660	3,319,660	3,458,309	3,458,309
Electricity sales	4,904,679	4,904,679	4,714,647	4,714,647
Coal mining	5,903,272	5,903,272	7,309,747	7,309,747
Nickel mining	81,895	81,895	118,850	118,850
Merchandising and others	116,228	116,228	128,040	128,040
Receivable from related parties	2,450,235	2,450,235	1,049,028	1,049,028
Other receivables	2,477,670	2,477,670	3,686,096	3,686,096
Refundable deposits	2,560,303	2,560,303	1,291,311	1,291,311
Deposit in escrow fund	593,348	593,348	504,277	504,277
	58,549,434	58,549,434	56,919,408	56,919,408
Equity investment designated at FVOCI				
Quoted securities	227,494	227,494	184,409	184,409
Unquoted securities	2,177	2,177	2,177	2,177
	229,671	229,671	186,586	186,586
	₱58,779,105	₱58,779,105	₱57,105,994	₱57,105,994
Other Financial Liabilities				
Accounts and other payables*	₱23,286,504	₱23,286,504	₱23,231,704	₱23,231,704
Liabilities for purchased land	1,291,267	1,019,634	1,804,701	1,514,848
Short-term and long-term debt	49,469,322	52,165,226	52,557,801	55,699,285
	₱74,047,093	₱76,471,364	₱77,594,206	₱80,445,837

*Excludes liabilities to the government



Financial assets

The fair values of cash and cash equivalents and receivables approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

Refundable deposits are carried at cost since these are mostly deposits to a utility company as a consequence of its subscription to the electricity services of the said utility company needed for the Group's residential units.

Financial liabilities

The fair values of accounts and other payables and accrued expenses and payables to related parties approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

Estimated fair value of long-term fixed rate loans and liabilities for purchased land are based on the discounted value of future cash flows using the applicable rates for similar types of loans with maturities consistent with those remaining for the liability being valued. For floating rate loans, the carrying value approximates the fair value because of recent and regular repricing (quarterly) based on market conditions.

The discount rates used for long-term debt range from 4.59% to 7.11% and 3.19% to 6.59% in 2023 and 2022, respectively. The discount rates used for liabilities for purchased land range from 5.87% to 5.94% in 2023 and 5.22% to 6.46% in 2022.

Fair values of receivables, long-term debt, liabilities for purchased land and investment properties are based on level 3 inputs while that of quoted Equity investment designated at FVOCI and financial assets at FVTPL are from Level 1 inputs.

Asset held-for-sale

The fair value less costs to sell is the estimated price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. This was based from offers received from buyers in the advanced stage of negotiations, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing the asset (e.g. dismantling and handling costs). The fair value of asset held-for-sale is based on level 3 inputs.

There has been no reclassification from Level 1 to Level 2 or 3 category as of December 31, 2023 and 2022.

35. Contingencies and Commitments

a. Effectivity of Revenue Regulations (RR) 1-2018

On January 5, 2018, RR 1-2018 took effect pursuant to the effectivity of the Tax Reform for Acceleration and Inclusion (TRAIN) law beginning January 1, 2018. Among others, the new tax law raised the excise tax rates on domestic and imported coal from ₱10.00 per metric ton (MT) to ₱50.00 per MT in the first year of implementation, ₱100.00/MT in the second year, and ₱150.0/MT in the third and succeeding years. Based also on the RR, coal produced under coal operating contracts entered into by the Government pursuant to PD No. 972, as well as those exempted from excise tax on mineral products under other laws, shall now be subject to the applicable rates beginning January 1, 2018.



On February 21, 2018, the Group requested for a clarification on this with the tax bureau and submitted a supplemental letter explaining why the excise tax provisions on coal under the TRAIN law will not apply to the Group under the terms and conditions of its COC with the DOE. In response, on December 17, 2018, Revenue Memorandum Circular (RMC) No. 105-2018 was issued, clarifying the payment of excise tax on domestic coal sales and specifically identifying the Group as merely a collecting agent (the Group collected from customers and remitted to the tax bureau). The RMC did not provide for the excise tax treatment of export coal sales (per RMC, this will be tackled in a separate revenue memorandum issuance), but management believes that the Group is similarly not liable for this under the terms of its existing COC. Given this, management believes that both the timing and the amount of excise tax on exported coal that will be due from the Group, if any, are uncertain as of December 31, 2023 and 2022 and will only be confirmed when the said issuance will be issued by the tax bureau.

b. *DOE Resolution on Violation of Accreditation of Coal Traders*

On May 23, 2019, the trial shipment of 4,768.737 MT of the Group was shipped and delivered to Gold Anchorage Stevedoring and Arrastre Services, Inc. (GASAI). On June 6, 2019, the Group received an Order dated June 4, 2019 from the DOE directing the SMPC to: (a) File a verified Answer within 30 days from receipt; and (b) cease and desist from doing coal trading activities and operations. Order also states that the coal trader accreditation of SMPC is suspended until further notice.

On July 5, 2019, the Group filed its Verified Answer arguing that: (a) sale and delivery of coal to GASAI was done in good faith; (b) the cease and desist order (CDO) and suspension is disproportionately severe under the circumstances as it should only be directed to trading done with GASAI; and c) imposition of fines is only applicable to those entities who are not accredited.

On July 10, 2019, the Group wrote the DOE requesting deferment of that implementation of the CDO and/or suspension pending resolution of the DOE.

On July 12, 2019, the DOE held in abeyance the imposition of the implementation of the CDO subject to the following conditions:

- a. Order of abeyance is effective only for 30 days or until resolution of the Answer, whichever comes earlier;
- b. the Group to continue with its existing coal contracts, but shall not enter as party to any new coal supply agreement; and,
- c. the Group should faithfully comply with its commitments and obligations as an accredited coal trader.

On November 19, 2019, the Group received the DOE Resolution dated October 15, 2019 imposing the following penalties:

- Suspension of coal trading activities for 1 month, except to the Group-owned and other powerplants with existing coal supply agreements; and,
- Monetary penalty of ₱1.74 million.



On November 20, 2019, a motion for reconsideration to the Resolution dated October 15, 2019 was filed with the following prayer:

- The Resolution is null and void as it was issued in violation of the DOE Rules of Procedure; and,
- The CDO and Resolution are onerous and overbroad in scope as it was applied to unrelated transactions (not GASAI's) and inconsistent with the objectives of the Accreditation Guidelines.

On November 25, 2019, an amended motion for reconsideration was filed by the Group. On January 3, 2020, the Group received letter from the DOE dated December 26, 2019 directing the former to file its position paper relative to the CDO in which the Group filed on January 10, 2020.

On March 16, 2021, DOE resolved to modifying its October 15, 2019 resolution as follows:

- Ordering payment of a fine of ₱610,000.00 instead
- Removal of the penalty of one-month suspension of the Company coal trader accreditation.

The Group paid penalty on March 31, 2021.

c. Operating Lease Commitment - as a Lessee

Land Lease Agreement

The Group entered an LLA with PSALM for the lease of land where the Power Plant is situated, for the period of 25 years, renewable for another 25 years upon mutual agreement. In 2009, the Group paid US\$3.19 million or its Peso equivalent ₱150.57 million as advance rental for the 25-year land lease.

Provisions of the LLA include that the Company has the option to buy the Option Assets upon issuance of an Option Existence Notice (OEN) by the lessor. Option assets are parcels of land that form part of the leased premises which the lessor offers for sale to the lessee.

The Group was also required to deliver and submit to the lessor a performance security amounting to ₱34.83 million in the form of Stand-by Letter of Credits. The Performance Security shall be maintained by the Company in full force and effect continuously without any interruption until the Performance Security expiration date. The Performance Security initially must be effective for the period of one year from the date of issue, to be replaced prior to expiration every year thereafter and shall at all times remain valid.

In the event that the lessor issues an OEN and the Group buy the option assets, the land purchase price should be equivalent to the highest of the following and/or amounts:

(i) assessment of the Provincial Assessors of Batangas Province; (ii) the assessment of the Municipal or City Assessor having jurisdiction over the particular portion of the leased premises; (iii) the zonal valuation of Bureau of Internal Revenue or, (iv) 21.00 per square meter (dollar). Valuation basis for (i) to (iii) shall be based on the receipt of PSALM of the option to exercise notice.

The exchange rate to be used should be the Philippine Dealing Exchange rate at the date of receipt of PSALM of the option to exercise notice.



On July 12, 2010, PSALM issued an OEN and granted the Company the “Option” to purchase parcels of land (Optioned Assets) that form part of the leased premises.

The Company availed of the “Option” and paid the Option Price amounting to US\$0.32 million (₱14.72 million) exercisable within one (1) year from the issuance of the Option Existence Notice.

On April 28, 2011, the Group sent a letter to PSALM requesting the assignment of the option to purchase a lot with an area of 82,740 square meters in favor of the Group. On May 5, 2011, PSALM approved the assignment. On June 1, 2011, the Group exercised the land lease option at a purchase price of ₱292.62 million and is included as part of “Property, plant and equipment”.

On October 12, 2011, the Group reiterated its proposal to purchase the remainder of the Leased Premises not identified as Optioned Assets. One of the salient features of the proposal included the execution of Contract to Sell (CTS) between the Group and PSALM. This included the proposal of the Group to assign its option to purchase and sub-lease in favor of SLPGC.

On February 13, 2012, PSALM held off the approval of the proposal to purchase the portion of Calaca Leased Premises not identified as Optioned Assets, subject to further studies. On the same date, PSALM Board approved the Company’s request to sub-lease a portion of the Calaca Leased Premises to SLPGC for the purpose of constructing and operating a power plant.

On February 14, 2014, the Group reiterated its proposal to purchase the Calaca Leased Premises not identified as Optioned Assets.

On February 1, 2017, the Group again reiterated to PSALM its proposal to purchase the Calaca Leased Premises.

On August 15, 2017, the Group exercised its option to purchase for a lot with an area of 9,548 square meters at a price of ₱10.56 million.

On September 24, 2019, PSALM informed the Group regarding lots ready for OEN issuance. On February 11, 2020, Group wrote PSALM seeking clarifications on the status of lots available for OEN.

On June 30, 2021, the Group exercised its option to purchase lots with a total area of 19,304 square meters for a consideration of ₱43.11 million (see Notes 12 and 32).

On December 27, 2023, PSALM wrote informing the Company that certain lots with an area of 389,357 square meters may be considered for OEN issuance under the principle of “just cause of exclusive possession”. The Company, in its letter dated January 24, 2024, to PSALM inquired if an adjustment in the final price of lots can be made since titles have yet to be issued to PSALM and since portions of the lots are submerged in seawater. PSALM replied on January 29, 2024, and reiterated the OEN when issued will be an “as-is-where-is” basis. To date, the Company has yet to consider whether to accede to the position of PSALM.

Foreshore lease

On April 2009, National Power Corporation (NAPOCOR or “NPC”) and the Department of Environment and Natural Resources -CENRO (DENR-CENRO) entered to a 25-year foreshore lease agreement. On July 29, 2009, DMCI HI won the open and competitive bidding of the 600MW Batangas Coal-Fired Thermal Power Plant conducted by PSALM. Subsequently, the



rights of DMCI HI on the 600MW Batangas Coal-Fired Thermal Power Plant was assigned to SCPC. PSALM and SCPC executed the Deed of Sale on the power plant. On December 29, 2011, NPC transferred its rights over the foreshore lease with DENR-CENRO thru an execution of Deed of Assignment in which the Company unconditionally agrees to assume all rights and obligations under the Foreshore Lease Contract. Lease payments is subject to reappraisal every 10 years of the contract. On the first 10 years of the lease, the rate is ₱2.65 million. The rate was reappraised in May 3, 2019. Starting April 2019, the rate will be ₱3.88 million until reappraised in 2029. Refer to Note 32 for the information and related disclosures.

d. DMCI Joint ventures and consortium agreements

DMCI entered into the following joint venture and consortium agreements:

2017

- *Cebu Link Joint Venture (CLJV)*, unincorporated joint venture between Acciona Construccion S.A, First Balfour, Inc and DMCI and is engaged in Engineering, Procurement and Construction contract related to the concession for the Cebu-Cordova Link Expressway. Corresponding interest of DMCI in CLJV is at 15%.

2018

- *Taisei DMCI Joint Venture (TDJV)*, unincorporated joint venture between Taisei Corporation and DMCI and is engaged to construct the elevated structures, stations and depot of the North-South Commuter Railways Project (Malolos-Tutuban; the Project). Corresponding interest of DMCI in TDJV is at 49%.
- *VA Tech Wabag-DMCI Joint Venture*, unincorporated joint venture between VA Tech Wabag Limited and DMCI and is engaged in the rehabilitation, retrofitting and process improvement of La Mesa Water Treatment Plant 2 Project. The scope of work and allocation of contract price is agreed by the partners in the consortium agreement.

2019

- *Marubeni-DMCI Consortium*, consortium between Marubeni Corporation and DMCI and is engaged for the Procurement of Trackwork, Electrical and Mechanical Systems and Integration with Existing System for LRT 2 - East (Masinag) Extension Project. The scope of work and allocation of contract price is agreed by the partners in the consortium agreement. DMCI was allocated 29% of total contract price.
- *PBD Joint Venture (PBDJV)*, unincorporated joint venture between Prime Metro BMD Corporation and DMCI and is engaged to construct the Solaire Metro North. Corresponding interest of DMCI in PBDJV is at 50%.

2020

- *AA-DMCI Consortium*, consortium between Acciona Agua, S.A and DMCI and is engaged for the design and build of 150 MLD Laguna Lake Water Treatment Plant . The scope of work and allocation of contract price is agreed by the partners in the consortium agreement. DMCI allocated is 60% of total contract price.

2022

- *NCC-DMCI Joint Venture*, unincorporated joint venture between DMCI and Nishimatsu Construction Co., Ltd. The joint venture is registered with the BIR on December 15, 2022 to construct two underground stations (Quezon Avenue and East Avenue) of the Metro Manila



Subway Station project of the Department of Transportation (DOTr). The respective interests of the Parties in the Joint Venture are 67% to Nishimatsu and 33% to DMCI.

2023

- *Acciona DMCI SCRP02 JV*, unincorporated joint venture between DMCI and Acciona Construction Philippines Inc. to undertake building and civil engineering works for approximately 7.90 km of railway viaduct structure including elevated station at España, Santa Mesa and Paco in relation to DOTr's South Commuter Railway Project. The respective interests of the Parties in the Joint Venture are 65% to Acciona and 35% to DMCI. The Joint Venture was registered with the BIR on June 19, 2023.
- As of March 5, 2024, the Company has not incurred significant costs in relation to the joint operation.

e. Others

The Group is a party to certain proceedings and legal cases with other parties in the normal course of business. The ultimate outcome of these proceedings and legal cases cannot be presently determined. Management, in consultation with its legal counsels, believes that it has substantial legal and factual bases for its positions and is currently of the opinion that the final resolution of these claims will not have a material effect on the financial statements.

The Group is also contingently liable with respect to certain taxation matters, lawsuits and other claims which are being contested by management, the outcome of which are not presently determinable. Management believes that the final resolution of these claims will not have a material effect on the Group financial statements. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of pending assessments, lawsuits and claims.

36. Other Matters

a. Electric Power Industry Reform Act (EPIRA)

WESM

With the objective of providing competitive price of electricity, the EPIRA authorized DOE to constitute an independent entity to be represented equitably by electric power industry participants and to administer and operate WESM. WESM will provide a mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity.

In addition, the DOE was tasked to formulate the detailed rules for WESM which include the determination of electricity price in the market. The price determination methodology will consider accepted economic principles and should provide a level playing field to all electric power industry participants. The price determination methodology was subject to the approval of the ERC.

In this regard, the DOE created PEMC to act as the market operator governing the operation of WESM. On June 26, 2006, WESM became operational in the Luzon grid and adopts the model of a "gross pool, net settlement" electricity market.



In 2017, the Board of PEMC approved the transition plan for the creation of an independent market operator (IMO), paving the way for the state firm to finally relinquish control of the WESM.

On February 4, 2018, the DOE published Department Circular No. DC2018-01-0002, “Adopting Policies for the Effective and Efficient Transition to the Independent Market Operator for the Wholesale Electricity Spot Market”. This Circular shall take effect immediately after its publication in two (2) Newspapers of general circulation and shall remain in effect until otherwise revoked. Pursuant to Section 37 and Section 30 of the EPIRA, jointly with the electric power participants, the DOE shall formulate the detailed rules for the wholesale electricity spot market. Said rules shall provide the mechanism for determining the price of electricity not covered by bilateral contracts between sellers and purchasers of electricity users. The price determination methodology contained in the said rules shall be subject to the approval of ERC. Said rules shall also reflect accepted economic principles and provide a level playing field to all electric power industry participants.

b. Clean Air Act

On November 25, 2000, the Implementing Rules and Regulations (IRR) of the Philippine Clean Air Act (PCAA) took effect. The IRR contains provisions that have an impact on the industry as a whole and on the Company in particular, that need to be complied with within 44 months (or until July 2004) from the effectivity date, subject to the approval by Department of Environment and Natural Resources. The power plant of the Group uses thermal coal and uses a facility to test and monitor gas emissions to conform to Ambient and Source Emissions Standards and other provisions of the Clean Air Act and its IRR. Based on the Company’s initial assessment of its power plant’s existing facilities, it believes that it is in full compliance with the applicable provisions of the IRR of the PCAA as of December 31, 2023 and 2022.

c. Competitive Selection Process (CSP)

On June 11, 2015, DOE Circular No. DC2015-06-0008, “Mandating All Distribution Utilities to Undergo CSP In Securing PSAs”, was signed, requiring all Distribution Utilities (DUs) to conduct a CSP in procuring PSAs. The CSP shall be conducted by a qualified third party duly recognized by the DOE and ERC and, in the case of Electric Cooperatives (ECs), shall be recognized by the National Electrification Administration (NEA). The CSP shall conform with aggregation of DU’s uncontracted demand requirement, annual conduct of CSP, and a uniform PSA Template on the terms and conditions to be issued by the ERC and DOE. The circular does not apply to PSAs with tariff rates already approved and/or have been applied for approval by the ERC before the effectivity of the circular. The DOE shall enforce and monitor compliance and the penalty provision through ERC.

On October 20, 2015, the DOE and ERC released Joint Resolution No. 1 (2015), “A Resolution Enjoining All Distribution Utilities to Conduct Competitive Selection Process (CSP) in the Procurement of Supply for Their Captive Market”. The DOE and ERC recognize that CSP in the procurement of PSAs by the DUs engenders transparency, enhances security of supply, and ensure stability of electricity prices to captive electricity end-users in the long-term.

On the same day, the ERC signed Resolution No. 13, Series of 2015, “A Resolution Enjoining All Distribution Utilities to Conduct Competitive Selection Process (CSP) in the Procurement of Supply for Their Captive Market”. The resolution prescribes that all PSAs shall be awarded to the winning Generation Company following a successful transparent CSP, or by Direct



Negotiation in the event of two (2) failed CSPs, and that DUs may adopt any accepted form of CSP. This resolution does not apply to PSAs already filed with the ERC as of its effectivity.

On March 15, 2016, the ERC released Resolution No. 1 Series of 2016, “A Resolution Clarifying the Effectivity of ERC Resolution No.13, series of 2015”. The resolution postponed the effectivity of ERC Resolution No.13, Series of 2015 to April 30, 2016. All PSAs executed on or after the said date shall be required, without exception, to comply with the provisions of the CSP resolution. There should be at least two qualified bids for the CSP to be considered as successful and lastly, the DU shall adopt the Terms of Reference prescribed in Section 2 of ERC Resolution No. 13, Series of 2015. On PSA’s with provisions on automatic renewal or extension of term, it shall apply that PSA’s approved by ERC or filed before the effectivity of Resolution No. 1, may have one (1) automatic renewal or extension for a period not exceeding one (1) year from the end of their respective terms. There will be no automatic renewal or extension of PSAs upon effectivity of Resolution No. 1.

On February 9, 2018, the DOE published Department Circular No. DC2018-02-0003, “Adopting and Prescribing the Policy for the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreement for the Captive Market”. This Circular shall take effect immediately after its publication in two (2) Newspapers of general circulation and shall remain in effect until otherwise revoked. There are five (5) governing principles in the Policy (1) Transparency in the conduct of CSP through wide dissemination of bid opportunities and participation of all generation companies (GenCos); (2) Competitiveness by extending equal opportunity to eligible and qualified GenCos to participate in the CSP; (3) Least cost manner in ensuring that each distribution utility (DU) is able to meet the demand for its captive market at any given time; (4) Simple, streamlined and efficient procurement process applicable to the specific requirements of each Distribution Development Plan; and (5) Accountability involved in the procurement process and implementation of the Power Supply Agreement awarded under CSP.

d. Retail Competition and Open Access (RCOA)

Under Section 31 of the Electric Power Industry Reform Act (EPIRA) of 2001, RCOA shall be implemented. In Retail Competition, the Contestable Market are provided electricity by Retail Suppliers through Open Access, wherein qualified Persons are allowed to use the Transmission, and/or Distribution Systems and their associated facilities. The implementation of RCOA is subject to the following conditions: a. Approval of the unbundled transmission and distribution wheeling charges; b. initial implementation of the cross subsidy removal scheme; c. Establishment of the WESM; d. Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and e. Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators.

Upon satisfying these conditions, the ERC declared 26 December 2012 as the Open Access Date where end-users who have an average monthly peak demand for the preceding 12 months, as indicated by a single utility meter, of at least 1MW (the threshold level) qualifies as Contestable Customers (CCs) making up the Contestable Market (Phase 1). After a six-month Transition Period, on 26 June 2013, Retail Supply Contracts (RSCs) entered into by and between the Ccs and their chosen Suppliers were implemented. Phase 2 implementation was set to begin two (2) years after Phase 1. During Phase 2, the threshold level shall be reduced to 750 kW and Aggregators shall be allowed to supply electricity to End-users whose aggregate monthly average peak demand within a Contiguous Area is at least 750 kW. Subsequently and every year thereafter, the ERC shall evaluate the performance of the market.



On the basis of such evaluation, it shall gradually reduce the threshold level until it reaches the household demand level.

On May 12, 2016, ERC Resolution No. 10 (2016), “A Resolution Adopting the Revised Rules for Contestability”, was signed. These revised rules aim to clarify and establish the conditions and eligibility requirements for End-users to be part of the Contestable Market; to set the threshold level for the Contestable Market; to ensure the efficient transition towards full contestability and to ensure consumer protection and enhance the competitive operation of the retail electricity market.

The Resolution states that the Threshold Reduction Date covering End-users with an average monthly peak demand of at least 750 kilowatts (750 kW) for the preceding 12 months, is set to June 26, 2016. Thus, on such date, all End-users with an average monthly peak demand of at least 1 MW (1MW Customers) and 750 kW (750kW Customers), which have been issued Certificates of Contestability by the ERC, shall be allowed to contract with any RES on a voluntary basis. Thereafter, an End-user with an average monthly peak demand of at least 1MW is hereby mandated to enter into RSC with a RES by its mandatory contestability date of December 26, 2016 (This was moved by the ERC to 26 February 2017 through ERC Resolution No. 28 (2016), “Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, series of 2016, entitled Revised Rules for Contestability” signed on November 15, 2016. Subsequently, an End-user with an average monthly peak demand of at least 750kW is hereby mandated to enter into an RSC with a RES by its mandatory contestability date of June 26, 2017. The lowering of the threshold to cover an end-user with an average monthly peak demand of at least 500kW is set on June 26, 2018, subject to the review of the performance of the retail market by the ERC. Corollary, in its review of the performance of the retail market, the ERC shall establish a set of criteria as basis for the lowering of the contestability threshold. Retail Aggregation shall subsequently be allowed on June 26, 2018. During this phase, suppliers of electricity shall be allowed to contract with end-users whose aggregate demand within a Contiguous Area is at least 750 kW. Retail Competition and Open Access shall be effective only in grids where the WESM is operational.

On February 21, 2017, the Supreme Court issued a Temporary Restraining Order (TRO), G.R. No. 228588, on the implementation of several ERC Resolutions and a DOE Circular concerning the RCOA. ERC Res 10 & 28, Series of 2016 were among them. In a joint advisory on February 24, 2017, the DOE, ERC and PEMC said that they are in a process of drafting a general advisory for the guidance of RCOA Stakeholders. Issues to be considered are: 1) those who have already executed RSCs and were already registered and switched shall continue to honor their respective RSCs; 2) ongoing applications for registration filed before the Central Registration Body (CRB) may proceed voluntarily; 3) applicants who wish to withdraw or defer their registration before the CRB may do so consistent with the Retail Market Rules provided that the CRB shall not be liable for any legal repercussions that may arise out of the contestable customers’ contractual obligations; and 4) remaining contestable customers who have not yet secured their RSCs may continue to negotiate and exercise their power to choose.

e. Renewable Portfolio Standards (RPS)

The implementation of the RPS is an important development for the Renewable Energy (RE) Market, and impacts the public as a whole. Republic Act No. 9513 or the Renewable Energy Law gives both fiscal and non-fiscal incentives to investors in order to encourage the promotion and development of renewable energy in the Philippines. Toward this end, the RPS serves as a market-based policy mechanism which makes use of the RE Market to facilitate and commercialize trading in RE Certificates, the latter which are used to satisfy the RPS requirements and increases RE generation in the country.



On December 30, 2017, DOE Circular No. DC2017-12-0015, or the RPS On-Grid Rules, took effect, requiring DUs, electricity suppliers, generating companies supplying directly connected customers, and other mandated energy sector participants to source or produce a certain share of electricity from their Energy Mix from eligible RE resources. These eligible RE facilities include the following technologies: biomass, waste to energy technology, wind, solar, hydro, ocean, geothermal, and other RE technologies later identified by the DOE.

The RPS On-Grid Rules mandates energy sector participants to comply with the minimum annual RPS requirement in order to meet the aspirational target of thirty-five (35%) in the generation mix by 2030.

This minimum RE requirement, however, will not be imposed immediately but in 2020. The 2018 and 2019 years are considered transition years to help the mandated participants comply with the DOE Circular. Additionally, the RPS On-Grid Rules implements a Minimum Annual Incremental RE Percentage to be sold by mandated participants. It is initially set at a minimum of one percent (1%) and applied to net electricity sales or annual energy demand for the next ten (10) years and used to determine the current year's requirement for RE Certificates (RECs) of the Mandated Participant.

f. Nickel Sales Agreement

BNC and ZDMC entered into various sales agreements with different customers to sell and deliver nickel laterite ores. The selling price of the nickel laterite ores depends on its ore grading. The sales agreements are subject to price adjustments depending on the final nickel and moisture content agreed by both parties. BNC exported a total of 0.4 million wet metric tons (WMT), and 1.1 million WMT in 2022 and 2021, respectively (nil in 2023). ZDMC, on the other hand, exported a total of 1.7 million WMT, 1.1 million WMT and 0.9 million WMT in 2023, 2022 and 2021, respectively, upon lifting of suspension order in 2019.

g. Concession Agreement

On May 18, 2021, Maynilad and MWSS signed the Revised Concession Agreement ("RCA"), the notable provisions of which are the following:

1. Confirmation of the July 31, 2037 Expiration Date;
2. Imposition of a tariff freeze until December 31, 2022;
3. Removal of Corporate Income Tax ("CIT") from among Maynilad's recoverable expenditures as well as the Foreign Currency Differential Adjustment;
4. Capping of the annual inflation factor to 2/3 of the Consumer Price Index;
5. Imposition of rate caps for water and sewerage services to 1.3x and 1.5x, respectively, of the previous standard rate;
6. Removal from the Republic Undertaking of the non-interference of the Government in the rate-setting process, and the limitation of the RoP's financial guarantees to cover only those loans and contracts that are existing as of the signing of the RCA;
7. Replacement of the market-driven Appropriate Discount Rate with a 12% fixed nominal discount rate; and
8. Retention of the rate rebasing mechanism where, subject to the rate caps in item 5 above, the rates for the provision of water and wastewater services will be set at a level that will allow Maynilad to recover, over the term of the concession, expenditures efficiently and prudently incurred and to earn a reasonable rate of return.



The RCA is to take effect six months after it was signed on May 18, 2021, or on November 18, 2021, upon compliance with all the conditions precedent (“Effective Date” and “CPs”, respectively). However, the Republic Undertaking, which is among the CPs, has not yet been issued as of November 18, 2021. Hence, upon the request of the Concessionaires, the MWSS Board, through a resolution passed on November 16, 2021, moved the RCA’s Effective Date to December 18, 2021.

Maynilad, on December 14, 2021, again requested the MWSS Board to defer the RCA’s Effective Date by another two months (until February 16, 2022) or until the Republic Letter of Undertaking is issued. Following the Regular Board Meeting held on February 10, 2022, MWSS issued Resolution No. 2022-015-CO to further extend the Effective Date of the RCA for thirty (30) days or until March 18, 2022. On March 9, 2022, the MWSS Board approved to defer further the RCA Effective Date from March 18, 2022 until the time that the Republic Undertaking is issued.

On June 9, 2022, Maynilad received a copy of Resolution No. 2022-073-CO dated June 2, 2022, which approved the further extension to the Effective Date of the RCA until June 30, 2022, subject to receipt of the signed Republic Undertaking as required under Article 16.3 (iii) (c) of the RCA.

On June 30, 2022, Maynilad received MWSS’s letter of even date informing Maynilad that the DOF has issued the Republic Undertaking dated June 24, 2022 signed by the Executive Secretary and the DOF Secretary.

Maynilad wrote the MWSS on July 1, 2022 informing them that the signed Republic Undertaking does not conform to the agreed form in the RCA, and, thus, Section 16.3 (iii) (c) of the RCA has not been satisfied. Thus, Maynilad’s obligation to effect the changes in the OCA has not commenced.

It is Maynilad’s position that the OCA [as amended by the Technical Corrections Agreement dated July 31, 1997 and Amendment No. 1 dated October 5, 2001, and extended by the Memorandum of Agreement and Confirmation dated April 22, 2010 (“2010 MOA”)], and the Letter of Undertaking dated March 17, 2010 issued by the Department of Finance, remain valid and effective.

Further, it is Maynilad’s position that Republic Act No. 11600 which granted Maynilad a 25-year franchise, or until 2047, to “establish, operate and maintain a waterworks system and sewerage and sanitation services in the West Zone Service Area of Metro Manila and Province of Cavite,” recognizes the OCA and the 2010 MOA. The latter extended the term of the concession for 15 years, or until 2037.

Maynilad wrote the MWSS a letter dated August 9, 2022, formally applying for a 10-year extension of the OCA. Maynilad rationalized the term extension application for the purpose of pursuing affordable water to its customers and mitigating anticipated tariff increases. Maynilad further submitted its letter of September 6, 2022 to the MWSS, providing preliminary tariff impact simulations, and highlighting the fiscal benefits of a 10-year extension of the OCA.

In a subsequent letter dated September 14, 2022, Maynilad proposed to the MWSS certain amendments to the RCA, which includes: (a) reinstatement of the Foreign Currency Differential Adjustment mechanism; (b) reinstatement of the full Consumer Price Index Adjustment; and (c) review of the exclusions from the Material Adverse Government Action provision.



On May 10, 2023, MWSS and Maynilad signed the Amendments to the RCA. Among the Amendments to the RCA include the following:

1. Adjustment in the CPI factor or “C” from $\frac{2}{3}$ to $\frac{3}{4}$ of the percentage change in the CPI for the Philippines;
2. Reinstatement of the FCDA, but only with respect to the (a) MWSS loans that are being and will be serviced by Maynilad, and (b) principal payments for drawn and undrawn amounts of Maynilad’s foreign currency denominated loans existing as of June 29, 2022;
3. Introduction of a modified FCDA for Maynilad loans contracted after June 29, 2022, but which mechanism may be availed of only when there is an “extraordinary inflation” or “extraordinary deflation” of the Philippine Peso (i.e., more than 20% change in the base exchange rate), and the amount that may be recovered is capped;
4. Exclusion of certain events from what may not be considered as Material Adverse Government Action such as the amendment of existing rules, regulations, and other issuances resulting from acts of the legislative and judicial branches of government and delay or inaction by the Regulatory Office (“RO”) on applications relating to rate adjustments filed by the Concessionaire; and
5. Deletion of the composition and decisions of the RO from what may not be subject to arbitration.

The Amendments to the RCA took effect retroactively on June 29, 2022, the date of effectivity of the RCA. Along with the Amendments to the RCA, the RoP issued on May 10, 2023 the Republic Undertaking in the form agreed on by the Parties. The Republic Undertaking’s effectivity retroacts to July 1, 2022.

Pursuant to the requirement for a public hearing, Maynilad and the MWSS RO conducted a public hearing/consultation on December 4, 2023 at the World Trade Center in Pasay City. Maynilad understands that both the MWSS RO and the MWSS BOT have approved Maynilad’s 10-year extension application. However, the RCA requires that any amendment to any of its provisions be acknowledged by the RoP acting through the Secretary of Finance. As at February 27, 2024, the acknowledgment is still pending.

h. RA 11600 - Maynilad’s Legislative Franchise

RA 11600 grants Maynilad, a 25-year franchise to “establish, operate and maintain a waterworks system and sewerage and sanitation services in the West Zone Service Area of Metro Manila and Province of Cavite.” RA 11600 affirms Maynilad’s authority to provide waterworks system and sewerage and sanitation services in the West Zone Service Area of Metro Manila and the Province of Cavite. RA 11600 took effect on January 22, 2022, 15 days after its publication in the Official Gazette on January 7, 2022. (see Note 29). The 25-year term will end on January 21, 2047.

Aside from the grant of a 25-year franchise to Maynilad, the other highlights of RA 11600 include the following:

- i. The grant of authority to the MWSS, when public interest for affordable water security so requires and upon application by Maynilad, to amend Maynilad’s RCA to extend its term (i.e., 2037) to coincide with the term of the franchise. In addition, the RCA shall also act



as the Certificate of Public Convenience and Necessity of Maynilad for the operation of its waterworks and sewerage system. It also provides that in the event the waterworks and sewerage system assets of MWSS pertaining to the Franchise Area are privatized by law, Maynilad shall have the right to match the highest compliant bid after a public bidding. The RCA between MWSS and Maynilad shall remain valid unless otherwise terminated pursuant to the terms of the RCA, or invalidated when national security, national emergency or public interest so requires;

- ii. The prohibition on the passing on of corporate income tax to customers.
- iii. The requirement to publicly list at least 30% of Maynilad's outstanding capital stock within five years from the grant of the franchise;
- iv. The completion of Maynilad's water and sewerage projects to attain 100% coverage by 2037, which shall include periodic five-year completion targets; and
- v. The grant to Maynilad of the right of eminent domain insofar as it is may be reasonably necessary for the efficient establishment, improvement, upgrading, rehabilitation, maintenance and operation of the services, subject to the limitations and procedures under the law.

RA 11600 also provides for an equality clause, which grants Maynilad, upon review and approval of Congress, any advantage, favor, privilege, exemption, or immunity granted under existing franchises, or which may be granted subsequently to water distribution utilities.

On March 21, 2022, the MWSS Board of Trustees passed Resolution No. 2022-025-RO, Series of 2022 (the "Resolution") which deals with the tax implications following the effectivity of the legislative franchise granted to the Concessionaires.

The Resolution confirmed that beginning March 21, 2022, which was when the Concessionaires formally accepted the terms of their respective legislative franchises, the charges for water and wastewater services will no longer be subject to the 12% VAT, but will be subject to Other Percentage Tax ("OPT").

The OPT, which shall be reflected as "Government Tax" in the customers' statement of account, consists of (i) the 2% national franchise tax, and (ii) the local franchise tax implemented by the respective local government units ("LGUs") where the Business Area offices of the Concessionaires are located.

37. Notes to Consolidated Statements of Cash Flows

Supplemental disclosure of noncash investing activities follows:

	2023	2022	2021
Depreciation capitalized in			
Inventories and Mine properties			
(Note 23)	₱1,151,461	₱298,033	₱1,014,172
Transfer from Inventories to			
property, plant and equipment			
(Notes 7 and 12)	239,372	695,206	671,721



Changes in liabilities arising from financing activities

2023			
	January 1, 2023	Cash flows	December 31, 2023
Short-term debt	₱1,129,418	₱417,968	₱1,547,386
Long-term debt*	51,428,383	(3,549,345)	47,921,936
Dividends	47,046	(32,034,555)	30,336
Interest payable	96,132	(1,206,426)	87,363
Lease liabilities	70,701	(35,840)	89,235
Other noncurrent liabilities	4,068,074	(216,583)	3,851,491
	₱56,839,754	(₱36,624,781)	₱33,312,774
			₱53,527,747

*Includes current portion

2022			
	January 1, 2022	Cash flows	December 31, 2022
Short-term debt	₱1,039,363	₱90,055	₱1,129,418
Long-term debt*	52,009,238	(580,855)	51,428,383
Dividends	32,771	(25,189,090)	47,046
Interest payable	195,356	(1,045,927)	375,356
Lease liabilities	97,407	(32,940)	70,701
Other noncurrent liabilities	2,553,286	1,514,788	4,068,074
	₱55,927,421	(₱25,243,969)	₱26,435,526
			₱57,118,978

*Includes current portion

2021			
	January 1, 2021	Cash flows	December 31, 2021
Short-term debt	₱5,800,060	(₱4,760,697)	₱1,039,363
Long-term debt*	46,088,910	5,920,727	52,009,238
Dividends	130,234	(18,476,628)	32,771
Interest payable	288,000	(1,384,172)	195,356
Lease liabilities	127,987	(46,625)	97,407
Other noncurrent liabilities	2,389,015	164,271	2,553,286
	₱54,824,206	(₱18,583,124)	₱19,686,339
			₱55,927,421

*Includes current portion

Other changes in liabilities above includes amortization of debt issuance cost, accretion of unamortized discount and effect of change in estimate on provision for decommissioning and site rehabilitation, change in pension liabilities and dividends declared by the Parent Company and its partially-owned subsidiaries to noncontrolling-interests.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
DMCI Holdings, Inc.
3rd Floor, Dacon Building
2281 Chino Roces Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of DMCI Holdings, Inc. and its subsidiaries (collectively, the Group) as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 5, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole, are prepared in all material respects, in accordance with Philippine Financial Reporting Standards, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission, as described in Note 2 to the consolidated financial statements.

SYCIP GORRES VELAYO & CO.



Jennifer D. Ticlao

Partner

CPA Certificate No. 109616

Tax Identification No. 245-571-753

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-110-2023, September 12, 2023, valid until September 11, 2026

PTR No. 10082023, January 6, 2024, Makati City

March 5, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
DMCI Holdings, Inc.
3rd Floor, Dacon Building
2281 Chino Roces Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of DMCI Holdings, Inc. and its subsidiaries (collectively, the Group) as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 5, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Components of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the consolidated financial statements, and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the SEC, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Jennifer D. Ticlao

Partner

CPA Certificate No. 109616

Tax Identification No. 245-571-753

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-110-2023, September 12, 2023, valid until September 11, 2026

PTR No. 10082023, January 6, 2024, Makati City

March 5, 2024



DMCI HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES

- I. Schedules required by Annex 68-J
 - A. Financial Assets
 - B. Amounts Receivable from Directors, Officers, Employees,
Related Parties and Principal Stockholders (Other than Related Parties)
 - C. Amounts Receivable from Related Parties which are Eliminated during
the Consolidation of Financial Statements
 - D. Long-term Debt
 - E. Indebtedness to Related Parties
 - F. Guarantees of Securities of Other Issuers
 - G. Capital Stock
- II. Reconciliation of Retained Earnings Available for Dividend Declaration (Annex 68-D)
- III. Schedule of Financial Soundness Indicators (Annex 68-E)
- IV. Map of the relationship of the companies within the Group

DMCI HOLDINGS, INC. AND SUBSIDIARIES**SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON REVISED SRC RULE 68
DECEMBER 31, 2023**

Philippine Securities and Exchange Commission (SEC) issued the amended Revised Securities Regulation Code Rule 68, which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by Revised SRC Rule 68, that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic consolidated financial statements.

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the consolidated statements of financial position	Value based on market quotation at end of reporting period	Income received and accrued
Golf and Club Shares*	11	₱207,050,000	₱207,050,000	₱—
Manila Electric Company	38,533	15,374,669	15,374,669	—
Mabuhay Vinyl Corp.	34,889	204,450	204,450	—
Others	1	7,041, 881	7,041, 881	—
	73,434	₱229,671,000	₱229,671,000	₱—

**Includes shares of stocks from golf and country clubs' memberships*

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
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Not applicable. The Group's receivables from officers and employees pertain to ordinary purchases subject to usual terms, travel and expense advances and other transactions arising from the Group's ordinary course of business.

Schedule C. Amounts Receivable from/Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements

The following is the schedule of receivables from related parties, which are eliminated in the consolidated financial statements as at December 31, 2023:

Entity with Receivable Balance	Name of Entity with Payable Balance	Due from related party	Due to related party
Semirara Mining and Power Corporation	DMCI Masbate Power Corporation	₱1,067,424,939	(₱1,067,424,939)
DMCI Holdings Inc.	D.M. Consunji, Inc	700,000,000	(700,000,000)
Semirara Mining and Power Corporation	Sem-Calaca Power Corporation	662,432,033	(662,432,033)
DMCI Mining Corporation	Zambales Diversified Metals Corporation	573,027,296	(573,027,296)
DMCI Holdings Inc.	DMCI Mining Corporation	550,000,000	(550,000,000)
Semirara Mining and Power Corporation	Southwest Luzon Power Generation Corporation	312,762,278	(312,762,278)
Semirara Mining and Power Corporation	DMCI Power Corporation	243,443,898	(243,443,898)
Riviera Land Corporation	DMCI Project Developers, Inc.	134,679,760	(134,679,760)
Beta Electric Corporation	D.M. Consunji, Inc	83,644,829	(83,644,829)
D.M. Consunji, Inc	Beta Electric Corporation	69,248,635	(69,248,635)
Sem-Calaca Power Corporation	Sem-Calaca RES Corporation	35,000,000	(35,000,000)
DMCI Power Corporation	Sem-Calaca Power Corporation	29,700,000	(29,700,000)
DMCI Project Developers, Inc.	DMCI-PDI Hotels, Inc.	24,916,457	(24,916,457)
Berong Nickel Corporation	Ulugan Nickel Corporation	23,346,386	(23,346,386)

Entity with Receivable Balance	Name of Entity with Payable Balance	Due from Related Parties	Due to Related Parties
Berong Nickel Corporation	Ulugan Nickel Corporation	₱23,346,386	(₱23,346,386)
DMCI Project Developers, Inc.	DMCI Homes Property Management Corporation	22,373,617	(22,373,617)
DMCI Mining Corporation	Ulugan Nickel Corporation	19,068,056	(19,068,056)
D.M. Consunji Inc	DMCI Power Corporation	17,767,949	(17,767,949)
D.M. Consunji, Inc	Zambales Diversified Metals Corporation	14,952,649	(14,952,649)
DMCI Masbate Power Corporation	DMCI Power Corporation	11,139,366	(11,139,366)
Semirara Mining and Power Corporation	St. Raphael Power Generation Corporation	10,502,143	(10,502,143)
DMCI Mining Corporation	Zambales Chromite Mining Company Inc.	10,413,246	(10,413,246)
D.M. Consunji Inc	Sem-Calaca Power Corporation	4,305,950	(4,305,950)
DMCI Mining Corporation	TMM Management, Inc.	4,239,723	(4,239,723)
DMCI Power Corporation	Semirara Mining and Power Corporation	4,023,793	(4,023,793)
Berong Nickel Corporation	DMCI Power Corporation	3,052,087	(3,052,087)
Berong Nickel Corporation	TMM Management, Inc.	2,783,731	(2,783,731)
D.M. Consunji Inc	DMCI Project Developers, Inc.	2,653,227	(2,653,227)
Berong Nickel Corporation	Zambales Diversified Metals Corporation	2,526,934	(2,526,934)
DMCI Project Developers, Inc.	Zenith	1,307,169	(1,307,169)
Sem-Calaca Power Corporation	St. Raphael Power Generation Corporation	1,042,628	(1,042,628)
Semirara Mining and Power Corporation	Semirara Energy Utilities, Inc	741,319	(741,319)
Berong Nickel Corporation	Ulugan Resources Holdings, Inc.	730,763	(730,763)
Zambales Diversified Metals Corporation	D.M. Consunji, Inc	672,000	(672,000)
DMCI Power Corporation	St. Raphael Power Generation Corporation	626,175	(626,175)
DMCI Mining Corporation	Ulugan Resources Holdings, Inc.	358,492	(358,492)
Semirara Mining and Power Corporation	Sem-Calaca Industrial Park Developers, Inc	324,960	(324,960)
Sem-Calaca Power Corporation	SEM-Cal Industrial Park Developers Inc	122,349	(122,349)
DMCI Masbate Power Corporation	DMCI Mining Corporation	63,000	(63,000)

As of December 31, 2023, the balances above of due from and due to related parties are expected to be realized and settled within 12 months from the reporting date and are classified under current assets and liabilities. There were no amounts written off during the year.

Schedule D. Long-term Debt

Below is the schedule of long-term debt (net of unamortized debt issue cost) of the Group:

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
Peso denominated loans	₱10,547,480,372	₱4,313,383,750	₱6,234,096,622
Term loan and corporate notes	37,371,933,783	2,346,440,142	35,025,493,641
Liabilities on Installment Contract Receivable	2,522,523	897,537	1,624,986
Peso denominated loans	₱47,921,936,678	₱6,660,721,429	₱41,261,215,249

Schedule E. Indebtedness to Related Parties (Long-term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
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NOT APPLICABLE

Schedule F. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the group for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee
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NOT APPLICABLE

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Preferred stock - ₱1 par value cumulative and convertible	100,000,000	960	—	—	—	960
Common stock - ₱1 par value	19,900,000,000	13,277,470,000	—	9,184,917,600	621,991,364	3,470,568,036
	20,000,000,000	13,277,470,960	—	9,184,917,600	621,991,364	3,470,568,996

DMCI HOLDINGS, INC.**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE
FOR DIVIDENDS DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

Unappropriated retained earnings, beginning		₱785,259,249
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings Appropriation/s	—	
Effect of restatements or prior-period adjustments	—	
Others (describe nature)	—	
Subtotal		—
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	(₱19,119,556,800)	
Retained Earnings appropriated during the reporting period	—	
Effect of restatements or prior-period adjustments	—	
Others (describe nature)	—	
Subtotal		(19,119,556,800)
Unappropriated Retaining earnings, as adjusted		(18,334,297,551)
Add (Less): Net Income (loss) for the current		20,213,442,877
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	—	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	—	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	—	
Unrealized fair value gain of Investment Property	—	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted	—	
Subtotal		—
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to cash and cash equivalents	—	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	—	
Realized fair value gain of Investment Property	—	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded	—	
Subtotal		—

(Forward)

Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)

Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	P-	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Reversal of previously recorded fair value gain of Investment Property	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded	-	
Subtotal		-

Adjusted Net Income/Loss P20,213,442,877

Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)

Depreciation on revaluation increment (after tax)	-
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Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP

Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others	-	
Subtotal		-

Add/Less: Category F: Other items that should be excluded from the determination of the amount available for dividends distribution

Net movement of treasury shares (except for reacquisition of redeemable shares)	-	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	-	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	-	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-	
Others	-	
Sub-total		-

TOTAL RETAINED EARNINGS, END OF THE REPORTING PERIOD AVAILABLE FOR DIVIDEND

P1,879,145,326

DMCI HOLDINGS, INC. AND SUBSIDIARIES**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022**

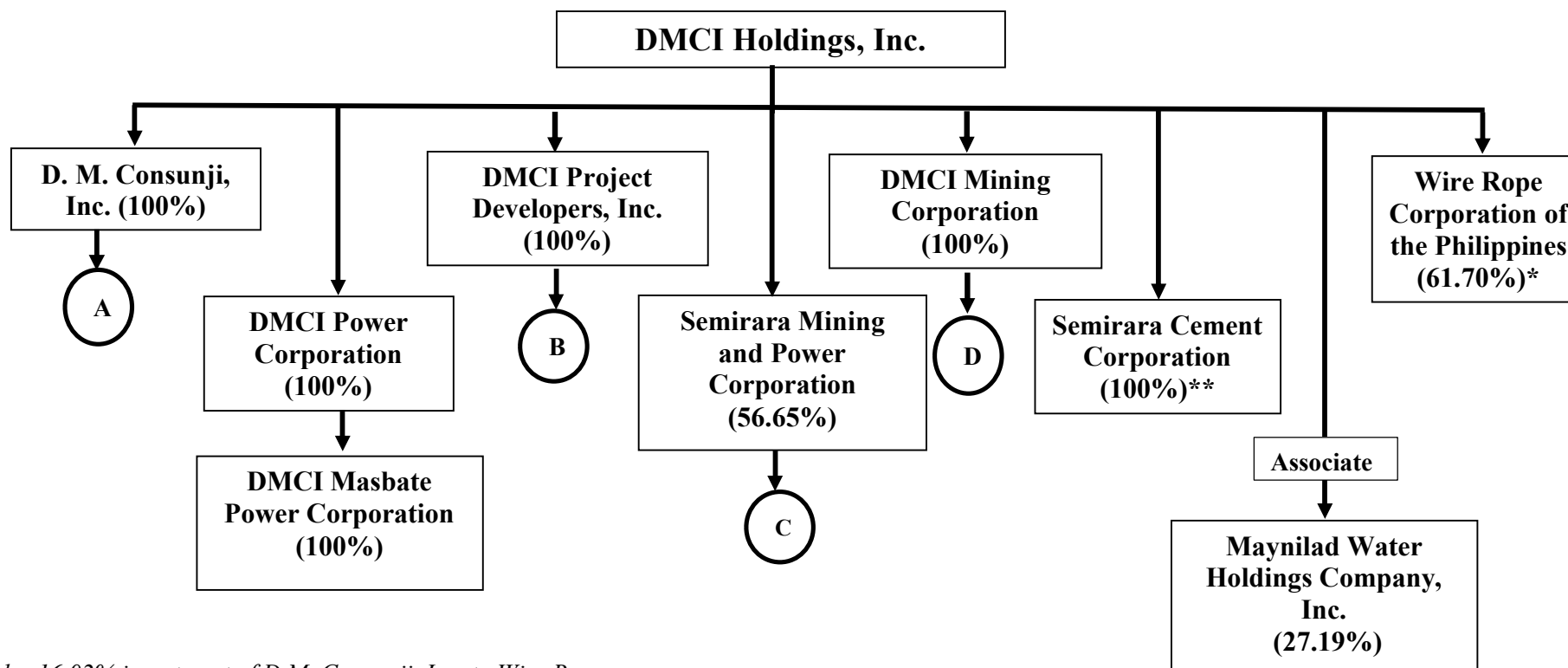
Ratio	Formula	Current Year	Prior Year
Current ratio	Current assets/Current liabilities	277%	290%
Acid test ratio	Quick assets/Current liabilities	99%	111%
Solvency ratio	Net income plus Depreciation / Total liabilities	41%	52%
Debt-to-equity ratio	Total interest-bearing debt/Total stockholders' equity	36%	40%
Net debt-to-equity ratio	Total interest-bearing debt less Cash and cash equivalents /Total stockholders' equity	13%	18%
Asset-to-equity ratio	Total assets/Total stockholders' equity	180%	181%
Interest coverage ratio	EBIT/Interest paid during the year	13x	20x
Return on equity	Net income attributable to equity holders/Average total stockholders' equity	23%	33%
Return on assets	Net income /Average total assets	15%	21%
Net profit margin	Net income /Revenue	30%	34%

DMCI HOLDINGS, INC.

MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

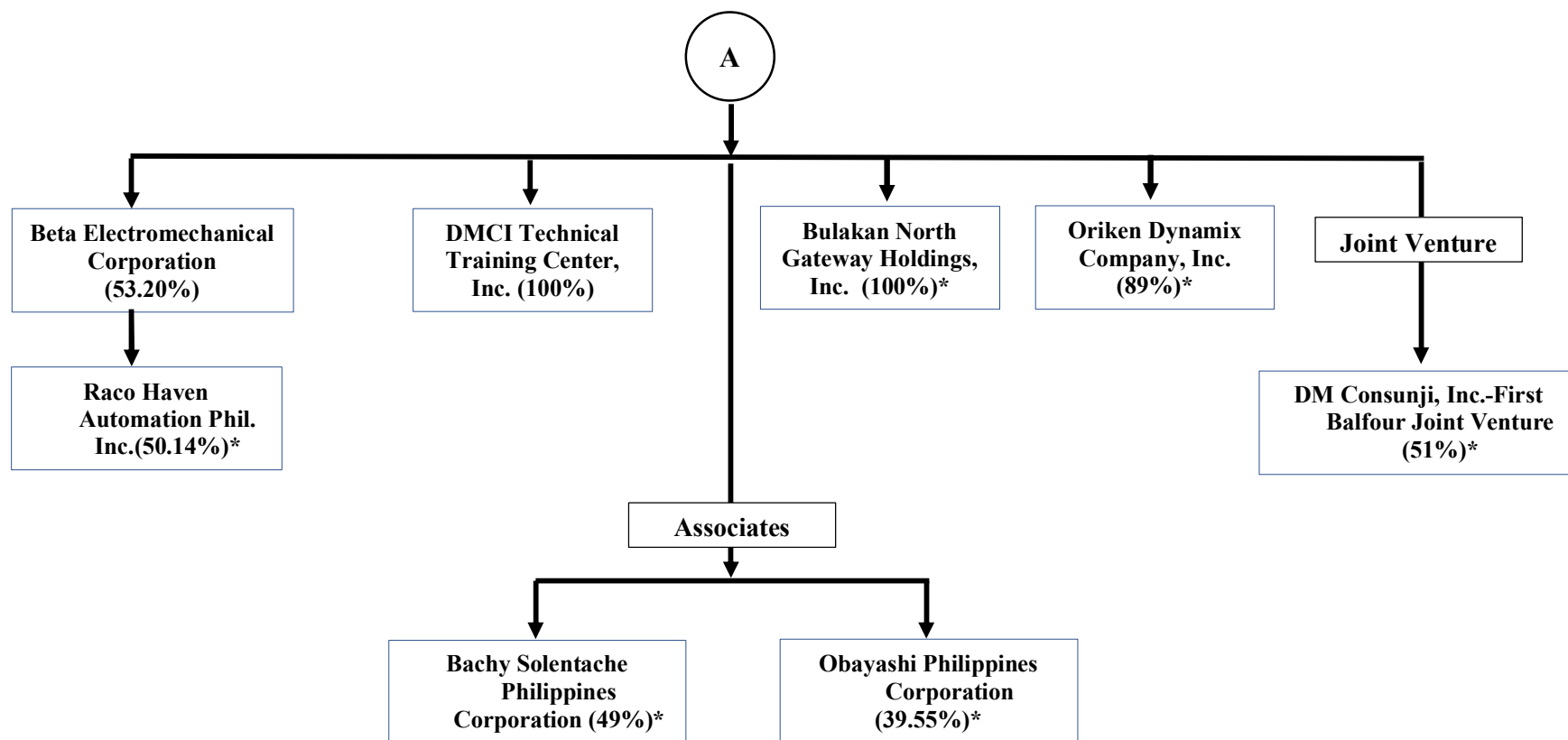
Group Structure

Below is a map showing the relationship between and among the Group as of December 31, 2023:

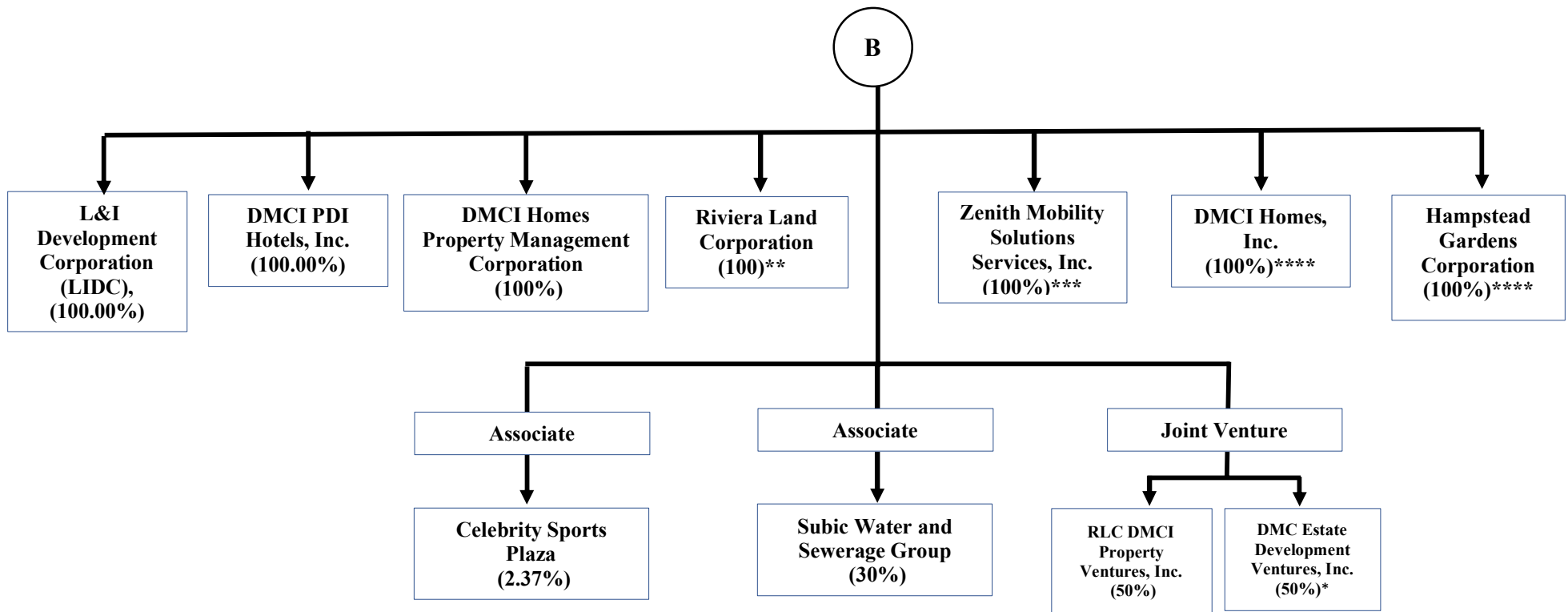


* Includes 16.02% investment of D.M. Consunji, Inc. to Wire Rope.

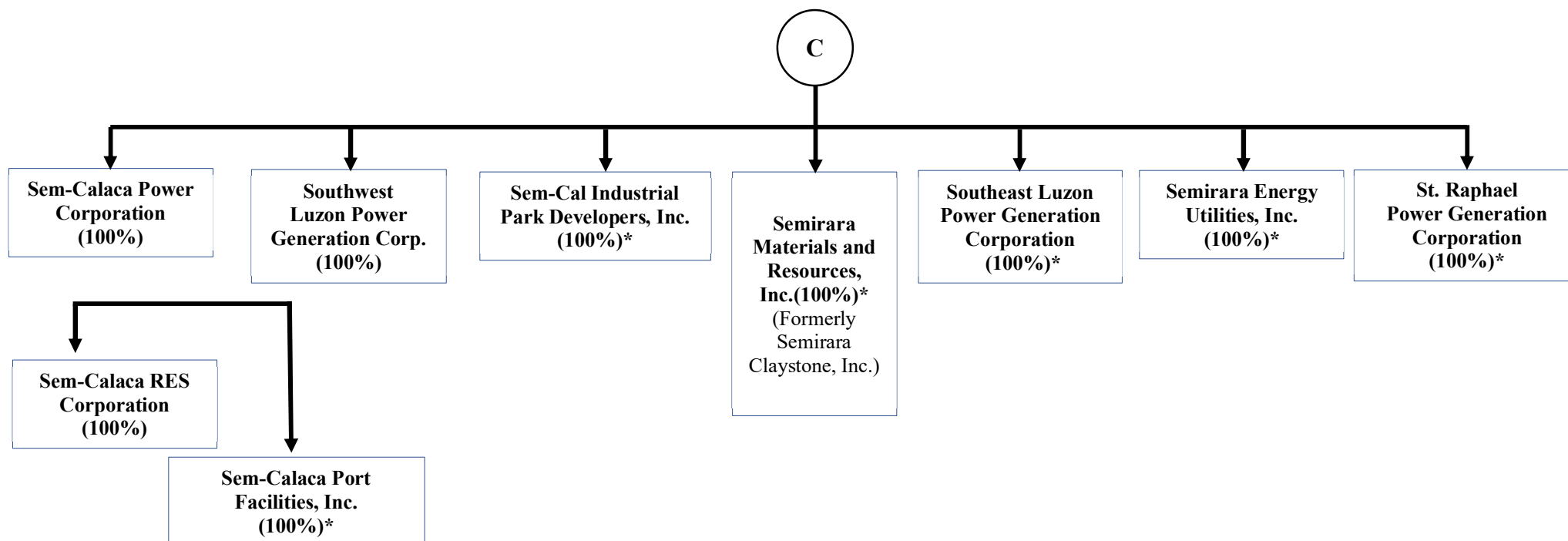
**Non-operating entity



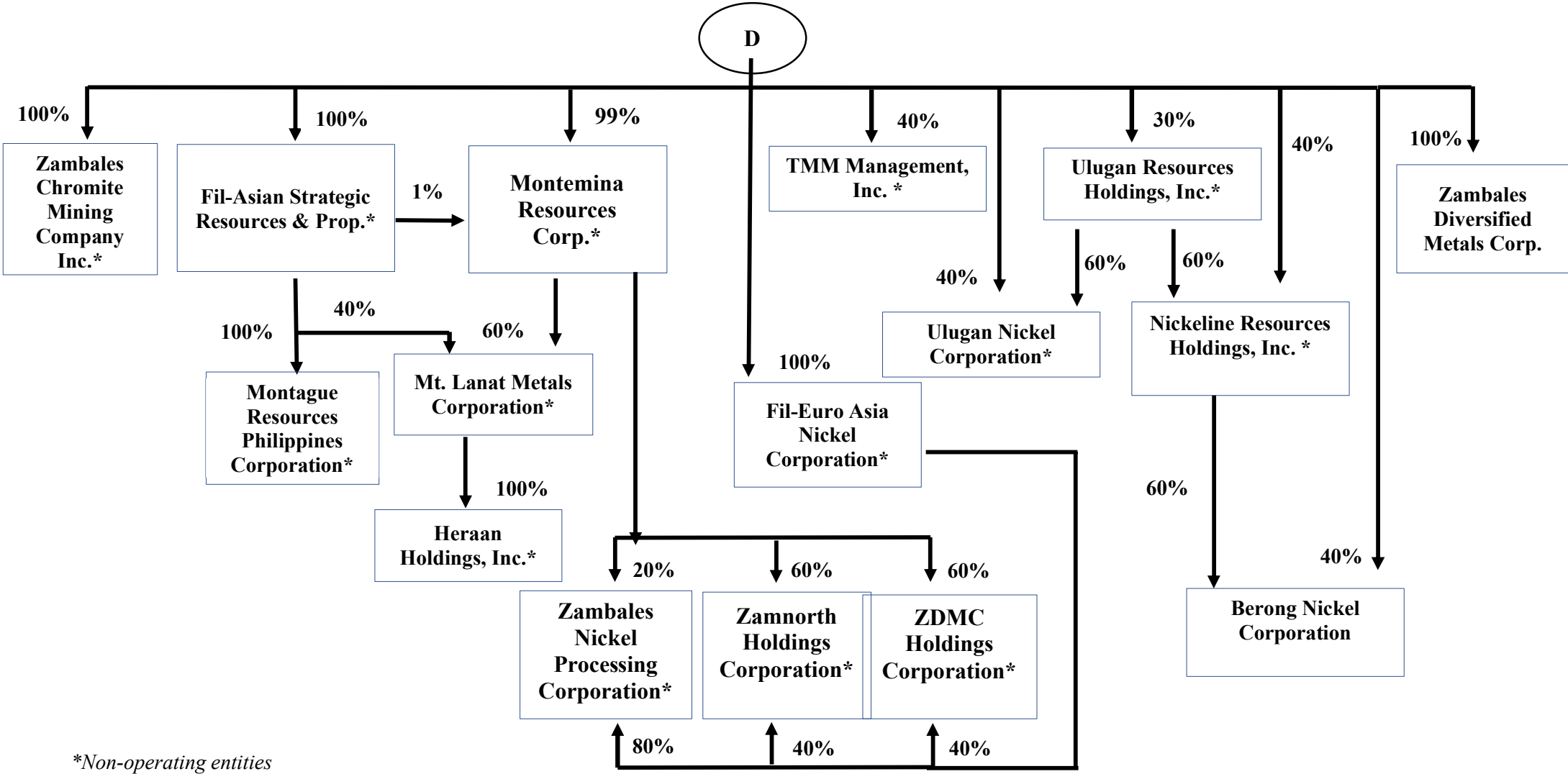
**Non-operating entities*



- * Established in 2021
- ** Includes the 34.12% interest of DMCI
- *** Equity interest increased from 51% to 100% in 2020
- **** Liquidated as of December 31, 2023



**Non-operating entities*



**Non-operating entities*

COVER SHEET

ASO95002283
SEC Registration Number

DMCI HOLDINGS, INC.

(Company's Full Name)

3RD FLR. DACON BLDG. 2281
CHINO ROCES AVE. MAKATI CITY

(Business Address: No., Street City / Town / Province)

HERBERT M. CONSUNJI
Contact Person
8888-3000
Company Telephone Number

1 2 3 1
Month Day
Fiscal Year
SEC Form 17-Q
Second Quarter Interim Report 2024
FORM TYPE
0 5 2 1
Month Day
Annual Meeting

N.A.
Secondary License Type, If Applicable

C F D
Dept Requiring this Doc
Amended Articles Number / Section

Total Amount of Borrowings
Total No. of Stockholders Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number LCU
Document ID Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

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 quarter ended **June 30, 2024**

2. SEC Identification No. AS095-002283 3. BIR Tax Identification No. 004-703-376

DMCI Holdings, Inc.

4. Exact name of issuer as specified in its charter

5. Philippines

6. (SEC Use Only)

Province, Country or other jurisdiction of
incorporation or organization

Industry Classification Code:

7. 3rd Floor, Dacon Building, 2281 Pasong Tamo Ext., Makati city 1231

Address of principal office

Postal Code

8. Tel. (632) 8888-3000

Fax : None

Issuer's telephone number, including area code

9. Not applicable

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

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>No. of Shares Outstanding</u>	<u>Amount</u>
Common Shares	Php13,277,470,000.00	Php13,277,470,000.00
Preferred Shares	960.00	960.00
TOTAL	Php13,277,470,960.00	Php13,277,470,960.00

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

Yes [X] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange

Class "A" Shares
Preferred Shares

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes ☒ No ☐

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

Yes ☒ No ☐

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements as of and for the period ended **June 30, 2024** are contained herein.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF CONSOLIDATED OPERATIONS AND CONSOLIDATED FINANCIAL CONDITION AS OF AND FOR THE PERIODS ENDED June 30, 2024 AND 2023

June 30, 2024 (Unaudited) vs June 30, 2023 (Unaudited)

I. RESULTS OF OPERATIONS

The table below summarizes the performance of DMCI Holdings, Inc. (PSE: DMC), its subsidiaries and associate, also collectively referred to as “the DMCI Group”, for the periods ended June 30, 2024 and 2023.

- D.M. Consunji, Inc. (DMCI), a wholly-owned subsidiary, is one of the leading engineering-based integrated construction firms in the country. It operates in two construction segments: building and infrastructure. It also has separate business units for joint ventures and project support (i.e., concrete production, steel fabrication and equipment rental).
- DMCI Project Developers, Inc. (DMCI Homes), a wholly-owned subsidiary, is one of the leading mid-segment developers in the Philippines, offering best-in-class amenities and value-for-money properties in Metro Manila and other key urban areas. The company has also started to expand its portfolio into leisure and the high-end market.
- Semirara Mining and Power Corporation (SMPC), a majority-owned subsidiary (56.65%), is the largest and most modern coal producer in the Philippines. It is the only vertically integrated power generation company in the country that runs on its own fuel (coal). Its two wholly-owned operating subsidiaries—Sem-Calaca Power Corporation (SCPC) and Southwest Luzon Power Generation Corporation (SLPGC)—provide baseload power to the national grid through bilateral contract quantity (BCQ) and the Wholesale Electricity Spot Market (WESM).
- DMCI Power Corporation (DMCI Power), a wholly-owned subsidiary, is the largest off-grid energy supplier in the Philippines. It currently operates and maintains thermal, bunker and diesel power plants in parts of Masbate, Oriental Mindoro and Palawan.
- DMCI Mining Corporation (DMCI Mining), a wholly owned subsidiary, extracts nickel ore through surface mining and ships these directly to China and other markets. Currently a single-mine operator, it has nickel assets in Palawan (Berong Nickel Corporation) and Zambales (Zambales Diversified Metals Corporation).
- Maynilad Holdings Corporation, a 27%-owned associate, owns 93% of Maynilad Water Services, Inc. (Maynilad). The largest private water service provider in the Philippines,

Maynilad holds a 25-year franchise to establish, operate and maintain the waterworks system and sewerage and sanitation services in the West Zone service area of Metro Manila and the Province of Cavite.

CONSOLIDATED NET INCOME AFTER NON-CONTROLLING INTERESTS

<i>in Php millions except EPS</i>	April to June (Q2)			January to June (H1)		
	2024	2023*	Change	2024	2023*	Change
I. SMPC (56.65%)	3,419	5,765	-41%	7,110	10,879	-35%
II. DMCI Homes	737	1,255	-41%	1,421	2,248	-37%
III. Maynilad (25%)	732	474	54%	1,395	997	40%
IV. DMCI Power	355	231	54%	619	365	70%
V. D.M. Consunji Inc.	240	139	73%	338	412	-18%
VI. Parent and others	94	9	933%	124	9	1278%
VII. DMCI Mining	(43)	250	-117%	(65)	723	-109%

Core Net Income	5,534	8,123	-32%	10,942	15,633	-30%
Nonrecurring Items	2	(13)	117%	198	(17)	1200%
Reported Net Income	5,536	8,110	-32%	11,140	15,616	-29%
EPS (reported)	0.42	0.61	-32%	0.84	1.18	-29%

**Restated 2023 figures following DMCI Homes' implementation of PFRS (paragraphs 60 to 65) effective January 1, 2024*

Q2 2024 vs Q2 2023 Consolidated Highlights

- The DMCI Group reported a consolidated net income of Php 5.54 billion, a 32-percent decline from Php 8.11 billion, largely due to weaker contributions from its integrated energy and real estate subsidiaries, along with a net loss of Php 43 million from its nickel mining company. Improved performances from its water utility, off-grid power generation and construction businesses partially offset the downturn.

As a result, earnings per share decreased from Php 0.61 to Php 0.42.

Excluding non-recurring items, core net income declined by 32%, falling to Php 5.53 billion from Php 8.12 billion.

Quarter-over-quarter, consolidated earnings remained stable, with a slight decrease of 1% from Php 5.60 billion. Compared to the pre-pandemic level of Php 3.74 billion in Q2 2019, the group's bottom line was 48% higher.

- Core EBITDA dropped by 33%, from Php 15.04 billion to Php 10.03 billion, due to a lower topline and a slower decline in total cash costs. Consequently, core EBITDA margin narrowed from 41% to 36%.
- Total revenues declined by 24%, from Php 36.96 billion to Php 28.09 billion, because of softer commodity and electricity prices, reduced construction accomplishments, increased reversals from real estate sales cancellations, and fewer ongoing and new real estate accounts qualifying for recognition. Increased sales volume of coal and electricity (both on-grid and off-grid) partially mitigated the impact of the weaker non-utilities markets.

Total cash costs decreased by 18%, from Php 21.92 billion to Php 18.06 billion, on the combined effects of a lower government share, increased total coal production costs, lower fuel costs (on-grid and off-grid), reduced construction accomplishments (in construction and real estate), and higher shiploading costs (nickel).

The government's share dropped by 48%, from Php 3.32 billion to Php 1.73 billion, primarily due to lower coal revenues and increased total production costs.

Equity in net earnings rose by 57%, from Php 482 million to Php 759 million, mainly driven by improved results from Maynilad.

- Other income (net) slid by 3%, from Php 889 million to Php 865 billion, owing to the absence of net foreign exchange gain and lower income from fly ash sales under SMPC. Last year, SMPC recognized Php 165 million in net forex gain, which shifted to a net forex loss of Php 61 million this year.

This impact was mitigated by higher forfeitures and rental income from DMCI Homes, which increased by 36%, from Php 592 million to Php 808 million.

- Depreciation and amortization decreased by 10% from Php 1.27 billion to Php 2.05 billion, mostly owing to lower SMPC direct costs following increased quarterly production, less nickel shipments and impact of fully depreciated assets.
- Net finance costs (net of finance income) decreased by 21%, from Php 214 million to Php 169 million, due to a lower contribution from SMPC and higher finance costs for DMCI Power. This decrease was cushioned by increased finance income from DMCI's cash placements and DMCI Homes' in-house financing activities.

Starting in 2024, DMCI Homes has implemented changes in line with PFRS 15 (paragraphs 60 to 65) concerning the treatment of financing costs. Previously, finance costs associated with accounts pending recognition were capitalized. Under the new treatment, these finance costs are now expensed directly in the income statement. The 2023 figures (both consolidated and standalone) in this discussion have been restated to facilitate a direct comparison of the operating and financial results.

- Income tax provision slid by 9%, from Php 1.40 billion to Php 1.28 billion, on lower taxable income for DMCI Homes and DMCI Mining, partially offset by higher tax provisions in SMPC's power segment.

- 2024 nonrecurring items pertain to a Php 2 million forex gain by Maynilad, while nonrecurring items for 2023 comprised Maynilad donations and miscellaneous expenses totaling Php 13 million.
- SMPC, DMCI Homes and Maynilad contributed for 88% of core net income.

H1 2024 vs H1 2023 Consolidated Highlights

- Reported net income declined by 29%, from Php 15.62 billion to Php 11.14 billion, primarily due to reduced contributions from the on-grid power generation, real estate and construction businesses, as well as a Php 65 million net loss in the nickel mining business. However, stronger contributions from the water utility and off-grid power generation segments partially mitigated these impacts.

Consequently, earnings per share decreased from Php 1.18 to Php 0.84, translating to a 10% return on common equity over the six-month period.

Consolidated net income was 72% higher than the pre-pandemic level of Php 6.48 billion (H1 2019).

- Total revenues declined by 21%, from Php 69.99 billion to Php 55.52 billion, primarily due to anemic coal, nickel and power prices, lower construction accomplishments and reduced recognitions from real estate accounts. Record-high coal shipments and increased electricity sales volume (on-grid and off-grid) helped mitigate the decline.
- Total cash costs declined by 12%, a slower pace than the topline, decreasing from Php 40.85 billion to Php 35.87 billion. This reduction was driven by lower construction accomplishments and government share, combined with higher shipments of coal and nickel, increased coal production and materials handling costs, higher nickel shiploading expenses and elevated operating expenses. Improved coal blending and lower generation fuel costs (both on-grid and off-grid) helped temper the impact of higher cash cost of sales.

Operating expenses increased by 8%, from Php 4.23 billion to Php 4.55 billion, primarily due to higher personnel costs, taxes and licenses (real estate and on-grid power), sales and marketing expenses (real estate), insurance and maintenance costs (on-grid power), and expenses for environmental and social development programs (DMCI Mining).

Consequently, the core EBITDA margin narrowed but remained at a healthy level, declining from 42% to 35%.

- Depreciation and amortization saw a 3-percent uptick from Php 4.15 billion to Php 4.26 billion on higher coal shipments, recent acquisition of new mining equipment, increased amortization of the capitalized stripping asset for Narra mine (SMPC) and commercial operations of a 15MW thermal plant in Palawan (DMCI Power).
- Net finance costs nearly halved (-49%), from Php 508 million to Php 260 million, following a reduction in total debt payable from Php 51.46 billion (end-H1 2023) to Php 46.64 billion. Total debt payable declined due to the simultaneous debt pare-down of SMPC, DMCI

Homes, DMCI and DMCI Power, boosted by higher finance income from DMCI Homes' in-house financing.

Net income margin decreased to 30% from 34% last year, influenced by a 40-percent increase in equity in net earnings, primarily from Maynilad, which rose from Php 1.02 billion to Php 1.42 billion.

- 2024 nonrecurring items pertain to a gain from the sale of land by DMCI Homes (Php 195 million) and forex gain (Php 3 million) by Maynilad. 2023 nonrecurring items pertain to Maynilad donations and miscellaneous expenses (Php 17 million).
- SMPC, DMCI Homes and Maynilad accounted for 91% of core net income.
- As of June 30, 2024, the Group reported a stronger financial position compared to December 31, 2023:
 - Current and quick ratios improved to 298% and 105%, respectively, up from 277% and 99%, despite Php 9.56 billion in cash dividend payments last April.
 - Total debt decreased by 6%, from Php 49.47 billion to Php 46.64 billion, primarily due to regular loan amortizations by SMPC (Php 2.13 billion), DMCI Homes (Php 980 million) and DMCI Power (Php 71 million). Meanwhile, DMCI Mining secured an additional Php 300 million in long-term debt to fund the development of new mines.
 - The group's net debt to equity ratio slightly improved to 12.3%, down from 12.6%, as net debt declined by 2%, from Php 17.31 billion to Php 16.94 billion.
 - On April 4, the Board of Directors declared regular (Php 0.46/share) and special (Php 0.26/share) dividends, totaling Php 0.72/share or Php 9.56 billion in dividend payout. This translated to a cash dividend yield of 6.5% over the Q1 2024 volume weighted average price of Php 11.0308. The said dividends were paid out on May 3, 2024.

Q2 2024 vs Q2 2023 Subsidiaries and Associate Performance

I. Semirara Mining and Power Corporation (SMPC)

Net income contribution from the integrated energy business declined by 41% to Php 3.42 billion, from Php 5.77 billion last year, owing to normalizing energy markets. Higher coal and electricity sales volume cushioned the impact of softer selling prices.

At the standalone level, SMPC's reported net income decreased by 41%, from Php 10.19 billion to Php 6.05 billion. Core EBITDA dropped by 32%, from Php 12.41 billion to Php 8.43 billion, resulting in a reduction of the core EBITDA margin from 52% to 46%.

This decline was primarily driven by a weaker topline and increased cash costs, due to the combined effects of higher sales volumes, lower coal production costs, fuel costs, and replacement power purchases.

Additionally, the net income margin narrowed from 43% to 33% due to higher tax provisions and reduced other and net finance income, although this was partially cushioned by lower depreciation and amortization. No nonrecurring items were recorded during the period.

To further explain the company's results, below is a discussion of the financial and operating performance of its coal and power segments:

Coal

Standalone revenues decreased by 32%, from Php 18.82 billion to Php 12.81 billion, due to weaker selling prices, cushioned by higher sales volume. Meanwhile, core EBITDA decreased by 45%, from Php 8.93 billion to Php 4.90 billion, due to a slower decline in cash costs (-6%).

Reported net income posted a sharper decline (-53%), from Php 7.94 billion to Php 3.73 billion, largely the result of lower revenues, a slight reduction in direct costs (cash component of COS) and higher operating expenses.

Net of intercompany eliminations, net income decreased by 54%, from Php 6.89 billion to Php 3.14 billion. The power segment's efficient coal blending and reduced gross margin, driven by lower selling prices, led to a 43% decrease in eliminating entries, from Php 1.05 billion to Php 593 million.

Eliminating entries represent gross margins from intercompany transactions between the coal and power segments.

To further explain the segment's results:

- **Uptick in sales volume.** Total coal shipments rose by 2% from 4.5 million metric tons (MMT) to 4.6 MMT on stronger domestic demand.

Domestic shipments accelerated by 16%, from 1.9 MMT to 2.2 MMT, largely due to higher internal consumption. Sales to own plants grew by 25%, from 0.8 MMT to 1.0 MMT, driven by improved average capacity and generation.

External domestic sales increased by 7%, from 1.1 MMT to 1.2 MMT, boosted by sales to cement and industrial plants.

Foreign shipments decreased by 8%, from 2.6 MMT to 2.4 MMT, mostly due to a 90% drop in deliveries to South Korea, from 1.0 MMT to 0.1 MMT, caused by high sulfur content in some commercial-grade coal. This decline was partially offset by a 64% increase in shipments to China, which rose from 1.4 MMT to 2.3 MMT.

China accounted for 95% of total export sales, followed by South Korea (3%) and Brunei (2%).

Year-to-date, total shipments reached 9.4 MMT, the highest ever for the first half (H1) period. This represents an 18% jump from 8.0 MMT last year, fueled by stronger exports and increased domestic demand.

- **Stabilizing prices.** The average selling price (ASP) of Semirara coal dropped by 33%, from Php 4,151 per metric ton (MT) to Php 2,780 per MT, due to stabilizing market indices and growing demand for non-commercial grade coal.

Market indices have converged due to the stabilization of global supply chains. Both the average Newcastle Index (NEWC) and Indonesian Coal Index 4 (ICI4) decreased by 16%.

Average NEWC declined from US\$160.7 to US\$135.6, while ICI4 dropped from US\$65.1 to US\$55.0. Quarter-over-quarter, NEWC rose by 8% from US\$125.8, while ICI4 fell by 4% from US\$57.2.

The ASP decline is largely due to a 167% increase in shipments of lower-priced non-commercial grade coal, which rose from 0.6 MMT to 1.6 MMT. This coal variant accounted for 13% of total quarterly sales volume in 2023 versus 35% in 2024.

Demand for non-commercial grade coal increased due to efficient coal blending in the power segment, along with robust demand from several Chinese power plants.

- **Slim but strong margins.** Core EBITDA margin decreased from 47% to 38%, and the standalone net income margin declined from 42% to 29%, primarily due to a weaker topline, increased operating expenses and net foreign exchange losses.

Total cash costs decreased by 20%, from Php 9.89 billion to Php 7.91 billion, a slower rate than the 32% decline in topline revenue. This was due to a combination of a slight reduction in the cash component of the cost of sales (COS), higher operating expenses, and a reduced government share.

The cash component of COS declined by 6%, from Php 6.45 billion to Php 6.04 billion, mainly due to increased coal production and higher coal production cost per MT in Q2 2023.

Operating expenses increased by 17%, from P125 million to Php 146 million, driven by ICT-related expenses and office renovation costs. Meanwhile, government share dropped by 48%, from Php 3.32 billion to Php 1.73 billion, due to a weaker topline and increased total coal production costs.

- **Lower noncash costs.** Depreciation and amortization expenses contracted by 12%, from Php 1.26 billion to Php 1.11 billion, due to lower production cost on a per unit basis.
- **Net foreign exchange (forex) loss.** Net forex loss stood at Php 74 million, from Php 165 million net forex gain last year, due to lower export sales and higher import payments for refueling activities.
- **Reduced net finance income.** Net finance income declined by 37%, from Php 139 million to Php 87 million, due to lower cash balances following dividend payments and reduced loans payable.

The coal segment also reported the following highlights:

- **Strong production recovery.** Coal production surged by 73%, from 3.0 MMT to 5.2 MMT, primarily due to lower rainfall levels (640.7 mm compared to 817.6 mm in 2023) and the near depletion of Molave mine last year, which created a low base effect.

For 2024, full-year strip ratio is expected to fall by 5%, from 13.2 to 12.3, as operations will only be in Narra mine.

From January to June, total production reached 10.2 MMT, 12% higher than the 9.1 MMT produced last year and the highest ever for this period.

- **Lower inventory.** Total coal inventory stood at 2.4 MMT, a 14% decline from 2.8 MMT last year. Meanwhile, commercial grade coal contracted by 25% from 1.6 MMT to 1.2 MMT.

Amid record-setting first half production and sales, ending coal inventory decreased by 14%, from 2.8 MMT to 2.4 MMT. Of this, 1.2 MMT are commercial-grade coal, 24% lower than last year's 1.6 MMT.

Power

Standalone revenues from the power segment remained largely unchanged, increasing by 1% from Php 6.82 billion to Php 6.86 billion, as lower ASP offset improved generation and sales.

Total cash costs decreased by 3%, from Php 3.28 billion to Php 3.19 billion, due to lower generation costs and replacement power purchase, although this was tempered by higher operating expenses from increased taxes, insurance and maintenance costs.

As a result, core EBITDA margin slightly increased from 52% to 53%, while the standalone net income margin improved from 32% to 34%. This improvement was mainly due to the following:

In Php Millions	2024	2023	Change
Depreciation and Amortization	714	708	1%
Other Income	101	117	-14%
Net Finance Income	18	(28)	164%
Tax Expense Provisions	773	740	4%

Net of intercompany eliminations, reported net income decreased by 11%, from Php 3.28 billion to Php 2.91 billion, due to lower eliminating entries resulting from efficient coal blending, reduced fuel costs and narrower coal segment margins. No nonrecurring items were recorded during either period.

The segment's financial results are attributable to the following:

- **Higher average capacity.** Total average capacity during running days increased by 17%, from 685 MW to 801 MW, due to the restoration of SCPC Unit 2's dependable capacity to 300 MW on May 27, along with reduced deration in SLPGC plants.
- **Uptick in plant availability.** Overall plant availability slightly improved from 80% to 81% on fewer outage days (69 days vs 74 days).

SCPC plant availability deteriorated from 84% to 71%, largely due to the commencement of Unit 2's 77-day planned maintenance activities on March 6. This led to an increase in SCPC's total outage days from 29 to 53.

Meanwhile, SLPGC plant availability dramatically improved from 75% to 91%, as outage days dropped from 45 to 16.

- **Better generation and sales.** The double-digit improvement in average capacity and the increase in average plant availability led to a 12% rise in gross generation, from 1,212 GWh to 1,352 GWh, largely driven by SLPGC.

Correspondingly, total power sales expanded by 12%, from 1,097 GWh to 1,228 GWh. While majority (59%) of total power sales were directed to the spot market, bulk (94%) of the growth (131 GWh) came from BCQ sales due to higher contracted capacity.

- **Growth in BCQ sales.** Sales to the spot market rose by 1%, from 720 GWh to 728 GWh, as the segment secured more bilateral contracts (BCQ) for additional average capacity.

Net of variable station service, initial exposure to the spot market declined by 12%, from 471.90 MW at the end of March 2023 to 413.1 MW at the end of March 2024.

Conversely, BCQ sales jumped by 33%, from 377 GWh to 500 GWh, due to higher contracted capacity. The initial contracted capacity expanded by 26%, from 188.70 MW at the end of March 2023 to 238.2 MW at the end of March 2024.

Station service refers to the electricity produced by the plant that is used within the facility to power lights, motors, control systems, and other auxiliary electrical loads necessary for plant operation.

- **Stabilizing prices.** Overall ASP decreased by 10%, from Php 6.22/kWh to Php 5.58/kWh, primarily due to a 12% decline in spot market ASP, which fell from Php 7.11/kWh to Php 6.25/kWh, and generally lower fuel costs for baseload plants.

However, the higher BCQ ASP and increased proportion of BCQ sales (rising from 34% to 41%) provided some relief. The BCQ ASP increased by 2%, from Php 4.52/kWh to Php 4.62/kWh, following the negotiation of new contracts with more favorable terms over the past twelve months.

- **More contracted and dependable capacity.** As of June 30, 2024, over a third (33% or 274.4 MW) of total dependable capacity (840 MW) has been contracted, with approximately 9% of this contracted capacity including a fuel pass-through provision.

Quarter-over-quarter, dependable capacity increased by 18%, from 710 MW to 840 MW, following the synchronization of SCPC Unit 2 after a 77-day planned maintenance, restoring its dependable capacity to 300 MW from 170 MW.

Majority (62%) of the total contracted capacity is under SCPC, aligning with Management's guidance to contract approximately half of the dependable capacity. Additionally, 84% of the contracted capacity is set to expire within the year, with the remainder expiring from 2030 onwards.

Excluding station service requirements (84 MW), which vary periodically, the segment has 481.60 MW available for spot sales.

- **Minimal spot purchases.** Total spot purchases plunged by 72%, from Php 47 million to Php 13 million, due to increased plant availability, average capacity and strategic contracting of capacity.

The power segment was a net seller to the spot market by 726 GWh (vs 715 GWh in Q2 2023).

II. DMCI Project Developers Inc. (DMCI Homes)

Starting in 2024, DMCI Homes has implemented changes in line with PFRS 15 (paragraphs 60 to 65) concerning the treatment of financing costs. Previously, finance costs associated with accounts pending recognition were capitalized. Under the new treatment, these finance costs are now expensed directly in the income statement. The 2023 figures (both consolidated and standalone) in this discussion have been restated to facilitate a direct comparison of the operating and financial results.

The real estate business reported Php 737 million in net income contribution, down by 41% from Php 1.26 billion last year. This decline was largely attributed to lower real estate revenues and higher operating expenses, which were partially offset by increased contributions from construction revenues from joint venture projects, rentals and forfeitures.

At the standalone level, the company's net income declined by 38%, from Php 1.28 billion to Php 791 million, with the net income margin slightly increasing from 22% to 23%.

Meanwhile, core EBITDA contracted by 54%, falling from Php 1.49 billion to Php 681 million, resulting in a reduced EBITDA margin from 25% to 20%. No nonrecurring items were recorded during the period.

The following provides additional details on the financial performance of DMCI Homes:

- **Weaker revenues.** Total revenues declined by 41%, from Php 5.89 billion to Php 3.46 billion, owing to a significant drop in real estate revenue, which was partially offset by increased contract revenues from joint venture projects and steady contributions from property management, hotel operations and elevator maintenance.

Real estate revenues decreased by 44%, from Php 5.73 billion to Php 3.19 billion. This decline resulted from lower recognition of ongoing projects, fewer new projects qualifying for revenue recognition, and increased reversals because of sales cancellations. These factors were primarily attributable to slower sales and a surge in cancellations during the pandemic (2020-2021), along with lower construction output following the completion of several projects.

To further explain, revenues from ongoing projects (net of cancellations) fell to 50% of total revenues, compared to 64% last year. Newly recognized projects grew to 78% of total revenues (versus 48% last year), largely due to the overall decrease in total revenues.

Reversals from sales cancellations increased by 40%, from Php 881 million to Php 1.24 billion, as more projects reached turnover stage this year. This reflects the reversal of previously recognized revenue, attributable to cancellations that occurred after units were

ready for delivery. These cancellations were mainly the result of changes in the buyers' financial circumstances and challenges in securing financing.

As a background, real estate revenues are recognized based on construction progress, provided the customer account meets the collection threshold. DMCI Homes has a 14.5% collection threshold (higher than the industry standard of 10%), which typically takes 4 to 5 years before revenue recognition begins. Additionally, extended down payment schemes resulted in fewer new projects qualifying for revenue recognition.

The top revenue contributors from ongoing projects include Allegra Garden Place (2019), Alder Residences (2020), Aston Residences (2018), Kai Garden Residences (2017) and Satori Residences (2018).

Newly recognized projects contributing the most revenue were Allegra Garden Place (2019), Alder Residences (2020), Satori Residences (2018), Kai Garden Residences (2017), and Cameron Residences (2019).

Contract revenues from joint venture projects more than doubled (162%), from Php 68 million to Php 178 million, on the back of increased construction progress.

Revenues from property management, hotel operations, and elevator maintenance remained at Php 92 million for both periods.

- **Thinner core EBITDA margins.** Core EBITDA declined by 54%, from Php 1.49 billion to Php 681 million, on topline weakness. This resulted in a narrower EBITDA margin, which contracted from 25% to 20%.

Total cash costs decreased at a slower rate than revenue (37% vs. 41%), falling from Php 4.40 billion to Php 2.78 billion. The slower decline was due to a 20% increase in operating expenses, from Php 589 million to Php 709 million, because of higher business permit payments and personnel costs.

Cost of sales (COS) decreased by 46%, from Php 3.81 billion to Php 2.07 billion, reflecting a decline in construction activity and fewer projects reaching the threshold for revenue recognition.

- **Better net margins.** Partially offsetting the weakness in EBITDA margin, net income margin slightly expanded from 22% to 23%, mostly the result of higher other income.

Other income surged by 36%, from Php 592 million to Php 808 million, driven by income from forfeitures and rentals (mostly from the rent-to-own program).

Net finance costs (net of finance income) decreased by 3%, from Php 327 million to Php 318 million, because of higher interest earnings from in-house financing and lower debt payable.

Meanwhile, the provision for income taxes dropped by 21%, from Php 431 million to Php 342 million, owing to lower taxable income and the expensing of financing costs (in accordance with IFRS 15).

DMCI Homes also reported the following operational highlights:

- **Higher sales and reservations.** Total units sold (including residential units and parking slots) increased by 33%, from 1,289 to 1,718, owing to strong sales take-up of residential units in Moncello Crest (2024), Solmera Coast (2023) and The Valeron Tower (2024), as well as low-base effect given the absence of project launches during the same period last year.

Sales of residential units expanded by 77%, from 711 to 1,260. In contrast, sales of parking units declined by 21%, from 578 to 458, largely due to the unavailability of parking slots in the Moncello Crest and Solmera Coast projects.

The top projects with the most units sold during the period were Moncello Crest (MCC), The Oriana (ORI), The Valeron Tower (VAL), Solmera Coast (SLC) and Allegra Garden Place (2019). As of the end of June, 94% of the total launched units in SLC had already been sold.

- **Better selling prices.** Average selling price (ASP) per unit grew by 8%, from Php 6.92 million to Php 7.45 million, driven by strong sales take-up in SLC, VAL and ORI, which are being sold at higher prices. Additionally, ASP per square meter soared by 20%, from Php 130,000 to Php 156,000.

This significant increase was due to the top projects being offered in different product formats and prime locations, including a mountain resort condotel in Benguet (MCC), beachfront condotel in San Juan, Batangas (SLC), a prime location in Pasig (VAL), and a transit-oriented development in Quezon City (ORI).

- **Sales value surge.** Total sales value rallied by 82%, from Php 5.37 billion to Php 9.76 billion, on combined effect of higher ASP and units sold.
- **Rising cancellations amid project turnovers.** Sales cancellations for residential units awaiting revenue recognition (those below the 14.5% threshold) increased to 21%, up slightly from 20% last year.

Quarter-over-quarter, sales cancellations rose significantly from 13% to 21%, mainly due to less residential units sold in the previous quarters. Year-on-year, Q2 cancellation rate was roughly the same.

2023				2024	
Q1	Q2	Q3	Q4	Q1	Q2
11%	20%	11%	13%	13%	21%

From January to June, units from seven projects were delivered to customers with full down payment, compared to five projects last year.

- **Increased unbooked revenues.** Unbooked revenues swelled by 18%, from Php 67.80 billion to Php 80.20 billion, on the back of robust sales over the past year. Trailing 12-months (Q3 2023 to Q2 2024) sales value reached Php 40.53 billion, higher by 17% year-on-year from Php 34.77 (Q3 2022 to Q2 2023).

Unbooked revenues, while still below pre-pandemic levels, reached their highest point since 2020.

- **Higher inventory.** Total inventory expanded by 20%, from Php 64.20 billion to Php 77.00 billion, buoyed by double-digit growths in pre-selling and ready-for-occupancy (RFO) units. Bulk (74%) of total inventory were pre-selling units, which include residential and parking.

Pre-selling inventory surged by 22%, from Php 46.90 billion to Php 57.00 billion, following the launch of Mulberry Place 2, The Valeron Tower and Moncello Crest. Solmera Coast and Anissa Heights are nearing sellout, with only 6% and 3% of units remaining, respectively.

RFO inventory grew by 16%, from Php 17.30 billion to Php 20.00 billion, with the completion of Alder Residences, The Atherton, Satori Residences, The Orabella, Fairlane Residences, Prisma Residences and Kai Garden.

- **Ample land bank.** Total land bank decreased by 13%, from 221.0 hectares to 192.1 hectares, over the past twelve months following the launch of Solmera Coast in Luzon, the transfer of a 4-hectare property for development in Luzon, the sale of undeveloped land in Metro Manila, and minor land acquisitions in Visayas.

Metro Manila currently accounts for the majority of the land bank (58%), followed by Luzon (37%), Visayas (3%), and Mindanao (2%).

- **Lower CAPEX.** Quarterly capital expenditure (CAPEX) decreased by 6%, from Php 3.66 billion to Php 3.43 billion, on account of timing differences.

For the first half of the year, CAPEX dipped by 2% to Php 7.71 billion, compared to Php 7.90 billion in the previous year. Majority (52%) of the full-year 2024 CAPEX budget (Php 16.11 billion) is projected to be spent in the second half of the year.

- **Healthy financial position.** Compared to December 2023, net debt improved by 9%, decreasing from Php 33.02 billion to Php 30.03 billion. This improvement is primarily attributed to a 46% increase in total cash (from Php 4.36 billion to Php 6.34 billion) following increased project turnovers (from seven to 5 projects) and a 3% reduction in loans payable on regular amortization and maturity of Php 1.3 billion corporate notes (from Php 37.37 billion to Php 36.39 billion).

While improved operating cash flow contributed to this decrease, the impact was partially offset by cash investments in DMCI MC Property Ventures (Php 1.64 billion), capital expenditures (Php 7.59 billion), and dividend payments to the parent company (Php 500 million).

As a result, the net debt-to-equity ratio improved from 1.15x to 1.03x. The interest coverage ratio, although slightly lower than before, remains healthy at 2.88x (compared to 4.24x previously).

III. Maynilad Water Services, Inc. (Maynilad)

Reported net income contribution from associate Maynilad surged by 59%, from Php 462 million to Php 735 million, on the back of increased billed volume, higher average effective tariff and slower growth in cash, noncash and finance costs.

Excluding nonrecurring items, core net income contribution swelled by 54%, from Php 474 million to Php 732 million. 2024 nonrecurring item pertains to net foreign exchange gain (Php 2 million), while 2023 nonrecurring loss (Php 13 million) was largely due to donations, net forex loss and other miscellaneous losses.

At the standalone level, reported net income jumped by 36%, from Php 2.18 billion to Php 2.96 billion. Excluding nonrecurring items, core net income expanded by 32%, from Php 2.23 billion to Php 2.95 billion.

To further explain the quarterly performance of Maynilad:

- **Higher revenues.** Total revenues increased by 19%, from Php 7.09 billion to Php 8.41 billion, fueled by higher billed volume, adjusted tariffs, and re-opening fees for previously disconnected services.
- **Slower growth in costs.** Total cash costs increased by 10%, from Php 2.55 billion to Php 2.82 billion, due to higher expenses for light, power, chemicals and personnel, partially offset by reduced cross-border water purchases.

Total noncash costs grew by 15% from Php 754 million to Php 864 million on the combined effect of additional capex projects completed during the year and increased amortization of the concession asset.

Other income reversed from a Php150 million expense to a Php 5 million income, primarily attributable to the reversal of provisions in 2023 and the recovery of written-off accounts in 2024.

- **Improved margins.** Core EBITDA increased by 29% to Php 5.62 billion, driven by higher revenues and slower growth in cash costs. This resulted in improved EBITDA margins of 67% (up from 61%) and net income margins of 35% (up from 31%).
- **Lower finance costs.** Net finance cost (net of finance income) fell by 17%, from Php 643 million to Php 536 million, primarily due to the capitalization of finance costs amid increased capital expenditures and a 13% growth in loans payable from Php 61.80 billion (as of December 2023) to Php 70.07 billion.
- **Higher income tax provisions.** Higher taxable income resulted to a 75-percent surge in income tax provisions, from Php 724 million to Php 1.27 billion.
- **Increased billed volume.** Billed volume grew by 3%, from 137.5 million cubic meters (MCM) to 141.9 MCM, exceeding the pre-pandemic level of 139.2 MCM (Q2 2019) by 2%.

Higher demand from non-domestic customers and additional water service connections (+14,877) accounted for the growth.

In line with billed volume growth, consumption per connection increased by 3% from 0.96 cubic meter per day (cu.m.) to 0.99 cu.m.

- **Better customer mix.** Customer mix shifted slightly more towards non-domestic users, with their billed volume increasing from 18.2% to 18.3%. Conversely, the share of billed volume from domestic customers decreased from 81.8% to 81.7%.
- **Adjusted tariff.** Average effective tariff improved by 21%, from Php 48.55 to Php 58.55, following the staggered implementation (second tranche) of the Metropolitan Waterworks and Sewerage System (MWSS) – approved basic rate adjustment effective January 1, 2024.

The company also reported the following highlights:

- **Dip in water production.** Total water production decreased by 1%, from 194.8 million cubic meters (MCM) to 193.0 MCM, due to lower raw water supply from Angat Dam and reduced cross-border purchases.

Operating the 150 MLD Poblacion Treatment Plant at full capacity, along with other aggressive water augmentation initiatives (i.e., increased extraction from deep wells and activation of Anabu and Laguna Lake Nanostone modular plants), helped mitigate the impact of the reduced raw water and cross-border supply.

- **Reduced water losses.** Average non-revenue water (NRW) improved by 10%, from 29.4% to 26.5%. Meanwhile, end-of-period NRW is likewise better by 14%, from 30.2% to 26.5%.

The declines were largely due to increased water demand, reduced water production and the company's ongoing NRW-reduction initiatives.

- **Expanding coverage and availability.** Water service connections (WSCs) increased by 1%, from 1,528,269 to 1,542,045, driven by rising demand and population growth. Meanwhile, 24-hour water availability improved from 94.7% to 95.3%, due to reduced water losses.

Water service coverage remained steady at 94.7% for both periods, while served population grew by 1%, from 10.3 million to 10.4 million.

Sewer service coverage continued to expand, accelerating from 25.7% to 31.0%, marking an all-time high for the company. This rapid expansion is highlighted by a 22% increase in the served population, from 2.6 million to 3.2 million, as a result of the company's ongoing aggressive infrastructure investments.

IV. DMCI Power Corporation (DMCI Power)

Net income contribution from the off-grid energy business soared to Php 355 million, marking the highest for any given quarter, and representing a 54% increase from Php 231 million last year. The impressive growth is mainly attributable to double-digit increases in power dispatch and lower direct costs as some plants operated on more affordable fuel.

At the standalone level, net income rose by 54%, from Php 231 million to Php 354 million. Core EBITDA increased by 41%, from Php 385 million to Php 541 million, with margins improving from 19% to 25%. No nonrecurring items were recorded for either period.

The following details provide further explanation of DMCI Power's results:

- **Higher Revenues.** Total revenues increased by 5%, from Php 2.06 billion to Php 2.16 billion, because of higher generation and sales volume amid declining selling prices.
- **Increased Generation.** Overall gross generation increased by 13%, rising from 132.0 GWh to 149.7 GWh, driven by double-digit growth across all service areas.

Palawan recorded the highest growth with an 18% increase, from 55.3 GWh to 65.3 GWh, while Masbate posted a 10% upturn, from 46.0 GWh to 50.8 GWh. Oriental Mindoro also improved by 10%, increasing from 30.6 GWh to 33.6 GWh.

- **More Sales.** Total energy sales volume increased by 10%, from 126.3 GWh to 138.8 GWh, on strong organic growth in all service areas, together with the execution of emergency power supply agreements (EPSAs) in Palawan and Oriental Mindoro. EPSAs accounted for 13% of total sales.

Palawan remained the top market, accounting for 43% of total sales, followed by Masbate (34%) and Oriental Mindoro (23%).

Sales in Masbate grew the fastest, increasing by 12% from 41.4 GWh to 46.6 GWh. Sales in Palawan rose by 8%, from 55.3 GWh to 59.8 GWh, and sales in Oriental Mindoro surged by 10%, from 29.5 GWh to 32.4 GWh, boosted by EPSA sales.

In terms of fuel type, coal plants generated 41% of the total dispatch, while diesel and bunker fuels each accounted for 29%.

- **Stabilizing selling prices.** Average selling prices (ASP) decreased by 5%, from Php 16.3/KWh to Php 15.5/KWh, primarily due to lower fuel costs in the thermal plants. The activation of the 15MW Palawan thermal plant on August 15, which charges a lower tariff, also contributed to the ASP decline.

Coal expenses dropped by 44%, from Php 8.4 per kg to Php 4.7 per kg, while diesel costs remained relatively stable, decreasing slightly by 1% from Php 53.6 to Php 53.3 per liter. In contrast, bunker costs increased by 12%, from Php 44.4 to Php 49.8 per liter, due to geopolitical tensions in the Red Sea.

- **Lower cash costs.** Despite increased energy sales, total cash costs decreased by 4%, from Php 1.68 billion to Php 1.60 billion, due to lower fuel costs as power sales predominantly came from thermal plants.

Sales from thermal plants expanded by 2.5x, from 22.5 GWh to 57.4 GWh. Meanwhile, sales from diesel and bunker plants contracted by 27% and 16%, respectively, with diesel sales

decreasing from 55.5 GWh to 40.7 GWh and bunker sales declining from 48.3 GWh to 40.7 GWh.

- **Increased noncash items and finance costs.** Depreciation and amortization soared by 34%, from Php 84 million to Php 112 million, because of the August 15 activation of the 15MW Palawan thermal plant.

Net finance costs (net of finance income) increased 2.3x, from Php 23 million to Php 53 million. This growth was driven by higher average finance cost (interest rate), which rose from 7.03% to 7.29%. However, this increase was partially offset by a reduction in loans payable, which decreased from Php 5.10 billion in June 2023 to Php 4.60 billion in June 2024.

- **Reduced tax provision.** Provision for income taxes more than halved (-55%) from Php 48 million to Php 21 million with the application of income tax holidays (ITH) for the Masbate thermal and hybrid diesel plants and the Palawan 15MW thermal plant.

The ITH for the Masbate thermal plant will expire in September 2024 while the 8MW hybrid diesel plant's six-year ITH will last until January 2029. Meanwhile, the Palawan thermal plant has a four-year ITH that will expire in July 2027.

The company also reported the following highlights:

- **Flattish installed capacity.** Total installed capacity remained at 159.8 MW at the end of both periods. The 15 MW thermal plant in Palawan synchronized with the Palawan grid on June 26, 2023, and began supplying reliable electricity to the local community on August 15, 2023.
- **Reduced market share.** Palawan market share decreased from 55.1% to 52.0% due to constrained diesel plant operations. Similarly, Oriental Mindoro's market share narrowed from 27.2% to 23.8% due to higher availability of renewable and conventional plants in the area. The company continues to be the sole power provider in Masbate.

Despite the reduced market shares, power sales increased across all areas due to overall growing demand.

- **Healthier financial position.** Net debt-to-equity ratio improved from 105% at the end of December 2023 to 90% at the end of June 2024, owing to lower total debt and a higher equity book value. Loans payable decreased slightly (-2%), from Php 4.67 billion to Php 4.60 billion, while cash levels remained relatively stable, rising by 1% from Php 214 million to Php 216 million.

Total equity book value expanded by 14%, from Php 4.26 billion to Php 4.86 billion, due to growth in retained earnings following strong operating and financial performance.

- **Minimal capital expenditures.** Capital investments contracted by 12%, from Php 431 million to Php 381 million, as bulk of the expenditures for the Semirara wind project and expansionary plants in Palawan and Masbate, were deferred to the second semester.

Second quarter capex were mostly (60%) used for plant maintenance activities, while the rest were spent on the Palawan bunker and Semirara wind plants.

V. D.M. Consunji, Inc. (DMCI)

Net income contribution from the construction business surged by 73%, from Php 139 million to Php 240 million, primarily due to lower cash and noncash costs, reduced tax provisions, and higher finance income.

At the standalone level, reported net income grew by 25%, from Php 216 million to Php 269 million, while core EBITDA decreased by 11%, from Php 439 million to Php 392 million.

Excluding nonrecurring items, core net income increased by 34%, from Php 201 million to Php 269 million. No nonrecurring items were recorded in 2024, while the company recognized a Php 15 million gain from equipment sales in 2023.

To provide a more detailed explanation of DMCI's results:

- **Lower topline.** Total revenues receded by 14%, from Php 4.21 billion to Php 3.62 billion, as project delays and fewer ongoing projects reduced construction activity.

Majority (65%) of the revenues came from the Building unit, followed by Joint Ventures (JV) and billables (19%), the Infrastructure unit (9%), and Allied services (6%).

Contribution from the Building unit, which includes buildings, energy, plant, and utilities projects, declined by 6%, from Php 2.51 billion to Php 2.35 billion, due to lower construction accomplishments amid project delays.

Meanwhile, the Infrastructure unit's contribution fell by 54%, from Php 747 million to Php 343 million, due to fewer ongoing projects and the completion of key projects.

Revenues from JV and billables advanced by 37%, from Php 509 million to Php 699 million, on account of higher recognitions from the North South Commuter Railway Project Contract Package 01 (with Taisei Corporation) and the commencement of recognitions from the Metro Manila Subway Project Contract Package 102 (with Nishimatsu Construction) and the South Commuter Railway Project Contract Package S02 (with Acciona Construction Philippines). Both JV projects were consolidated into the company's financial statements effective Q2 2023 and Q4 2023, respectively.

Revenues from Allied Services decreased by 50%, from Php 447 million to Php 225 million, on fewer ongoing third-party projects.

- **Better margins.** Total cash costs declined by 15%, from Php 3.77 billion to Php 3.22 billion, due to the slowdown in construction activity and reduced operating expenses.

The cash component of the cost of sales (COS) fell by 14%, from Php 3.64 billion to Php 3.12 billion, while operating expenses decreased by 17%, from Php 127 million to Php 105 million, mainly the result of lower repairs and maintenance and earlier payment of software subscriptions in Q1 2024

Noncash items dropped by 18%, from Php 170 million to Php 139 million, on reduced capital spending following fewer project requirements. Meanwhile, other income grew thirteenfold, from Php 3 million to Php 40 million, driven by increased management fees.

Net finance cost shifted from Php 6 million to a net finance gain of Php 33 million, with the absence of debt payable (reduced from Php 611 million to Php 0).

Provisions for income tax decreased by 13%, from Php 65 million to Php 57 million, due to lower taxable income.

Consequently, EBITDA and net income margins improved to 11% and 7%, respectively, up from 10% and 5%.

The company also reported the following operational and financial highlights for the periods ending June 30, 2024, and December 31, 2023:

- **Lighter order book.** Total order book edged lower (-2%), from Php 41.9 billion (December 2023) to Php 41.0 billion (June 2024), as construction demand remained sluggish. Newly awarded projects totaling Php 4.6 billion and change orders amounting to Php 0.9 billion partially offset the Php 6.4 billion in booked revenues.

New projects awarded in H1 2024 include Segment 3B of the C5 Link Expressway Project for CAVITEX Infrastructure Corporation, the De La Salle Medical and Health Sciences Institute Academic Complex, the Design and Build of Long Point Causeway for Berong Nickel Corporation, and a 16MW bunker-fired power plant for DMCI Power.

- **Marginal capital expenditures.** Quarterly capex surged by 208%, from Php 10 million to Php 31 million, following the acquisition of a construction equipment for new projects.
- **Net cash position.** Total cash balance dropped by 26%, from Php 4.55 billion to Php 3.38 billion, following a Php 700 million cash dividend payment to the parent company. Despite the cash outflow, the company retained its net cash position and debt-free status (since December 31, 2023). Consequently, the net debt-to-equity ratio improved to 42%, down from 60% as of December 31, 2023.

Meanwhile, equity book value (including share in joint venture projects) expanded by 6%, from Php 7.57 billion to Php 7.99 billion, on the back of higher retained earnings.

VI. DMCI Mining Corporation (DMCI Mining)

Net of eliminating entries, the nickel business swung to a Php 43 million net loss from Php 250 million in income last year, as a result of weak market prices, reduced shipments and costs incurred at the Palawan mine.

At the standalone level, net income plunged from Php 245 million to a net loss of Php 54 million. Core EBITDA fell by 93%, from Php 530 million to Php 38 million. No nonrecurring items were recorded in either period.

The following explains in detail the standalone performance of DMCI Mining:

- **Weaker revenues.** Total revenues plunged by 60%, from Php 1.08 billion to Php 437 million, due to cooling index prices, lower average nickel grade sold and reduced shipments.
- **Elevated cash costs.** Total cash costs dropped by 27% to Php 399 million from Php 550 million, lagging behind the topline decline. The reduction was largely due to a 35% decrease in the cost of sales, which fell from Php 317 million to Php 206 million, following a shift in the methodology for calculating ship loading costs from time-based to weight-based.

Operating expenses fell by 17%, from Php 233 million to Php 193 million, because of lower excise taxes amid decreased shipments. However, expenses remained elevated due to commitments to the environmental, social development and management program (SDMP) and the costs associated with setting up new mines for Berong Nickel Corporation in Palawan.

As a result, the core EBITDA margin narrowed significantly from 49% to 9%.

- **Reduced noncash costs.** Depreciation and amortization fell by 57%, from Php 220 million to Php 95 million, on the combined effect of lower shipments and increased depreciation from the acquisition of additional mining equipment.

The company also reported the following operational and financial highlights:

- **Reduced production.** Total production dropped by 37%, from 523,000 wet metric tons (WMT) to 323,000 WMT, as a result of permit delays and the near-depletion of its sole operating mine.
- **Lower shipments and stockpile.** Total ending inventory fell by 11%, from 131,000 WMT to 116,000 WMT, on lower production and a 14% reduction in ZDMC's stockpile to 95,000 WMT from 110,000 WMT. BNC's stockpile remained at 21,000 WMT.

Meanwhile, total shipments dropped 34% to 322,000 WMT from 487,000 WMT, due to reduced demand from China for Philippine nickel ore amid global oversupply.

- **Anemic selling prices.** Average selling price (ASP) more than halved (-53%) from US\$ 49/WMT to US\$23/WMT on weak market indices and sale of lower-grade nickel.

Average nickel grade sold slipped by 3%, from 1.35% to 1.31%, reflecting management's strategy to hold higher-grade nickel amid depressed global prices.

Average LME Nickel price retreated by 18%, from US\$ 22,393/ton to US\$ 18,401/ton, while the Philippine FOB price for 1.30% grade corrected by 14%, from US\$ 21/WMT to US\$ 18/WMT.

Quarter-over-quarter, both indices exhibited reduced volatility. The average LME nickel price rebounded by 10% to US\$16,610/ton from Q1 2024, buoyed by a weakening US dollar and

supply disruption concerns in Europe. Conversely, Philippine FOB prices (1.30% grade) dropped 5% to US\$19/WMT due to Indonesian oversupply.

- **Healthy financial position.** As of June 30, 2024, net debt-to-equity ratio remained healthy at 0.1% (versus -12.3% net cash as of December 31, 2023), as cash balance almost equaled loans payable (Php 646 million vs Php 650 million).

Total cash balance dropped by 24%, from Php 853 million to Php 646 million, following a Php 550 million dividend payment to the parent company and Php 209 million in capital spending, partially offset by Php 300 million in new loans.

Consequently, loans payable increased by 86%, from Php 350 million to Php 650 million, to fund capital expenditures for new mine development.

- **Increased capital expenditures.** Committed capital spending surged by 125%, from Php 83 million to Php 187 million, largely due to Palawan exploration activities, the expansion of the BNC and ZCMC fleets, and the construction of a Palawan port.

CAPEX

Total capital spending in the second quarter fell by 8%, from Php 10.6 billion to Php 9.8 billion, primarily due to the timing of Maynilad's infrastructure investments, which are concentrated in the second half of 2024.

Excluding Maynilad, DMCI group capex decreased by 2%, from Php 5.2 billion to Php 5.1 billion, as higher expenditures from SMPC and DMCI Mining offset reduced spending by DMCI Homes on ongoing project construction and equipment acquisition.

In the first half of the year, total capex slightly rose (3%) to Php 19.7 billion, with Maynilad (42%) and DMCI Homes (39%) accounting for most of the spending. Excluding Maynilad, DMCI group capex grew by 6% to Php 11.5 billion.

For the first semester, SMPC spent Php 3.2 billion for refueling, ongoing exploration and plant maintenance activities. Meanwhile, 67% of DMCI Power's capex was dedicated to developing the 16MW Palawan bunker, Semirara wind, and 8MW Masbate bunker plants.

DMCI Mining's capex for the first half was focused entirely on fleet expansion, exploration, and site development activities at pipeline mines in Zambales and Palawan. DMCI also invested Php 41 million in procuring equipment for a new project.

In Php billions	Q2 2024	Q2 2023	Change	H1 2024	H1 2023	Change
DMCI	0.0	0.0	0%	0.0	0.2	-100%
DMCI Homes	3.4	3.7	-8%	7.7	7.9	-3%
SMPC	1.4	1.3	8%	3.2	2.1	52%
DMCI Power	0.1	0.1	0%	0.4	0.4	0%

DMCI Mining	0.2	0.1	100%		0.2	0.2	0%
Maynilad	4.7	5.4	-13%%		8.2	8.4	-2%
Total	9.8	10.6	-8%		19.7	19.2	3%

For the full year 2024, total capex was revised downwards from the May 2024 guidance of Php 59.4 billion to Php 56.5 billion. This adjustment reflects reductions from DMCI Homes (-9%), SMPC (-9%), DMCI Power (-24%) and DMCI Mining (-36%). DMCI's capex forecast was adjusted by Php 0.1 billion, while Maynilad's projection remained unchanged.

In Php billions	2024F	2023	Change
DMCI	0.3	0.4	-25%
DMCI Homes	16.1	15.9	1%
SMPC	6.4	4.0	60%
DMCI Power	1.6	0.9	78%
DMCI Mining	0.7	0.3	133%
Maynilad	31.4	26.0	21%
Total	56.5	47.5	19%

For the remainder of the year, total capital expenditures are expected to hit Php 56.5 billion, with the bulk allocated to Maynilad. The company plans to invest Php 31.4 billion to meet its water and wastewater service obligations. This expenditure represents the largest capital investment by the company since the privatization of Metro Manila's water services in 1997.

Excluding Maynilad, 2024F group capex is projected to grow by 17%, from Php 21.5 billion to Php 25.1 billion. Majority (64%) of which is allocated for DMCI Homes, followed by SMPC (25%), DMCI Power (6%), DMCI Mining (3%) and DMCI (1%).

DMCI Homes has earmarked 91% of its capex forecast for the construction of ongoing and planned project launches, with the company targeting two additional project launches this year. The remaining budget is allocated for land banking activities and the acquisition of new construction equipment.

SMPC has allocated 73% of its budget for the coal segment's refueling and mine exploration activities, with the rest expected to be spent on the power segment's maintenance activities and acquisition of assurance spares.

DMCI Power has revised its 2024F capex downward from Php 2.1 billion to Php 1.6 billion, after deferring its spending for the 4MW Masbate solar plant to 2025, pending tariff approval from the Energy Regulatory Commission.

Outlook and Updates

The Philippines recorded moderate inflation in the first half of 2024, averaging 3.5% and falling comfortably within the Bangko Sentral ng Pilipinas' (BSP) target range of 2-4%. However, elevated electricity rates and food prices are projected to push July inflation between 4.0% and 4.8%.

This anticipated surge in inflation, compounded by the lagged effects and damages from Super Typhoon Carina on agricultural products, could delay the much-anticipated 25 bps rate cut by the BSP in August.

Adding to the complexity, the Philippine peso has weakened significantly against the US dollar, closing at Php 58.645 last July 30 compared to Php 55.37 at the end of 2023. This depreciation could increase the cost of imported goods, particularly operating equipment and construction materials.

These macroeconomic challenges present both risks and opportunities for the DMCI group:

DMCI is focusing on securing large-scale industrial and infrastructure projects to sustain its order book, while managing potential profit margin pressures through effective cost management and leveraging its strong cash position.

DMCI Homes plans to launch two projects in prime locations in the second half of the year to mitigate inflationary pressures. With interest rates set to taper soon, the company's high inventory is well-positioned to meet recovering residential demand.

SMPC's robust dollar earnings from coal exports and cost savings from fuel blending can help offset inflationary pressures. Strategic investments in coal exploration, plant reliability and brownfield power projects can also bolster its long-term growth prospects.

DMCI Power remains focused on the 17.7 MW Palawan Bunker plant (Q3 2024) and the 12 MW Semirara wind plant (Q1 2025), which will address growing energy demand from commercial and industrial customers in those areas.

DMCI Mining is securing permits for new mines in Zambales and Palawan to boost production and shipments. Despite global nickel oversupply, demand for mid-to-high-grade nickel ore is expected to recover, especially with notable demand from Indonesia.

Maynilad is prioritizing NRW reduction and meeting its 2024 service obligations, aided by the Poblacion facility and La Niña. While inflation and elevated interest rates pose a challenge, prudent spending and efficiency measures could mitigate their impacts.

Explanation of movement in consolidated income statement accounts:

Revenues

Consolidated revenues for the first half of 2024 declined by 21% from Php 70.0 billion to Php 55.5 billion due to lower commodity prices, coupled with fewer construction projects, lower percentage of completion (POC) and accounts qualifying for revenue recognition of real estate projects.

Cost of Sales and Services

Cost of sales and services during the period decline by 7% compared to the same period of last year primarily attributable to lower construction costs offset by higher production cost per unit sold of coal. This resulted to lower gross profit margin.

Operating Expenses

Government royalties for the period amounted to Php 3.8 billion, 42% lower from Php 6.5 billion last year as the coal business recorded lower profits. Excluding government royalties, operating expenses incurred during the first half of the year increased by 8% to Php 4.7 billion due mainly to higher repairs and maintenance, insurance, and advertising and marketing expenses.

Equity in Net Earnings

Equity in net earnings of associates increased by 40% as a result of higher income take up from Maynilad.

Finance Income

Consolidated finance income increased by 25% due mainly to higher amount of placements during the period with better interest rates.

Finance Cost

Consolidated finance costs slightly decreased by 2%, as net impact of loan payments and availment during the period.

Other Income-net

Other income increased by 74% due to the net forex gain as Philippine peso depreciated against the US dollar.

Provision for Income Tax

Income tax declined due to the lower taxable income by all the business units except the off-grid power business.

II. CONSOLIDATED FINANCIAL CONDITION

June 30, 2024 (Unaudited) vs December 31, 2023 (Audited)

The Company's total assets as of the period reached P243.0 billion, a 2% decrease from December 31, 2023. Meanwhile, consolidated total equity slightly is at par at Php 138.0 billion.

Consolidated cash decreased by 8% from Php 32.2 billion to Php 29.7 billion due to payment of dividend to shareholders.

Receivables slightly increased by 3% to Php 24.0 billion due mainly to the coal sales in the latter part of the period.

Contract assets (current and non-current) decreased by 11% to Php 26.7 billion due to lower construction accomplishments.

Consolidated inventories flat at Php 68.3 billion as higher project accomplishments of real estate segment is negated by lower coal inventory.

Other current assets decreased by 10% to Php 10.9 billion from Php 12.1 billion of last year due mainly to reclassification of deposits for investment to its appropriate investment account. Other current assets consist advances made to suppliers of fuel, spare parts and mining equipment and prepaid expenses.

Investments in associates and joint ventures increased to Php 21.9 billion from Php 19.1 billion of last year as a result of the net impact of the income take up and dividend received from Maynilad and additional investment to real estate joint ventures.

Property, plant and equipment stood at Php 52.4 billion from Php 53.7 billion as depreciation and depletion more than offset capital expenditures for the first half of the period.

Right-of-use assets decreased by 37% due to amortization.

Other noncurrent assets grew by 2% due mainly to higher refundable deposits and noncurrent prepayments.

Accounts and other payables decrease by 10% from Php 30.5 billion to Php 27.4 billion due to lower payable to government as a result of lower coal sales.

Contract liabilities (current and non-current) increased by 9% to Php 21.0 billion due to higher down payment from real estate customers.

From Php 49.5 billion, total debt (under short-term and long-term debt) stood at Php 46.6 billion on the back of the debt payment made by SMPC, DMCI Homes and DMCI Power and availment of DMCI Mining.

Liabilities for purchased land decreased by 13% as a result of payment of previously acquired land for development.

Deferred tax liabilities decreased by 9% on lower booked income compared to taxable income of real estate sales.

Consolidated retained earnings stood at Php 92.4 billion at the end of June 2024, 2% increase from the retained earnings of 2023 at Php 90.8 billion after generation of Php 11.1 billion net income and dividend declaration of Php 9.6 billion.

Non-controlling interest decrease by 4% as a result of the non-controlling share in net income reduced by dividends to non-controlling interest of SMPC.

III. KEY PERFORMANCE INDICATORS

The Company and its Subsidiaries (the “Group”) use the following key performance indicators to evaluate its performance:

- a) Segment Revenues
- b) Segment Net Income (after Noncontrolling Interests)
- c) Earnings Per Share
- d) Return on Common Equity
- e) Net Debt to Equity Ratio

SEGMENT REVENUES

<i>(in Php Millions)</i>	For the Period		Variance	
	2024	2023	Amount	%
Semirara Mining and Power Corporation	36,594	44,573	(7,979)	-18%
D.M. Consunji, Inc.	7,342	8,354	(1,012)	-12%
DMCI Homes	6,518	10,736	(4,218)	-39%
DMCI Power	3,855	3,779	76	2%
DMCI Mining	1,029	2,394	(1,365)	-57%
Parent and Others	179	153	26	17%
Total Revenues	55,517	69,989	(14,472)	-21%

The initial indicator of the Company's gross business results is seen in the movements in the different business segment revenues.

As shown above, consolidated revenues decreased by 21% as lower commodity prices offset the impact of higher commodity sales volume, coupled with softer real estate and construction sales.

CONSOLIDATED NET INCOME AFTER NON-CONTROLLING INTERESTS

<i>(in Php Millions)</i>	For the Period		Variance	
	2024	2023 As Restated*	Amount	%
Semirara Mining and Power Corporation	7,110	10,879	(3,769)	-35%
DMCI Homes	1,421	2,248	(827)	-37%
Maynilad	1,395	997	398	40%
DMCI Power	619	365	254	70%
D.M. Consunji, Inc.	338	412	(74)	-18%
Parent and Others	124	10	114	1140%
DMCI Mining	(65)	723	(788)	-109%
Core Net Income	10,942	15,634	(4,692)	-30%
Non-recurring Items	198	(18)	216	-1200%
Reported Net Income	11,140	15,616	(4,476)	-29%

*Restated for comparative purposes to reflect the adoption of PFRS 15 provision on borrowing costs

The decline in net income (after non-controlling interest) of the Group is attributed to the lower commodity prices, fewer construction projects and lower percentage-of-completion of the real estate segment. These are cushioned by higher off-grid power sales and better performance of its associate.

EARNINGS PER SHARE

Earnings per share (EPS) pertains to the company's income allocated to each outstanding share of common stock. It serves as an indicator of the company's profitability.

The Company's consolidated basic and diluted EPS was Php 0.84/share for the first half of the period ended June 30, 2024, a 29% decline from Php 1.18/share EPS year-on-year.

RETURN ON COMMON EQUITY

Return on common equity is defined as the amount of net income a company earns per amount of shareholders equity. It is one of the common metrics used by investor to determine how effectively their capital is being reinvested. It is arrived at by dividing the net income share of the parent company over the average parent equity. The Company's return on common equity stood at 10% and 15% for the first half of 2024 and 2023, respectively.

NET DEBT TO EQUITY RATIO

As a stockholder/investor, financial position and stability would be an important aspect. The Company tests its solvency and leverage exposure through the net debt to equity ratio. This test indicates the Company's ownership of creditors vs. owners/investors. Net debt to equity ratio is computed by dividing the interest-bearing loans net of cash and cash equivalents over total equity.

Total borrowings stood at Php 46.6 billion, which resulted to a net debt to equity ratio of 0.12:1 and 0.13:1 as of June 30, 2024 and December 31, 2023, respectively.

FINANCIAL SOUNDNESS RATIOS

	June 30, 2024	December 31, 2023
Current Ratio	2.98 times	2.77 times
Net Debt to Equity Ratio	0.12 times	0.13 times
Asset to Equity Ratio	1.76 times	1.80 times
	June 30, 2024	June 30, 2024 As Restated
Return on Assets	7%	10%
Return on Common Equity	10%	15%
Interest Coverage Ratio	15 times	21 times
Gross Profit Margin	43%	51%
Net Profit Margin	30%	34%

PART II--OTHER INFORMATION

1. The Company's operation is a continuous process. It is not dependent on any cycle or season;
2. Economic and infrastructure developments in the country may affect construction business; Interest rate movements may affect the performance of the real estate industry; Mining activities are generally hinged on the commodities market and affected by weather conditions. Businesses not affected by known cycle, trends or uncertainties are power and water.
3. On April 4, 2024 the BOD of the Parent Company approved the declaration of regular cash dividends in the amount of Php 0.46 per common share or a total of Php 6.11 billion and special cash dividends of Php 0.26 per common share or a total of Php 3.45 billion, or a grand total of Php 9.56 billion in favor of the common stockholders of record as of April 22, 2024 and was paid on May 3, 2024.

4. On October 10, 2023, the BOD of the Parent Company approved the declaration of special cash dividends of Php 0.72 per common share or a total of Php 9.56 billion in favor of the common stockholders of record as of October 24, 2023, and was paid on November 9, 2023.
5. On March 29, 2023, the BOD of the Parent Company approved the declaration of (1) regular cash dividends in the amount of Php 0.61 per common share or a total of Php 8.10 billion; and (2) special cash dividends of Php 0.11 per common share or a total of Php 1.46 billion, or a grand total of Php 9.56 billion in favor of the common stockholders of record as of April 17, 2023, and was paid on April 28, 2023.
6. There are no undisclosed material subsequent events and transferring of assets not in the normal course of business that have not been disclosed for the period that the Company has knowledge of.
7. There are no material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation has been disclosed in the notes to financial statements.
8. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
9. Except for interest payments on loans, which the Company can fully service, the only significant commitment that would have a material impact on liquidity are construction guarantees. These are usually required from contractors in case of any damage/ destruction to a completed project.
10. Any known trends or any known demands, commitments, events or uncertainties that will result in or that will have a material impact on the registrant's liquidity. - None
11. The Group does not have any offering of rights, granting of stock options and corresponding plans therefore.
12. All necessary disclosures were made under SEC Form 17-C.

SIGNATURES

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

Issuer DMCI Holdings, Inc.

Signature and Title



Herbert M. Consunji
Executive Vice President and CFO

Signature and Title



Joseph Adelbert V. Legasto
Deputy Chief Financial Officer

Date

August 5, 2024

DMCI HOLDINGS, INC. AND SUBSIDIARIES**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****(Amounts in Thousands)**

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	₱29,697,025	₱32,158,078
Receivables - net (Note 9)	23,982,805	23,265,106
Current portion of contract assets	19,087,396	19,304,451
Inventories	68,320,287	67,902,205
Other current assets	10,926,138	12,088,585
	152,013,651	154,718,425
Asset held-for-sale	—	713,218
Total Current Assets	152,013,651	155,431,643
Noncurrent Assets		
Property, plant and equipment	52,449,280	53,673,801
Investments in associates and joint ventures (Note 6)	21,933,511	19,091,633
Contract asset - net of current portion	7,598,357	10,839,030
Pension assets - net	906,208	992,028
Deferred tax assets - net	879,785	922,891
Exploration and evaluation asset	529,864	505,513
Right-of-use assets	87,907	140,629
Investment properties	190,169	86,739
Other noncurrent assets	6,431,308	6,311,316
Total Noncurrent Assets	91,006,389	92,563,580
	₱243,020,040	₱247,995,223
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt	₱1,431,360	₱1,547,386
Accounts and other payables	27,413,206	30,495,688
Income tax payable	31,364	488,465
Current portion of liabilities for purchased land	573,669	753,046
Current portion of long-term debt	5,323,668	6,660,721
Current portion of contract liabilities and other customers' advances and deposits	16,312,402	16,151,576
Total Current Liabilities	51,085,669	56,096,882

(Forward)

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Noncurrent Liabilities		
Long-term debt - net of current portion	₱39,886,425	₱41,261,215
Deferred tax liabilities - net	5,881,138	6,434,245
Contract liabilities - net of current portion	4,693,823	3,199,429
Liabilities for purchased land - net of current portion	551,837	538,221
Pension liabilities - net	331,425	334,982
Other noncurrent liabilities	2,576,767	2,693,099
Total Noncurrent Liabilities	53,921,415	54,461,191
Total Liabilities	105,007,084	110,558,073
Equity (Note 3)		
Equity attributable to equity holders of the Parent Company:		
Paid-in capital	17,949,868	17,949,868
Treasury shares - Preferred	(7,069)	(7,069)
Retained earnings	92,377,147	90,797,032
Premium on acquisition of non-controlling interests	(817,958)	(817,958)
Remeasurements on retirement plans - net of tax	897,971	899,283
Net accumulated unrealized gains on equity investments designated at FVOCI	174,698	174,698
Share in other comprehensive income of associates	25,385	25,385
	110,600,042	109,021,239
Non-controlling interests	27,412,914	28,415,911
Total Equity	138,012,956	137,437,150
	₱243,020,040	₱247,995,223

DMCI HOLDINGS, INC. AND SUBSIDIARIES**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

For the Period and Quarter Ended June 30, 2024 and 2023

(Amounts in Thousands, except for Earnings Per Share figures)

	For the period		For the quarter	
	Jan to Jun 2024	Jan to Jun 2023 As Restated*	Apr to Jun 2024	Apr to Jun 2023 As Restated*
REVENUE (Notes 4 and 8)				
Coal mining	₱23,882,005	₱29,939,792	₱11,243,483	₱16,956,685
Electricity sales	16,567,091	18,412,023	9,080,994	8,971,513
Real estate sales	6,517,888	10,736,010	3,456,923	5,887,485
Construction contracts	7,342,151	8,353,576	3,771,031	3,986,461
Nickel mining	1,028,739	2,393,716	437,367	1,079,874
Merchandise sales and others	179,543	153,893	97,253	74,725
	55,517,417	69,989,010	28,087,051	36,956,743
COSTS OF SALES AND SERVICES				
Coal mining	12,447,923	10,839,041	6,164,144	6,879,818
Electricity sales	7,803,273	7,901,364	4,138,650	3,957,870
Real estate sales	3,886,213	6,723,265	2,066,427	3,811,006
Construction contracts	6,699,502	7,617,925	3,409,143	3,652,107
Nickel mining	711,735	921,647	294,681	528,204
Merchandise sales and others	136,357	116,440	75,592	57,449
	31,685,003	34,119,682	16,148,637	18,886,454
GROSS PROFIT	23,832,414	35,869,328	11,938,414	18,070,289
OPERATING EXPENSES (Note 5)	8,438,193	10,881,668	3,963,795	5,304,264
	15,394,221	24,987,660	7,974,619	12,766,025
OTHER INCOME (EXPENSES)				
Equity in net earnings of associates (Note 6)	1,422,989	1,017,652	758,587	482,125
Finance income	1,083,898	865,890	505,636	482,939
Finance costs	(1,344,460)	(1,374,374)	(675,697)	(697,320)
Other income - net	2,118,994	1,217,188	866,027	887,759
INCOME BEFORE INCOME TAX	18,675,642	26,714,016	9,429,172	13,921,528
PROVISION FOR INCOME TAX	2,089,276	2,776,804	1,277,885	1,398,992
NET INCOME	₱16,586,366	₱23,937,212	₱8,151,287	₱12,522,536
NET INCOME ATTRIBUTABLE TO				
Equity holders of the Parent Company (Note 4)	₱11,139,893	₱15,615,999	₱5,535,417	₱8,109,689
Non-controlling interests	5,446,473	8,321,213	2,615,870	4,412,847
	₱16,586,366	₱23,937,212	₱8,151,287	₱12,522,536
EARNINGS PER SHARE				
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY-BASIC AND DILUTED (Note 7)	₱0.84	₱1.18	₱0.42	₱0.61

*Restated for comparative purposes

DMCI HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME

For the Period and Quarter Ended June 30, 2024 and 2023
(Amounts in Thousands)

	For the period		For the quarter	
	Jan to Jun 2024	Jan to Jun 2023 As Restated	Apr to Jun 2024	Apr to Jun 2023 As Restated
NET INCOME	₱16,586,366	₱23,937,212	₱8,151,287	₱12,522,536
OTHER COMPREHENSIVE INCOME (LOSS)				
Items to be reclassified subsequently to profit or loss				
Changes in fair values of investments in equity instruments designated at FVOCI	—	2,048	—	2,048
	—	2,048	—	2,048
Items not to be reclassified to profit or loss in subsequent periods				
Remeasurement loss on retirement plans	—	—	—	—
Income tax effect	(1,312)	—	(1,312)	—
	(1,312)	—	(1,312)	—
OTHER COMPREHENSIVE INCOME	—	—	—	—
TOTAL COMPREHENSIVE INCOME	₱16,585,054	₱23,939,260	₱8,149,975	₱12,524,584
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Equity holders of the Parent Company (Note 4)	₱11,138,581	₱15,618,047	₱5,534,105	₱8,111,236
Non-controlling interests	5,446,473	8,321,213	2,615,870	4,413,348
	₱16,585,054	₱23,939,260	₱8,149,975	₱12,524,584

DMCI HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Period Ended June 30, 2024 and 2023

(Amounts in Thousands)

Attributable to Equity Holders of the Parent Company

	Capital Stock (Note 3)	Additional Paid-in Capital (Note 3)	Total Paid-in Capital (Note 3)	Treasury Shares - Preferred (Note 3)	Unappropriated Retained Earnings (Note 3)	Premium on Acquisition of Non-controlling Interest	Remeasurements on Retirement Plans	Net Accumulated Unrealized Gain on equity investments designated at FVOCI	Other Equity	Parent Equity	Non controlling Interests	Total Equity
For the Period Ended June 30, 2024												
Balances as of January 1, 2024	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱90,797,032	(₱817,958)	₱899,283	₱174,698	₱25,385	₱109,021,239	₱28,415,911	₱137,437,150
Comprehensive income												
Net income	–	–	–	–	11,139,893	–	–	–	–	11,139,893	5,446,473	16,586,366
Other comprehensive income	–	–	–	–	–	–	(1,312)	–	–	(1,312)	–	(1,312)
Total comprehensive income	–	–	–	–	11,139,893	–	(1,312)	–	–	11,138,581	5,446,473	16,585,054
Cash dividends declared (Note 3)	–	–	–	–	(9,559,778)	–	–	–	–	(9,559,778)	(6,449,470)	(16,009,248)
Balances at June 30, 2024	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱92,377,147	(₱817,958)	₱897,971	₱174,698	₱25,385	₱110,600,042	₱27,412,914	₱138,012,956

For the Period Ended June 30, 2023

Balances as of January 1, 2023	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱85,194,218	(₱817,958)	₱975,442	₱131,613	₱25,290	₱103,451,404	₱29,218,230	₱132,669,634
Comprehensive income												
Net income	–	–	–	–	15,615,999	–	–	–	–	15,615,999	8,321,213	23,937,212
Other comprehensive income	–	–	–	–	–	–	–	2,048	–	2,048	–	2,048
Total comprehensive income	–	–	–	–	15,615,999	–	–	2,048	–	15,618,047	8,321,213	23,939,260
Cash dividends declared (Note 3)	–	–	–	–	(9,559,778)	–	–	–	–	(9,559,778)	(6,449,143)	(16,008,921)
Balances at June 30, 2023	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱91,250,439	(₱817,958)	₱975,442	₱133,661	₱25,290	₱109,509,673	₱31,090,300	₱140,599,973

DMCI HOLDINGS, INC. AND SUBSIDIARIES**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS****For the Period Ended June 30, 2024 and 2023****(Amounts in Thousands)**

	June 30	
	2024	2023 As Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱18,675,642	₱26,714,016
Adjustments for:		
Depreciation, depletion and amortization	4,256,650	4,153,141
Finance cost	1,344,460	1,374,374
Movement in net retirement liability	82,263	34,226
Equity in net earnings of associates and joint ventures	(1,422,989)	(1,017,652)
Finance income	(1,083,898)	(865,890)
Gain on sale of undeveloped land	(194,560)	(65,187)
Net unrealized foreign exchange loss (gain)	(45,290)	214,128
Operating income before changes in working capital	21,612,278	30,541,156
Decrease (increase) in:		
Receivables and contract assets	2,740,030	2,465,003
Other current assets	1,875,664	(178,706)
Inventories	(2,048,443)	(1,650,127)
Increase (decrease) in:		
Accounts and other payables	(3,024,328)	1,435,162
Contract liabilities and other customer advances and deposits	1,655,220	319,181
Liabilities for purchased land	(165,760)	(255,261)
Cash generated from operations	22,644,661	32,676,408
Income taxes paid	(3,056,378)	(2,885,110)
Interest received	1,083,898	865,890
Interest paid and capitalized as cost of inventory	—	(875,514)
Net cash provided by operating activities	20,672,181	29,781,674
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to : property, plant and equipment		
Property, plant and equipment	(3,046,698)	(2,241,893)
Investments in associates, joint ventures and others	(2,624,467)	—
Exploration and evaluation asset	(24,350)	(84,930)
Proceeds from disposal of :		
Undeveloped land	1,820,500	—
Property, plant and equipment	—	76,604
Dividends received	1,146,113	915,551
Increase in other noncurrent assets	(151,710)	(1,506,794)
Interest paid and capitalized as part of property, plant and equipment	—	(74,143)
Net cash used in investing activities	(2,880,612)	(2,915,605)

(Forward)

	June 30	
	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Long-term debt	₱1,403,390	₱3,288,496
Short-term debt	—	477,124
Payments of:		
Dividends paid to equity holders of parent company	(9,559,778)	(9,559,778)
Dividends to non-controlling interests	(6,449,470)	(6,449,143)
Long-term debt	(4,123,798)	(3,971,460)
Interest	(1,335,896)	(399,949)
Short-term debt	(116,026)	(995,390)
Increase (decrease) in other noncurrent liabilities	(116,335)	496,352
Net cash used in financing activities	(20,297,913)	(17,113,748)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	45,290	(212,078)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,461,054)	9,540,243
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	32,158,079	28,408,474
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱29,697,025	₱37,948,717

DMCI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

DMCI Holdings, Inc. (the Parent Company) was incorporated on March 8, 1995 with a corporate life of 50 years from and after the date of incorporation and is domiciled in the Philippines. The Parent Company's registered office address and principal place of business is at 3rd Floor, Dacon Building, 2281 Chino Roces Avenue, Makati City.

The Parent Company and its subsidiaries (collectively referred to herein as the Group) is primarily engaged in general construction, coal and power generation, real estate development, water concession, nickel mining and manufacturing.

The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange (PSE).

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on August 5, 2024

2. Summary of Significant Accounting Policies

Basis of Preparation

The interim unaudited condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2023.

The interim financial statements have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and at fair value through comprehensive income (FVOCI) financial assets that have been measured at fair value. The Group's functional and presentation currency is the Philippine Peso (₱). All amounts are rounded to the nearest thousand (₱000), unless otherwise indicated.

Statement of Compliance

The interim unaudited condensed consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include availment of the relief granted by the Securities and Exchange Commission (SEC) under Memorandum Circular No. 14, Series of 2018, Memorandum Circular No. 3, Series of 2019 and Memorandum Circular No. 4, Series of 2020. PFRS include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by Philippine Interpretations Committee (PIC).

Basis of Consolidation

The interim unaudited condensed consolidated financial statements comprise the financial statements of the Group as of June 30, 2024, and December 31, 2023.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests (NCI), even if this results in the NCI having a deficit balance. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any noncontrolling-interests and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries (which are all incorporated in the Philippines). The voting rights held by the Group in these subsidiaries are in proportion of their ownership interest.

		2024			2023		
	Nature of Business	Direct	Indirect	Effective Interest	Direct	Indirect	Effective Interest
(In percentage)							
<u>General Construction:</u>							
D.M. Consunji, Inc. (DMCI)	General Construction	100.00	–	100.00	100.00	–	100.00
Beta Electromechanical Corporation (Beta Electric) ¹	General Construction	–	53.20	53.20	–	53.20	53.20
Raco Haven Automation Philippines, Inc. (Raco) ^{1*}	Non-operating	–	50.14	50.14	–	50.14	50.14
Oriken Dynamix Company, Inc. (Oriken) ^{1*}	Non-operating	–	89.00	89.00	–	89.00	89.00
DMCI Technical Training Center (DMCI Training) ¹	Services	–	100.00	100.00	–	100.00	100.00
<u>Real Estate:</u>							
DMCI Project Developers, Inc. (PDI)	Real Estate Developer	100.00	–	100.00	100.00	–	100.00
DMCI-PDI Hotels, Inc. (PDI Hotels) ²	Hotel Operator	–	100.00	100.00	–	100.00	100.00
DMCI Homes Property Management Corporation (DPMC) ²	Property Management	–	100.00	100.00	–	100.00	100.00
Zenith Mobility Solutions Services, Inc. (ZMSSI) ²	Services	–	100.00	100.00	–	100.00	100.00
Riviera Land Corporation (Riviera) ²	Real Estate Developer	–	100.00	100.00	–	100.00	100.00
Hampstead Gardens Corporation (Hampstead) ^{2*}	Real Estate Developer	–	100.00	100.00	–	100.00	100.00
DMCI Homes, Inc. (DMCI Homes) ^{2*}	Marketing Arm	–	100.00	100.00	–	100.00	100.00
L & I Development Corporation (LIDC) ^{2*}	Real estate Developer	–	100.00	100.00	–	100.00	100.00
<u>Coal Mining:</u>							
Semirara Mining and Power Corporation (SMPC)	Mining	56.65	–	56.65	56.65	–	56.65
<u>On-Grid Power:</u>							
Sem-Calaca Power Corporation (SCPC) ³	Power Generation	–	56.65	56.65	–	56.65	56.65
Southwest Luzon Power Generation Corporation (SLPGC) ³	Power Generation	–	56.65	56.65	–	56.65	56.65
Sem-Calaca RES Corporation (SCRC) ³	Retail	–	56.65	56.65	–	56.65	56.65
SEM-Cal Industrial Park Developers, Inc. (SIPDI) ³	Non-operational	–	56.65	56.65	–	56.65	56.65
Semirara Energy Utilities, Inc. (SEUI) ³	Non-operational	–	56.65	56.65	–	56.65	56.65
Southeast Luzon Power Generation Corporation (SeLPGC) ³	Non-operational	–	56.65	56.65	–	56.65	56.65
Semirara Materials and Resources Inc. (SMRI) ³	Non-operational	–	56.65	56.65	–	56.65	56.65
St. Raphael Power Generation Corporation (SRPGC) ³	Non-operational	–	56.65	56.65	–	56.65	56.65
Sem-Calaca Port Facilities, Inc. (SCPFI) ^{3 & 6}	Non-operational	–	56.65	56.65	–	56.65	56.65
<u>Off-Grid Power:</u>							
DMCI Power Corporation (DPC)	Power Generation	100.00	–	100.00	100.00	–	100.00
DMCI Masbate Power Corporation (DMCI Masbate) ⁴	Power Generation	–	100.00	100.00	–	100.00	100.00

(Forward)

		2024			2023						
		Direct	Indirect	Effective	Direct	Indirect	Effective				
Nature of Business				Interest			Interest				
(In percentage)											
<u>Nickel Mining:</u>											
DMCI Mining Corporation (DMC)	Holding Company	100.00	–	100.00	100.00	–	100.00				
Berong Nickel Corporation (BNC) ⁵	Mining	–	74.80	74.80	–	74.80	74.80				
Ulugan Resources Holdings, Inc. (URHI) ⁵	Holding Company	–	30.00	30.00	–	30.00	30.00				
Ulugan Nickel Corporation (UNC) ⁵	Holding Company	–	58.00	58.00	–	58.00	58.00				
Nickeline Resources Holdings, Inc. (NRHI) ⁵	Holding Company	–	58.00	58.00	–	58.00	58.00				
TMM Management, Inc. (TMM) ⁵	Services	–	40.00	40.00	–	40.00	40.00				
Zambales Diversified Metals Corporation (ZDMC) ⁵	Mining	–	100.00	100.00	–	100.00	100.00				
Zambales Chromite Mining Company Inc. (ZCMC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00				
Fil-Asian Strategic Resources & Properties Corporation (FASRPC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00				
Montague Resources Philippines Corporation (MRPC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00				
Montemina Resources Corporation (MRC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00				
Mt. Lanat Metals Corporation (MLMC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00				
Fil-Euro Asia Nickel Corporation (FEANC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00				
Heraan Holdings, Inc. (HHI) ⁵	Holding Company	–	100.00	100.00	–	100.00	100.00				
Zambales Nickel Processing Corporation (ZNPC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00				
Zamnorth Holdings Corporation (ZHC) ⁵	Holding Company	–	100.00	100.00	–	100.00	100.00				
ZDMC Holdings Corporation (ZDMCHC) ⁵	Holding Company	–	100.00	100.00	–	100.00	100.00				
<u>Manufacturing:</u>											
Semirara Cement Corporation (SemCem)	Non-operational	100.00	–	100.00	100.00	–	100.00				
Wire Rope Corporation of the Philippines (Wire Rope)	Manufacturing	45.68	16.02	61.70	45.68	16.02	61.70				

*Ongoing liquidation.

¹ DMCI's subsidiaries.

² PDI's subsidiaries.

³ SMPC's subsidiaries. SMRI was formerly known as Semirara Claystone, Inc. (SCI)

⁴ DPC's subsidiaries.

⁵ DMC's subsidiaries.

⁶ Wholly owned subsidiary of SCPC. Incorporated on December 20, 2022.

Noncontrolling Interests

Noncontrolling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interest having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

The proportion of ownership interest held by noncontrolling interests on the consolidated subsidiaries are presented below. The voting rights held by the Group in these subsidiaries are in proportion of their ownership interest.

	<u>(In Percentage)</u>
Beta Electromechanical Corporation (Beta Electromechanical)	46.80
Raco Haven Automation Philippines, Inc. (Raco)	49.86
Oriken Dynamix Company, Inc. (Oriken)	11.00
Semirara Mining and Power Corporation (SMPC)	43.35
Sem-Calaca Power Corporation (SCPC)	43.35
Southwest Luzon Power Generation Corporation (SLPGC)	43.35
Sem-Calaca RES Corporation (SCRC)	43.35
SEM-Cal Industrial Park Developers, Inc. (SIPDI)	43.35
Semirara Energy Utilities, Inc. (SEUI)	43.35
Southeast Luzon Power Generation Corporation (SeLPGC)	43.35
Semirara Claystone, Inc. (SCI)	43.35
St. Raphael Power Generation Corporation (SRPGC)	43.35
Sem-Calaca Port Facilities, Inc. (SCPFI)	43.35
Berong Nickel Corporation (BNC)	25.20
Ulugan Resouces Holdings, Inc. (URHI)	70.00
Ulugan Nickel Corporation (UNC)	42.00
Nickeline Resources Holdings, Inc. (NRHI)	42.00
TMM Management, Inc. (TMM)	60.00
Wire Rope Corporation of the Philippines (Wire Rope)	38.30

The voting rights held by the Group in the these subsidiaries are in proportion to their ownership interests, except for URHI and TMM.

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements starting January 1, 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of these new standards did not have a significant impact on the consolidated financial statements of the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments have had an impact on the Group’s disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group’s consolidated financial statements.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of

errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as ‘Pillar Two legislation’ and ‘Pillar Two income taxes’, respectively.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after January 1, 2023.

The amendments had no impact on the Group’s consolidated financial statements as the Group is not in scope of the Pillar Two model rules.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability’s classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.

- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact of adopting these amendments.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

This amendment has no impact to the Group's consolidated financial statements.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted and that fact must be disclosed.

These amendments are not expected to have a material impact on the Group's consolidated financial statements.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

This standard is not applicable to the Group.

- Amendments to PAS 21, *Lack of exchangeability*

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

These amendments are not expected to have a material impact on the Group's consolidated financial statements

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

These amendments are not expected to have a material impact on the Group's consolidated financial statements.

3. Equity

Capital Stock

As of June 30, 2024 and December 31, 2023, the Parent Company's capital stock consists of:

Authorized capital stock

	No. of shares
Common stock, ₱1 par value	19,900,000,000
Preferred stock - ₱1 par value	100,000,000

Outstanding capital stock

	No. of shares
Common shares	13,277,470,000
Preferred shares	3,780
Less: treasury shares	2,820
	960

The preferred stock is redeemable, convertible, non-voting, non-participating and cumulative with par value of ₱1.00 per share. The preferred shareholders' right of converting the preferred shares to common shares expired in March 2002.

On October 1, 2018, the Board authorized the Parent Company to make an offer (the "Redemption Offer") to the outstanding preferred shareholders for the Parent Company to acquire the remaining outstanding 3,780 preferred shares at the purchase price of ₱2,500 per preferred share from October 8 to November 29, 2018. The Redemption Offer is intended to provide the preferred shareholders a final chance to divest of their preferred shares in view of their previous inability to avail of the Exchange Offer in 2002. On November 29, 2018, the Parent Company has redeemed a total of 2,820 preferred shares for a total cost of ₱7.07 million.

On May 21, 2019, the Stockholders approved the amendment of Articles of Incorporation to increase the Par Value of Preferred Shares from ₱1.00 to ₱1,000 per Preferred Share.

Retained Earnings

On April 4, 2024 the BOD approved the declaration of (1) *regular cash dividends* in the amount of ₱0.46 per common share or a total of ₱6,107.64 million; and (2) *special cash dividends* of ₱0.26 per common share or a total of ₱3,452.14 million, or a grand total of ₱9,559.78 million out of the unrestricted retained earnings of the Parent Company as of March 31, 2024, in favor of the common stockholders of record as of April 22, 2024 and was paid on May 3, 2024.

On October 10, 2023, the BOD approved the declaration of special cash dividends of ₱ 0.72 per common share or a total of ₱9,559.77 million in favor of the common stockholders of record as of October 24, 2023, and was paid on November 9, 2023.

On March 29, 2023, the BOD approved the declaration of (1) *regular cash dividends* in the amount of ₱0.61 per common share or a total of ₱8,099.27 million; and (2) *special cash dividends* of ₱0.11 per common share or a total of ₱1,460.52 million, or a grand total of ₱9,559.78 million out of the unrestricted retained earnings of the Parent Company as of March 28, 2023, in favor of the common stockholders of record as of April 17, 2023, and was paid on April 28, 2023.

On October 18, 2022, the BOD approved the declaration of *special cash dividends* in the amount of ₱0.72 per common share or a total of ₱9,559.77 million out of the unrestricted retained earnings of the Parent Company as of October 17, 2022, in favor of the common stockholders of record as of November 2, 2022, and was paid on November 16, 2022.

On April 1, 2022, the BOD approved the declaration of (1) *regular cash dividends* in the amount of ₱0.34 per common share or a total of ₱4,514.34 million; and (2) *special cash dividends* of ₱0.14 per common share or a total of ₱1,858.85 million, or a grand total of ₱6,373.19 million out of the unrestricted retained earnings of the Parent Company as of March 31, 2022, in favor of the common stockholders of record as of April 19, 2022, and was paid on April 29, 2022

Capital Management

The primary objective of the Group's capital management strategy 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 Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. There were no changes made in the Group's capital management objectives, policies or processes. The Group considers total equity attributable to equity holders of the Parent Company less net accumulated unrealized gain or loss on equity investments designated at FVOCI as capital.

The Group is not subject to any externally imposed capital requirements.

4. Business Segments

The following tables present the net income of the specific business segments for the period ended June 30, 2024 and 2023:

Segment Revenues

(in PHP Millions)	For the period		Variance	
	June 2024	June 2023	Amount	%
Semirara Mining and Power Corporation	36,594	44,573	(7,979)	-18%
D.M. Consunji, Inc.	7,342	8,354	(1,012)	-12%
DMCI Homes	6,518	10,736	(4,218)	-39%
DMCI Power	3,855	3,779	76	2%
DMCI Mining	1,029	2,394	(1,365)	-57%
Parent and Others	179	153	26	17%
Total Revenues	55,517	69,989	(14,472)	-21%

Net income after non-controlling interests

	For the period		Variance	
	June 2024	June 2023 As Restated*	Amount	%
(in PHP Millions)				
Semirara Mining and Power Corporation	7,110	10,879	(3,769)	-35%
DMCI Homes	1,421	2,248	(827)	-37%
Maynilad	1,395	997	398	40%
DMCI Power	619	365	254	70%
D.M. Consunji, Inc.	338	412	(74)	-18%
Parent and Others	124	10	114	1140%
DMCI Mining	(65)	723	(788)	-109%
Core Net Income	10,942	15,634	(4,692)	-30%
Non-recurring Items	198	(18)	216	-1200%
Reported Net Income	11,140	15,616	(4,476)	-29%

*Restated for comparative purposes

5. Operating Expenses

The following tables present the consolidated operating expenses for the period ended June 30, 2024 and 2023:

	2024	2023
Government share	₱3,759,182	₱6,535,597
Salaries, wages and employee benefits	1,201,132	1,301,448
Taxes and licenses	843,178	840,705
Repairs and maintenance	751,569	596,522
Outside services	444,917	506,405
Insurance	339,093	241,338
Advertising and marketing	218,253	185,777
Supplies	156,609	105,717
Depreciation, depletion and amortization	125,100	116,222
Entertainment, amusement and recreation	87,257	73,269
Transportation and travel	82,166	77,145
Communication, light and water	55,324	49,257
Association dues	50,790	77,823
Rent	38,060	23,815
Miscellaneous expense	285,563	150,628
	₱8,438,193	₱10,881,668

6. Summarized Financial Information of Interests in Related Entities

Financial information as of and for the period ended June 30, 2024 and December 31, 2023 on the Group's subsidiary with material non-controlling interest (NCI) follows:

Semirara Mining and Power Corporation and Subsidiaries (SMPC)

(in millions)	June 30, 2024	December 31, 2023
Statements of Financial Position		
Current assets	₱39,958	₱46,135
Noncurrent assets	38,092	38,993
Current liabilities	15,698	19,396
Noncurrent liabilities	2,261	3,354
Equity	60,091	62,378

(in millions)	June 30, 2024	June 30, 2023
Statements of Comprehensive Income		
Revenue	₱36,594	₱44,573
Net income	12,590	19,215
Other comprehensive income	—	—
Total comprehensive income	12,590	19,215

Financial information as of and for the period ended June 30, 2024 and December 31, 2023 on the Group's material interest in associate follows:

Maynilad Water Holdings Company, Inc. and Subsidiaries

(in millions)	June 30, 2024	December 31, 2023
Statements of Financial Position		
Current assets	₱13,260	₱10,388
Noncurrent assets	164,406	153,315
Current liabilities	29,876	24,560
Noncurrent liabilities	78,544	70,973
Equity	69,246	68,170

(in millions)	June 30, 2024	June 30, 2023
Statements of Comprehensive Income		
Revenue	₱16,441	₱13,313
Net income	5,243	3,879
Other comprehensive income	—	—
Total comprehensive income	5,243	3,879

Investment in Maynilad Water Holdings Company, Inc. (MWHCI) is accounted for using the equity method. Equity in net earnings in the six months ended June 30 amounted to ₱1,398.27 million in 2024 and ₱979.82 million in 2023.

Financial information as of and for the period ended June 30, 2024 and December 31, 2023 on the Group's immaterial interest in associate and joint ventures follows:

Subic Water

On January 22, 1997, PDI subscribed to 3.26 million shares at the par value of ₱10 per share for an aggregate value of ₱32.62 million in Subic Water, a joint venture company among Subic Bay Metropolitan Authority (SBMA), a government-owned corporation, Olongapo City Water District, and Cascal Services Limited (a company organized under the laws of England).

The Group owns a total of 30% of Subic Water's outstanding capital stock after the sale of 10% share to the City of Olongapo on March 23, 2016.

The investment in Subic Water is accounted for as an investment in an associate using the equity method. The carrying amount of the investment in associate amounted to ₱321.51 million and ₱276.02 million as of June 30, 2024 and December 31, 2023. The unaudited share in net earnings amounted to ₱45.49 million and ₱8.89 million for the period ended June 30, 2024 and 2023, respectively.

RLC DMCI Property Ventures Inc (RDPVI).

In March 2019, the RLC DMCI Property Ventures Inc., a joint venture agreement with Robinsons Land Corporation, was incorporated to purchase, acquire and develop into a residential condominium project a portion of the parcels of land situated in Las Pinas City with an area of fourteen thousand four hundred ninety-two (14,492) square meters or less. Initial capitalization to the joint venture from DMCI PDI amounted to ₱500 million. The carrying amount of the investment amounted to ₱533.87 million and ₱518.77 million as of June 30, 2024 and December 31, 2023, respectively.

DMC Estate Development Ventures, Inc. (DMC EDVI)

In June 2021, the Group and DMC Urban Property Developers Inc. (UPDI) entered into a joint venture agreement to purchase, acquire and develop parcels of land into condominium project for residential and commercial uses. Each party holds a 50% ownership interest in the joint venture. In 2024, the Group infused additional capital of ₱1,225 million to the joint venture on top of its initial capitalization of ₱125 million.

DMCI MC Property Ventures Inc. (DMPVI)

In 2024, the Group and Marubeni Corporation (MC) entered into a joint venture agreement to purchase, acquire and develop parcels of land into condominium project for residential and commercial uses. The Group holds 60% ownership interest in the joint venture with initial capitalization of ₱1,641 million.

7. Earnings Per Share

The following table presents information necessary to calculate basic and diluted earnings per share on net income attributable to equity holders of the Parent Company (in thousands except basic earnings per share):

Basic/diluted earnings per share

	For the period (2024)	For the period (2023) As Restated	For 2nd Quarter (2024)	For 2 nd Quarter (2023) As Restated
Net income attributable to equity holders of Parent Company	₱11,139,894	₱15,615,999	₱5,535,417	₱8,109,689
Divided by weighted average number of common shares	13,277,470	13,277,470	13,277,470	13,277,470
Basic and diluted earnings per share	₱0.84	₱1.18	₱0.42	₱0.61

8. Related Party Transactions

Related parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Transactions entered into by the Group with related parties are at arm's length and have terms similar to the transactions entered into with third parties. In the regular course of business, the Group's significant transactions with related parties include the following:

- Engineering and construction works of the water business is contracted to the construction segment of the Group. These projects are bid out to various contractors and are awarded on arm's length transactions. Booked revenues from these contracts amounted to ₱1,880.13 million and ₱2,298.37 million for the period ended June 30, 2024 and 2023, respectively.
- An affiliate had transactions with the Group for services rendered relating to the Group's coal operations. These include services for the confirmatory drilling for coal reserve and evaluation of identified potential areas, exploratory drilling of other minerals within the Island, dewatering well drilling along the mine and fresh water well drilling for industrial and domestic supply under an agreement.

The affiliate also provides to the group marine vessels for use in the delivery of coal to its various customers. The coal freight billing is on a per metric ton basis plus demurrage charges when delay will be incurred in the loading and unloading of coal cargoes.

- An affiliate of the Group transports visitors and employees from point to point in relation to the Group's ordinary course of business and vice versa and bills the related party for the utilization costs of the aircrafts.

9. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise financing for its operations and capital expenditures. The Group has various other financial assets and liabilities, such as receivables and payables which arise directly from its operations.

The main risks arising from the use of financial instruments are liquidity risk, market risk and credit risk. The Group's BOD reviews and approves policies for managing each of these risks and they are summarized below.

a. *Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations.

A significant part of the Group's financial assets that are held to meet the cash outflows include cash equivalents and accounts receivables. Although accounts receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Group considers the following as mitigating factors for liquidity risk:

- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored to avoid past due collectibles.
- The Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues both on-shore and off-shore which is included in the Group's corporate planning for liquidity management.

b. *Market Risk*

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in equity prices, market prices, interest rates and foreign currency exchange rates.

The sensitivity analyses have been prepared on the following bases:

- Equity price risk - movements in equity indices
- Market price risk - movements in one-year historical coal and nickel prices
- Interest rate risk - market interest rate on unsecured bank loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial

assets and financial liabilities held at June 30, 2024 and December 31, 2023.

Equity Price Risk

The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as Equity investment designated at FVOCI.

Quoted securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

Commodity Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Coal

The price that the Group can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Group is not subject to domestic competition in the Philippines, the pricing of all of its coal sales is linked to the price of imported coal. World thermal coal prices are affected by numerous factors outside the Group's control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the world supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs.

As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility.

There can be no assurance that world coal prices will be sustained or that domestic and international competitors will not seek to replace the Group in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Group's profits.

To mitigate this risk, the Group continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved. Also, in order to mitigate any negative impact resulting from price changes, it is the Group's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin. The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract.

Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e., abnormal rise in cost of fuel, foreign exchange).

Below are the details of the Group's coal sales to the domestic market and to the export market (as a percentage of total coal sales volume):

	June 30, 2024	December 31, 2023
Domestic market	30.35%	33.59%
Export market	69.65%	66.41%

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of June 30, 2024 and December 31, 2023 with all other variables held constant. The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on one-year historical price movements in 2024 and 2023.

	<u>Effect on income before income tax</u>	
	June 30, 2024	December 31, 2023
Change in coal price (in thousands)		
<i>Based on ending coal inventory</i>		
Increase by 108% in 2024 and 29% in 2023	₱1,612,198	₱774,424
Decrease by 108% in 2024 and 29% in 2023	(1,612,198)	(774,424)
<i>Based on coal sales volume</i>		
Increase by 46% in 2024 and 33% in 2023	7,055,887	9,880,538
Decrease by 46% in 2024 and 33% in 2023	(7,055,887)	(9,880,538)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates, with all variables held constant, through the impact on floating rate borrowings:

	<u>Effect on income before income tax</u>	
	June 30, 2024	December 31, 2023
Basis points (in thousands)		
+100	(₱113,015)	(₱108,537)
-100	113,015	108,537

The sensitivity analyses shown above are based on the assumption that the interest movements will be more likely be limited to hundred basis points upward or downward fluctuation in both 2024 and 2023. The forecasted movements in percentages of interest rates used were derived based on the Group's historical changes in the market interest rates on unsecured bank loans.

There was no effect on the equity other than those affecting the income before tax.

Foreign Currency Risk

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

The Group does not have any foreign currency hedging arrangements.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents follows (amounts in thousands):

	June 30, 2024				
	U.S. Dollar	Japanese Yen	UK Pounds	Euro	Equivalent in PHP
Financial assets					
Cash and cash equivalents	\$55,229	¥922,296	£5	€726	₱3,626,890
Receivables	30,107	—	—	—	1,764,549
	85,336	922,296	5	726	5,391,439
Financial liabilities					
Accounts payable and accrued expenses	(89,370)	—	—	—	(5,238,001)
	(\$4,034)	¥922,296	£5	€726	₱153,438

The following tables demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) as of June 30, 2024 (amounts in thousands):

	Exchange rate movement	Effect on profit before tax
In Peso per US Dollar		
Increase	1.16%	(₱2,758)
Decrease	(1.16%)	2,758
In Peso per Japanese Yen		
Increase	2.25%	7,755
Decrease	(2.25%)	(7,755)
In Peso per UK Pound		
Increase	5.34%	17
Decrease	(5.34%)	(17)
In Peso per Euro		
Increase	1.63%	711
Decrease	(1.63%)	(711)

There is no impact on the Group's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on movement in dollar average exchange rates.

c. Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's maximum exposure to credit risk for the components of the statement of financial position at June 30, 2024 and December 31, 2023 is the carrying amounts except for real estate receivables. The Group's exposure to credit risk arises from default of the counterparties which include certain financial institutions, real estate buyers, subcontractors, suppliers and various electric companies. Credit risk management involves dealing only with recognized, creditworthy third parties. It is the Group's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. The

Treasury Department's policy sets a credit limit for each counterparty. In addition, receivable balances are monitored on an ongoing basis. The Group's financial assets are not subject to collateral and other credit enhancement except for real estate receivables. As of June 30, 2024 and December 31, 2023, receivables that are doubtful of collection had been provided with allowance.

Real estate contracts

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (using incurred loss model prior to adoption of PFRS 9). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another CTS to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default (i.e., recovery rate is more than 100%). The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Electricity sales

The Group earns substantially all of its revenue from bilateral contracts, WESM and from various electric companies. WESM and the various electric companies are committed to pay for the energy generated by the power plant facilities.

Under the current regulatory regime, the generation rate charged by the Group to WESM is determined in accordance with the WESM Price Determination Methodology (PDM) approved by the ERC and are complete pass-through charges to WESM. PDM is intended to provide the specific computational formula that will enable the market participants to verify the correctness of the charges being imposed. Likewise, the generation rate charged by the Group to various electric companies is not subject to regulations and are complete pass-through charges to various electric companies.

Mining

The Group evaluates the financial condition of the local customers before deliveries are made to them. On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject to the Group's approval, hence, mitigating the risk on collection.

The Group generally offers 80% of coal delivered payable within thirty (30) days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered.

Construction contracts

The credit risk for construction receivables is mitigated by the fact that the Group can resort to carry out its contractor's lien over the project with varying degrees of effectiveness depending on the jurisprudence applicable on location of the project. A contractor's lien is the legal right of the Group to takeover the projects-in-progress and have priority in the settlement of contractor's receivables and claims on the projects-in-progress and have priority in the settlement of contractor's receivables and claims on the projects in progress is usually higher than receivables from and future commitments with the project owners. Trade and retention receivables from project owners are normally high standard because of the creditworthiness of project owners and collection remedy of contractor's lien accorded contractor in certain cases.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

Generally, trade receivables are written off when deemed unrecoverable and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks that have proven track record in financial soundness.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

Cash and Cash Equivalents

Cash and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top 10 banks in the Philippines in terms of resources and profitability. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

Equity investment designated at FVOCI

The Group's Equity investment designated at FVOCI are classified as Grade B because these assets are susceptible to untoward consequences due to the current financial positions of counterparties.

Receivables

Included under Grade A are accounts considered to be of high value and are covered with coal supply, power supply, and construction contracts. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Grade B accounts are active accounts with minimal to regular instances of payment default, due to collection issues or due to government actions or regulations. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The

Group determines financial assets as impaired when probability of recoverability is remote and in consideration of lapse in period which the asset is expected to be recovered.

For real estate receivables, and other receivables, Grade A are classified as financial assets with high credit worthiness and probability of default is minimal. While receivables under Grade B and C have favorable and acceptable risk attributes, respectively, with average credit worthiness.

Receivable from related parties are considered Grade A due to the Group's positive collection experience.

Impairment analysis (using incurred loss model prior to adoption of PFRS 9) is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customer segments with similar loss patterns (i.e., by geographical region, payment scheme, type of customers, etc.). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Security and Refundable Deposits

Security and refundable deposits are classified as Grade A since these are to be refunded by the lessor and utility companies at the end of lease term and holding period, respectively, as stipulated in the agreements.

As of June 30, 2024, the aging analysis of the Group's receivables presented per class follows:

	June 30, 2024							
	Neither past nor impaired	Past due but not impaired					Impaired assets	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days		
Receivables								
Trade								
Real estate	₱2,160,075	₱1,548,523	₱3,630	₱2,540	₱2,225	₱61,872	₱26,185	₱3,805,050
General								
construction	2,615,482	215,238	311,912	143,745	65,683	391,557	15,184	3,758,801
Electricity sales	5,218,130	1,383,852	141,749	90,410	611,942	950,422	1,584,616	9,981,121
Coal mining	3,547,116	410,500	38,247	6,182	62,121	—	36,113	4,100,279
Nickel mining	52,911	—	—	—	—	—	—	52,911
Merchandising								
and others	24,792	—	25,647	8,684	4,701	55,187	9,485	128,496
Receivables from								
related parties	2,181,398	—	—	—	—	—	—	2,181,398
Other receivables	958,913	28,393	91,612	4,514	5,756	557,144	122,109	1,768,441
	₱16,758,817	₱3,586,506	₱612,797	₱256,075	₱752,428	₱2,016,182	₱1,793,692	₱25,776,497

Financial assets

The fair values of cash and cash equivalents and receivables (except installment contract receivables) approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

The fair values of installment contracts receivables are based on the discounted value of future cash flows using the applicable rates for similar types of loans and receivables.

Refundable deposits are carried at cost since these are mostly deposits to a utility company as a consequence of its subscription to the electricity services of the said utility company needed for the Group's residential units.

Financial assets

In the absence of a reliable basis of determining fair values due to the unpredictable nature of future cash flows and the lack of suitable methods in arriving at a reliable fair value, security deposits other than those pertaining to operating leases and unquoted equity investment designated at FVOCI are carried at cost less impairment allowance, if any.

Financial liabilities

The fair values of accounts and other payables and accrued expenses and payables to related parties approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

Estimated fair value of long-term fixed rate loans and liabilities for purchased land are based on the discounted value of future cash flows using the applicable rates for similar types of loans with maturities consistent with those remaining for the liability being valued. For floating rate loans, the carrying value approximates the fair value because of recent and regular repricing (quarterly) based on market conditions.

Fair values of receivables, long-term debt, liabilities for purchased land and investment properties are based on level 3 inputs while that of quoted Equity investment designated at FVOCI and financial assets at FVTPL are from level 1 inputs.

There has been no reclassification from Level 1 to Level 2 or 3 category as of June 30, 2024 and December 31, 2023.