

COVER SHEET

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)

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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
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Company Telephone Number

(Last Wednesday of July)

1 2 3 1
Month Day
Fiscal Year

SEC Form 17-Q
Third Quarter Interim Report 2014
FORM TYPE

0 8 0 5
Mont Day
h
Annual Meeting

N.A.
Secondary License Type, If Applicable

C F D
Dept Requiring this Doc

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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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 for the period ended September 30, 2014 are contained herein.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF CONSOLIDATED OPERATIONS AND CONSOLIDATED FINANCIAL CONDITION FOR THE PERIOD ENDED SEPTEMBER 30, 2014.

September 30, 2014 vs September 30, 2013

I. RESULTS OF OPERATIONS

DMCI Holdings, Inc. (the "Company") posted P7.5 billion in consolidated core income for the first nine months of 2014, a 6% decline from the P8.0 billion reported in the same period last year. The drop in core income was attributable to the weakened operating results of the power and construction businesses. Maintenance contractor delays resulted in extended outages in the Calaca power units, exposing the power business to high Wholesale Electricity Spot Market (WESM) prices for its replacement power during the first half of the year. Meanwhile, earnings from the construction business were dragged down by cost overruns in its engineering, procurement, and construction (EPC) contract for a power plant, and the delayed implementation of major public infrastructure projects due to right-of-way and utility relocation issues. On the other hand, the mining businesses have rebounded well from last year and have shown remarkable growth in net income contributions due to a combined effect of higher sales volume and better average prices. In particular, the coal segment posted a 202% increase while the nickel segment reported an upsurge of 42 times. The real estate segment delivered a 29% growth in net income mostly coming from gain realized on sale of lots. In spite of the growth in water operations this year, the Company is reporting a 4% decrease in net earnings share from the water business as a result of reduced effective interest in Maynilad.

Reported consolidated net income decreased by 54% year-on-year mainly due to the one-time gain on sale recognized in 2013.

Below is a table of the segmented nine months net income contributions of the Company's businesses for 2014 and 2013:

NET INCOME (after Non-controlling interests)

<i>(in Php Millions)</i>	For 9-month period		Variance	%
	2014	2013		
COAL MINING	P 1,776	P 589	P1,187	202%
NICKEL MINING	870	20	850	4,250%
CONSTRUCTION	365	1,158	(793)	-68%
REAL ESTATE	2,621	2,037	584	29%
POWER	635	2,650	(2,015)	-76%
WATER	1,418	1,483	(65)	-4%
PARENT & OTHERS	(145)	102	(247)	-242%
<i>CORE NET INCOME</i>	7,540	8,039	(499)	-6%
<i>ONE-TIME GAIN ON SALE (Parent)</i>	-	8,354	(8,354)	-
TOTAL	7,540	16,393	8,853	-54%

REAL ESTATE

DMCI Project Developer's Inc. continued to expand, with net income increasing by 29% to reach P2.6 billion this year compared to P2.0 billion last year, mostly coming from gain realized on sale of lots.

It is worth noting that the company recognizes real estate revenues using the full accrual method, where sales are booked when the unit is fully complete and the downpayment of 15% has already been paid. Recently completed projects which contributed to the significant growth in revenues include Stellar Place-Magna in Quezon City, Flair Tower in Mandaluyong, and Arista Place in Paranaque.

A better representative of current demand would be sales and reservations for the period from P15.3 billion last year to P14.2 billion this year. Continued strong demand for DMCI Homes' condominium units which include new projects such as Lumiere and Mirea Residences in Pasig and Birchwood Residences in Taguig and existing projects such as Arista Place, Sheridan Towers and Tivoli Garden Residences sustained sales and reservations for the period.

MINING AND POWER

Coal Mining and Power (Calaca)

The Company's coal mining business which owns the power generating asset, Calaca, are both lodged under the 56%-owned and publicly listed Semirara Mining and Power Corporation (SCC).

Below is SCC's management discussion and analysis of results of operations and financial condition for the period ending and as of September 30, 2014 as lifted from its 17Q financial report with the PSE and SEC:

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

I. PRODUCTION – COMPARATIVE REPORT Q3 YTD 2014 S. Q3 YTD 2013

COAL

Good weather conditions, as shown by low rainfall data this year, allowed for acceleration in waste stripping and coal extraction. To further take advantage of the good weather, parked mining equipment were deployed, thus maximizing their economic life and contributing to the increase in production during the period.

Total materials moved increased 34% YoY at 77.27 million bank cubic meters (bcm) from 57.66 million bcm in the same period last year. A slip in the west wall significantly disrupted operations last year. Strip ratio improved by 14% at 9.66:1 from 10.63:1 last year. Higher material movement and better strip ratio translated to a 47% increase YoY in run-of-mine coal production at 7.45 million metric tons (MTs) from 5.08 million MTs last year. Similarly, net product coal increased 40% YoY at 6.94 million MTs from 4.94 million MTs last year.

Coal sales volume registered a 26% increased YoY at 6.19 million MTs from 4.93 MTs in the same period last year. Ending inventory is 48% higher YoY at 1.97 million MTs from 1.33 million MTs last year.

The table below shows the comparative production data for Q3 YTD 2014 and Q3 YTD 2013.

COMPARATIVE PRODUCTION DATA									
<i>(in '000, except Strip Ratio)</i>									
	Q1 '14	Q2 '14	Q3 '14	Q3 YTD '14	Q1 '13*	Q2 '13	Q3 '13	Q3 YTD '13	%Inc (Dec)
Total Materials (bcm)	28,135	26,385	22,745	77,265	16,001	23,575	18,081	57,657	34%
ROM Coal (MT)	2,467	2,663	2,319	7,448	820	2,403	1,858	5,082	47%
Strip Ratio	10.69:1	9.20:1	9.09:1	9.66:1	18.79:1	9.10:1	9.02:1	10.63:1	-14%
Net TPC (MT)	2,329	2,488	2,123	6,940	900	2,278	1,762	4,940	40%
COAL WASHING									
Washable Coal (MTs)	284	374	435	1,094	83	254	195	532	106%
Washed Coal (MTs)	171	225	261	656	50	153	117	319	106%
%recovery	60%	60%	60%	60%	60%	60%	60%	60%	
Beg. Inventory (MTs)	1,277	1,279	1,623	1,277	1,383	460	1,137	1,383	-8%
End Inventory (MTs)	1,279	1,623	1,966	1,966	460	1,137	1,311	1,311	50%

* Survey adjustment resulted to higher TPC vs ROM in Q1 2013

POWER

Total gross generation dropped 36% YoY at 1,748 GWh from 2,731 GWh last year as a result of the prolonged shutdown of Unit 2 in H1. The plant was placed on shut down at the end of December last year for planned maintenance and to install the new distribution control system of DCS.

Unit One

Average capacity dropped to 233 MW as compared to 234 MW in the first three quarters last year. The drop was due to varying coal properties used in the current quarter. Capacity factor also dropped 10% YoY at 61% from 68% last year. However, during the third quarter Unit 1 registered a higher capacity factor of 76% from 49% in the second quarter.

As a result of the drop in capacity and capacity factor, gross generation decreased 10% YoY at 1,209 GWh from 1,344 GWh last year.

Unit Two

The plant was shut down on 31 December 2013 for maintenance and upgrade of the DCS (Distribution Control System). The target was to finish both activities in 90 days, however, problems on the installation and fine tuning of the DCS were encountered, such that the plant was only re-synchronized to the grid on 13 June. Power generation only stabilized in Q3 where dependable capacity was restored to its rated capacity of 300 MW.

As a result of the prolonged shutdown, average capacity dropped 12% YoY at 238 MW from 271 MW last year; capacity factor decreased 61% YoY at 27% from 70%; and gross generation also dropped 61% YoY at 539 GWh from 1,388 GWh last year. The capacity factor in Q3 registered at 85% from 12% in Q2.

The table below shows the comparative production data for Q3 YTD 2014 and Q3 YTD 2013.

COMPARATIVE PLANT PERFORMANCE DATA									
CUSTOMER	Q1 '14	Q2 '14	Q3 '14	Q3 YTD	Q1 '13	Q2 '13	Q3 '13	Q3 YTD	% Inc (Dec)
Gross Generation, GWh									
Unit 1	455	327	428	1,209	466	358	520	1,344	-10%
Unit 2	33	77	428	539	351	525	512	1,388	-61%
Total Plant	489	404	855	1,748	816	884	1,032	2,731	-36%
% Availability									
Unit 1	89%	63%	85%	79%	95%	70%	98%	87%	-10%
Unit 2	6%	20%	76%	34%	63%	86%	84%	78%	-56%
Total Plant	48%	41%	81%	57%	79%	78%	91%	83%	-31%
Capacity Factor									
Unit 1	70%	49%	76%	61%	72%	54%	78%	68%	-10%
Unit 2	5%	12%	85%	27%	54%	79%	77%	70%	-61%
Total Plant	38%	30%	65%	44%	63%	67%	78%	69%	-36%

II. MARKETING – COMPARATIVE REPORT Q3 YTD 2014 vs. Q3 YTD 2013

COAL

A significant portion of coal sales in the current period are export sales, comprising 60% of total sales. Total exports increased 145% YoY at 3.72 million MTs from 1.51 million MTs in last year. Despite the decline in global coal prices, higher BTU Semirara coal added premium on the export price, which increased by 7% at PHP2,246/MT as compared to PHP2,089 last year.

On the other hand, local sales dropped 30% YoY at 5.39 million MTs from 7.68 million MTs last year. This is mainly due to the decrease in off-take by power plant and cement customers.

Sales to power plants decreased 37% YoY at 1.47 million MTs from 2.34 million MTs last year. SCPC reduced its off-take by 45% YoY to 950 thousand MTs from 1.71 million MTs last year with only one unit operational until 13 June as power Unit 2 was down on maintenance and last phase of rehabilitation works starting end of 2013. Other customers also decreased purchases since few still have remaining freight contracts for imported coal.

Sales to cement plants also decreased 22% YoY at 639 thousand MTs from 819 thousand MTs last year. As a result of the mining incident last year, one cement plant purchased more than its usual volume in 2013 as protection order, thus abnormally increasing cement sales volume in last year. Moreover, one customer slowed down its offtake this year as one of its plants was under maintenance.

Meanwhile, sales to other industrial plants increased 47% YoY at 366 thousand MTs from 249 thousand MTs last year. Two customers significantly increased their off-take in the current period.

Composite average FOB price per MT increased 1% YoY at PHP2,219 from 2,201 last year despite continuous softening of global coal prices. This is due to the better quality of coal produced in H1 this year, commanding higher prices. Floor prices are also set for local customers.

The table below shows the comparative sales volume data for Q3 YTD 2014 and Q3 YTD 2013.

COMPARATIVE SALES VOLUME DATA											
<i>(in '000 MTs)</i>											
CUSTOMER	Q1 '14	Q2 '14	Q3 '14	Q3 YTD '14	%	Q1 '13	Q2 '13	Q3 '13	Q3 YTD '13	%	%Inc (Dec)
Power Plants											
Calaca	334	238	377	949	15%	608	523	582	1,713	35%	-45%
Other PPs	115	115	293	522	8%	256	216	159	631	13%	-17%
TOTAL PPs	448	352	670	1,471	59%	864	739	740	2,344	69%	-37%
Other Industries											
Cement	242	219	178	639	10%	361	196	261	819	17%	-22%
Others	157	95	114	366	6%	92	89	68	249	5%	47%
Total Others	399	314	292	1,004	16%	454	285	329	1,068	22%	-6%
TOTAL LOCAL	847	666	962	2,476	40%	1,318	1,024	1,070	3,412	69%	-27%
EXPORT	1,462	1,407	846	3,715	60%	461	556	497	1,514	31%	145%
GRAND TOTAL	2,309	2,073	1,809	6,191	100%	1,778	1,581	1,567	4,926	100%	26%

POWER

SCPC's sales decreased 12% YoY at 2,292 GWh from 2,602 GWh last year due to lower energy generation of the power plants resulting from the prolonged testing and commissioning of the DCS for Unit 2, and higher forced outage for Unit 1.

Of the total energy sold, 99% or 2,265,GWh were sold to bilateral contracts and the remaining 1% to the spot market.

MERALCO remained to be the single biggest customer, comprising 89% share of the total energy sales of the bilateral contracts; BATELEC I and Trans-Asia comprised 5% and 4%, respectively.

Spot Market Sales is also lower at 26 GWh against 47 GWh last year.

Of the total energy sold, 69% was sourced from own generation and 31% purchased from the spot market. SCPC procured power from the spot market during hour intervals where power units were down, or when the plants were running at a de-rated capacity, in order to be able to supply committed capacity to some of its customers. Some contracts still cover the supply of replacement power under a "pass-thru" cost arrangement.

Average price for bilateral contracts dropped 4% YoY at PHP3.64/KWh from PHP3.78/KWh in same period of 2013. Newcastle prices, which is the index of these contracts, has been declining this year.

COMPARATIVE PLANT PERFORMANCE DATA									
<i>(in GWh ; PHP)</i>									
CUSTOMER	Q1 '14	Q2 '14	Q3 '14	Q3 YTD '14	Q1 '13	Q2 '13	Q3 '13	Q3 YTD '13	%Inc (Dec)
Bilateral Contracts	413	886	966	2,265	751	838	966	2,555	-11%
Spot Sales	11	-	15	26	20	10	17	47	-44%
Grand Total	425	886	981	2,292	771	849	983	2,602	-12%
Composite Ave. Price	4.40	3.73	3.50	3.75	3.89	3.91	3.66	3.81	-1%

III. FINANCE

A. Sales and Profitability

Consolidated Revenues, net of eliminating entries, increased 18% YoY at PHP20.56 billion in Q3 YTD 2014 from PHP17.42 billion in the same period last year. Coal Revenues, before elimination, increased 27% YoY at PHP13.74 billion from PHP10.84 billion last year, mainly due to higher sales

volume. On the contrary, SCPC Revenues dropped 14% YoY at PHP 8.66 billion from PHP10.07 billion due to drop in energy sales volume and slightly lower average price per KWh.

Consolidated Cost of Sales increased 45% YoY at PHP13.70 billion from PHP9.42 billion last year. Depreciation dropped 23% YoY at PHP1.66 billion from PHP2.15 billion last year.

Despite higher volume sold, Coal Cost of Sales before elimination only posted a slight increase of 1% YoY at PHP7.84 billion from PHP7.79 billion, as a result of the implementation of cost-cutting measures to counter declining global coal prices. High production and lower strip ratio also contributed to the decline in cost of coal sold per MT. Coal depreciation decreased 35% YoY at PHP933.65 million from PHP1.43 billion last year.

Meanwhile, SCPC Cost of Sales before elimination increased 56% YoY at PHP7.68 billion from PHP4.95 billion; and 59% YoY after elimination at PHP7.02 billion from PHP4.42 billion last year. Unit 2 was down for scheduled maintenance and for the replacement and upgrading of the distributed control system since the start of the year. It remained down most of Q2, thus exposing the power segment to high WESM prices for its replacement power to MERALCO and BATELEC I after all the outage allowances for the year were consumed. Power incurred net loss of PHP 1.7 billion from its replacement power purchases from the spot market. As a result, Cost of Sales per KWh increased 78% YoY at PHP3.36 from PHP1.88 last year. SCPC depreciation increased 3% YoY at PHP749.55 million from PHP730.32 million last year.

The resulting consolidated Gross Profit decreased 14% YoY at PHP6.86 billion, with the coal and power segments each contributing PHP5.27 billion and PHP1.58 million, respectively. Last year's consolidated Gross Profit stood at PHP7.99 billion, PHP2.50 billion from coal and PHP5.49 billion from SCPC. Consolidated Gross profit margin dropped to 33% from 46% last year.

Consolidated Operating Expenses (OPEX) increased 27% YoY at PHP2.76 billion from PHP2.18 billion. Net of eliminating entries, the coal segment's OPEX increased 99% YoY at PHP2.00 billion from PHP1.00 billion last year since higher coal Revenues correspondingly increased Government Share by 117% at PHP1.71 billion from PHP788.47 million last year. Meanwhile, SCPC's OPEX after elimination decreased 50% YoY at PHP414.13 million from PHP834.04 million last year due to lower fixed O&M fees. The pre-operating Southwest Luzon Power Generation Corp. (SLPGC), a wholly-owned subsidiary of the Company incorporated to expand its power capacity with the construction of 2 x 150 MW power plants, incurred PHP26.4 million OPEX, representing non-capitalizable expenses incurred during the period. Other pre-operating subsidiaries incurred combined OPEX of PHP198 thousand.

The USD strengthened against the PHP, resulting to consolidated Forex Losses of PHP100.37 million as against losses of PHP379.60 million last year. Bulk of this year's Forex Losses is incurred by the coal segment since most of its loans are USD-denominated, accounting for PHP78.72 million versus last year's losses of PHP373.41 million. Meanwhile, with minimal Forex exposure, SCPC recorded losses of PHP 21.58 million as against PHP6.19 million last year on its foreign currency denominated transactions. SLPGC also recorded losses of PHP73 thousand in the current period.

Higher investible funds, partially offset by lower placement interest rates, resulted to 40% increase YoY on consolidated Finance Income at PHP28.96 million from PHP20.76 million last year. Coal and SCPC earned PHP10.03 million and PHP15.82 million Finance Income, respectively. SLPGC also earned PHP2.96 million from placements of undisbursed funds.

Consolidated Finance Costs decreased 11% YoY at PHP231.99 million from PHP259.24 million. The coal segment's interest-bearing loans dropped 16% YoY at PHP5.59 billion from PHP6.63 billion last year, resulting to 1% decline YoY of coal Finance Costs at PHP85.05 million from PHP86.21 million last year. Meanwhile, SCPC's total ending interest-bearing loans increased 9% YoY at PHP7.05 billion from PHP6.64 billion last year after availing of short-term working capital loans. However, with lower borrowing rates, SCPC Finance Cost dropped by 18% YoY at PHP141.68 million from PHP172.36 million last year. SLPGC recorded uncapitalizable Finance charges of PHP5.26 million from PHP668 thousand last year.

Consolidated Other Income decreased 30% YoY at PHP122.18 million from PHP174.51 million last year. The coal segment's Other Income in the current period of PHP59.67 million mainly accounts for insurance recoveries. Meanwhile, SCPC's Other Income decreased 61% YoY at PHP62.51 million from PHP159.80 million last year as lower fly ash is produced with only one plant running most of first half this year.

The resulting consolidated Net Income Before Tax (NIBT) decreased 27% YoY at PHP3.92 billion from PHP5.37 billion last year.

Both operating business units enjoy Income Tax Holidays (ITH) as Board of Investments-registered companies. With these tax holidays, consolidated Provision for Income Tax remained minimal at PHP5.62 million, although 45% higher than last year's PHP3.87 million.

The resulting consolidated Net Income After Tax (NIAT) correspondingly dropped by 27% YoY at PHP3.91 billion from PHP5.37 billion last year. Net of eliminations, coal generated net income of PHP3.18 billion, while SCPC generated PHP758.46 million. Pre-operating SPLGC incurred non-capitalizable project expenses, thus recording losses amounting to PHP29.26 million. Before eliminations, coal and SCPC recorded NIAT of 3.81 billion and 666 million, respectively. With higher outstanding shares after stock dividend declaration, Earnings per Share (EPS) stood at PHP3.66, 27% lower than same period last year's adjusted EPS of PHP5.02.

POWER - SPUG

An added growth area of the power segment is under DMCI Power Corporation, a wholly-owned subsidiary of the Parent Company. The Company and its subsidiaries are focused on getting power supply contracts with the electric cooperatives situated in off-grid areas.

As of September 30, 2014, the total installed rated capacity of the power generating units for Masbate and Palawan are 24.4MW (12.4 MW bunker-fired and 12 MW diesel) and 33.10 MW (diesel), respectively.

The off-grid power segment total revenue went up by 24% year-on-year to P1.3 billion this year compared to P1.1 billion last year due to higher sales volume. Net income decreased by 6% year-on-year to P188 million from P200 million last year. However, last year's net income includes a recovery adjustment of P75 million.

WATER

The Company's investment in the water sector is recognized mainly through its equity investment in the partnership with Metro Pacific Investments Corp. (MPIC) with the actual operations under Maynilad Water Services, Inc. (Maynilad). Maynilad handles the water distribution and sewer services for the western side of Metro Manila and parts of Cavite. On February 13, 2013, MCNK JV Corporation, a subsidiary of Marubeni Corporation, acquired 20% effective ownership in Maynilad. The transaction reduced the Company's effective interest in Maynilad from 40.98% to 25.24%. The entry of MCNK is expected to help provide Maynilad with access to additional sources of funding.

Operating efficiencies continue to improve as Maynilad reported higher income from operations of P7.7 billion for the first nine months of 2014, up 1.8% from P7.5 billion in the same period last year. Billed volume went up 4.6% despite an effective 3.8% reduction in water supply. Average non-revenue water for the year-to-date continued to stay below the 40% barrier, improving to 34.15% from 39.43% last year. Continued expansion into the southern areas of Muntinlupa, Las Piñas and Cavite brought connections up to a total of 1,176,010 billed services, a 5.4% growth from the end of the same period last year. As a result, Maynilad's water service revenue for the first nine months was up by 7.1% from P10.1 billion in 2013 to P10.8 billion in 2014. Total revenues from operations, including other fees and services such as installation fees, amounted to P13.5 billion, a 7.7% increase from P12.5 billion last year.

Reported consolidated net income grew by 15% to P5.8 billion from P5.0 billion in the prior year, due to last year's front end fees on refinancing, that increased the prior year's interest expenses. However, after adjustments at the consortium company level, the Company's equity in net earnings reported a 4% decline from P1.5 billion last year to P1.4 billion this year due to a lower effective interest as mentioned.

For the Fourth Rate Rebasing Period, Maynilad submitted the business plan for the determination of the Rates Adjustment Limit to be applied to the standard rates for the period 2013 to 2017. MWSS released Board of Trustees Resolution No. 2013-100-RO dated September 12, 2013 and RO Resolution No. 13-010-CA dated September 10, 2013 on the rate rebasing adjustment for the rate rebasing period 2013 to 2017 reducing Maynilad's 2012 average all-in basic water charge by 4.82% or P1.46 per cubic meter (cu.m) or P0.29 per cubic meter (cu.m) per year over the next five years. Maynilad has formally notified its objection and initiated arbitration proceedings. On October 4, 2013, Maynilad filed its Dispute Notice before the Appeals Panel. On December 17, 2013, the RO released Resolution No. 13-011-CA regarding the implementation of a status quo for Maynilad's Standard Rates and Foreign Currency Differential Adjustment (FCDA) for any and all its scheduled adjustments until such time that the Appeals Panel has issued the Final Award. The formal hearings were held from August 24 to September 1, 2014. The closing memorials were submitted on October 7, 2014 and the reply memorials were due on October 31, 2014. The Appeals Panel has three months from the submission of the reply memorials to render its final judgment, or until the end of January 2015.

Nickel

The nickel and metals (non-coal) mining business is reported under DMCI Mining Corporation, a wholly owned subsidiary of the Parent Company. On March 25, 2014, the Parent Company acquired from D&A Income Ltd. the remaining 40% interest in ENK Plc for P3.1 billion. Upon completion of the acquisition, ENK became a wholly owned subsidiary of the Parent Company. ENK owns the Acoje mine in Zambales. Also, DMCI Mining has increased its interest in Toledo Mining Corporation from 68.18% as of September 2013 to 100% as of September 2014. TMC has a majority ownership of the Berong mine in Palawan.

DMCI Mining posted a net income of P870 million in 2014, an upsurge of 42 times compared to P20 million reported in 2013. The robust improvement is a result of higher average prices this year and the ramping up of production and shipments beginning in the second quarter of 2014. In addition to better operating performance, the consolidation of equity interest in both ENK and TMC accelerated the growth in net income. Revenues grew 803% to P2.4 billion from 264 million as nickel ore shipments increased to 1.16 million wet metric tons (WMT) for the first nine months this year from 316 thousand WMT last year. Of the total shipments, 957 thousand WMT came from Berong at an average price of \$48 per ton and 205 thousand WMT from Acoje at an average price of \$46 per ton compared to \$20 per ton average last year. Ore grades shipped ranges from 1.09% to 1.83%.

CONSTRUCTION

Operating results were dragged down by cost overruns in its engineering, procurement and construction (EPC) contract for a power plant, and the delayed implementation of major public infrastructure projects due to right-of-way and utility relocation issues. The cost overruns were specifically due to the inaccurate steel and concrete material estimates of the foreign power plant designers. As a result, revenues fell by 7%, from P12.3 billion last year to P11.4 billion this year and net income dropped 68%, from P1.2 billion to P365 million.

DMCI reported a total orderbook (balance of work) of P21.2 billion as of September 30, 2014 from P21.1 billion as of end 2013. The orderbook is still above P20 billion despite the recognition of revenues due to the award of new projects and contract adjustments. Notable projects in the orderbook include the NAIA Expressway, TPLEX Section 2, the NAIA Terminal 1 rehabilitation, The

Viridian and The Royalton of Ortigas & Company, and the 135MW South Luzon Thermal Energy Corp. Unit 2.

Explanation of movement in income statement accounts:

Cost of sales and services

It increased by 20% mainly due to higher sales volume in coal and nickel segments and the cost of replacement power purchases.

Operating Expenses

It increased by 25% primarily due to higher government share in the coal segment which increased by 926 million.

Equity in Net Earnings

It decreased by 16% mainly caused by a lower effective interest in Maynilad. After the partial sale last year, the Company's effective interest was reduced from 41% to 25%.

Finance Income

Consolidated finance income decreased by 33% mainly due to lower interest rates for short-term placements and more real estate customers availing of bank financing due to lower interest rates compared to in-house financing.

Finance Costs

Consolidated interest expense decreased by 46% mainly due to lower borrowing rates and required capitalization of interest costs during asset construction period.

Other Income-net

It increased by 275% mainly due to net proceeds from sale of lots and other income such as forfeitures or penalties in the real estate business. It also includes foreign exchange gains and other charges incurred during the period.

Provision for Income Tax

It increased by 13% as a result of higher taxable income.

II. FINANCIAL CONDITION

September 30, 2014 (Unaudited) vs December 31, 2013 (Audited)

The Company's financial condition for the period improved as consolidated total assets and net assets amounted to P139 billion and P65 billion, respectively as of September 30, 2014. This is an increase of 12% and 8%, respectively.

Consolidated cash decreased by 31% from P24.8 billion in December 31, 2013 to P17.2 billion in September 30, 2014 due mainly to capital expenditures for power expansion, payment of cash dividends, and acquisition of the remaining ENK Plc shares.

Available for sale financial assets increased by 17% from P61 million to P71 million due to acquisition of equity investments during the period.

Total receivables (current and non-current) went up by 23% from P20.1 billion to P24.8 billion due mainly to normal trade transactions mostly coming from real estate installment sales and the milestone billings in the construction business.

Consolidated inventories grew by 23% from P 23.2 billion to P28.6 billion coming mainly from land acquisition and continuing work in progress in the real estate segment and increased coal production.

Other current assets decreased by 37% from P7.2 billion to P4.5 billion mainly due to recoupment/application of advances to suppliers, brokers, contractors and mine rights owners.

Investments increased by 17% as a result of the Company's take up of its share in net earnings of associates in the first half of 2014.

Property plant & equipment grew by 30% from P31.3 billion to P40.5 billion coming from the ongoing construction of 2x150MW Calaca power units and normal equipment acquisitions across the different business segment which is partially offset by depreciation.

Other noncurrent assets grew by 54% from P3.0 billion to P4.5 billion mainly due to increases in deferred input vat, refundable deposits, other advances and striping costs in the mining segments. It also includes increases in other assets such as provisional goodwill from the ENK Plc acquisition.

Accounts & other payables increased by 7% mainly attributed to normal trade transactions with suppliers and subcontractors in the construction and nickel segments.

Customers' deposits increased by 64% due to payments received from real estate customers the corresponding revenue has yet to be realized under full accrual accounting.

Liabilities for purchased land increased by 138% mainly due to the acquisition of land for development in the real estate segment.

Income tax payable decreased by 37% due to application of creditable withholding taxes.

Short-term debt increased by 112% due to SCPC's short-term loan availment which is expected to be repaid before the end of the year.

Long term debt increased slightly by 6% due mainly to drawdowns in the power business to finance expansion.

Deferred tax liabilities increased by 108% mainly due to the excess of book over tax income in real estate sales and full consolidation of the nickel mining companies starting 2014.

Other noncurrent liabilities decreased by 37% due mainly to payments made to trade suppliers and subcontractors in the construction segment.

Consolidated retained earnings decreased by 12% primarily due to stock and cash dividends of the Parent Company.

Non-controlling interest decreased by 3% as a result of its share in the consolidated net income of Semirara reduced by cash dividends to non-controlling interests.

III. KEY PERFORMANCE INDICATORS

The Company and its Subsidiaries (the "Group") has the following as its key performance indicators:

- a) Segment Revenues
- b) Segment Net Income (after Non-controlling Interests)
- c) Earnings Per Share
- d) Current Ratio
- e) Debt to Equity Ratio

SEGMENT REVENUES

<i>(in Php Millions)</i>	For 9-month period		Variance	%
	2014	2013		
COAL MINING	11,959	7,504	4,455	59%
NICKEL MINING	2,384	264	2,120	803%
CONSTRUCTION*	11,429	12,295	(866)	-7%
REAL ESTATE	10,152	10,107	45	-
POWER	9,931	10,980	(1,049)	-10%
TOTAL	45,855	41,150	4,705	11%

*Includes sales revenue from Wire Rope

The initial indicator of the Company's gross business results are seen in the movements in the different business segment revenues. As illustrated above the significant main drivers for revenue growth are the mining businesses. Revenue from the power segment was down due to extended plant maintenance in Calaca (see Part I. Results of Operations – different segments for a detailed discussion per business).

NET INCOME (after Non-controlling interests)

<i>(in Php Millions)</i>	For 9-month period		Variance	%
	2014	2013		
COAL MINING	P 1,776	P 589	P1,187	202%
NICKEL MINING	870	20	850	4,250%
CONSTRUCTION	365	1,158	(793)	-68%
REAL ESTATE	2,621	2,037	584	29%
POWER	635	2,650	(2,015)	-76%
WATER	1,418	1,483	(65)	-4%
PARENT & OTHERS	(145)	102	(247)	-242%
CORE NET INCOME	7,540	8,039	(499)	-6%
<i>ONE-TIME GAIN ON SALE (Parent)</i>	-	8,354	(8,354)	-
TOTAL	7,540	16,393	8,853	-54%

The net income (after non-controlling interest) or bottom line results from operations of the Company have multiple drivers for growth from different business segments. For the period, coal, nickel and real estate posted strong growth in earnings while power, water and construction businesses declined (see Part I. Results of Operations – different segments for a detailed discussion per business).

EARNINGS PER SHARE

The Company's consolidated basic earnings per share (EPS) for the period was P2.84/share accounting for a 54% decrease from the P6.17/share EPS last year mainly affected by the one-time gain on sale recognized in the previous year. Diluted earnings per share for the period was P0.57/share from P1.23/share last year, also a 54% decline. This is adjusted for the effect of a 400% stock dividend to be paid out in November 2014. (see Part I. Results of Operations – different segments for a detailed discussion per business).

CURRENT RATIO

Liquidity is an essential character of any organization, and the Company, including the Group as a whole, should indicate acceptable levels of liquidity. The initial test of liquidity is the current ratio,

which will display a company's ability to satisfy current obligations with current resources. Current ratio is arrived at by dividing the current assets over the current liabilities. The Company uses this test and compares it with industry balances to determine its ability to satisfy current obligations with respect to its competitors (see *Part II. Financial Condition for a detailed discussion*).

DEBT TO EQUITY RATIO

As a stockholder/investor, financial position and stability would be an important aspect. The Company tests its financial position through the debt to equity ratio. This test indicates the Company's ownership of creditors vs. owners/investors. In addition, debt to equity ratio maintenance is a requirement set by creditors as a standard for extending credit. Debt to equity ratio is computed by dividing the total liabilities over total equity (see *Part II. Financial Condition for a detailed discussion*).

OTHER RELEVANT FINANCIAL SOUNDNESS RATIOS

	Sept. 30 2014	Dec. 31 2013
Current Ratio	189%	247%
Debt to Equity Ratio	63%	61%
Asset to Equity Ratio	214%	206%
	Sept. 30 2014	Sept 30 2013
Return on Assets Ratio	7%	9%*
Return on Equity Ratio	14%	16% 20%*
Interest Coverage Ratio	1,251%	37% 1,183%* 2,035%
Gross Margin Ratio	31%	36%
Net Profit Margin Ratio	21%	25%* 46%

*Excluding one-time gain of P8.4 billion


PART II--OTHER INFORMATION

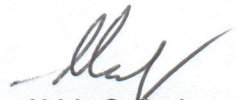
1. The Company's operation is a continuous process. It is not dependent on any cycle or season;
2. Economic and infrastructure developments in the country may affect construction business; Interest rate movements may affect the performance of the real estate industry; Mining activities are generally hinged on the commodities market. Businesses not affected by known cycle, trends or uncertainties are power and water.
3. On May 15, 2014, the BOD of the Parent Company declared cash dividends amounting P1.20 regular dividends and P1.20 special cash dividends in favor of the stockholders of record as of May 30, 2014. It was paid on June 13, 2014 with a total amount of P6,373 million.
4. The Board approved the declaration of stock dividends amounting to Php 10,621,976,000.00 billion, divided into 10,621,976,000 common shares at the par value of Php1.00 per share, or 4 common shares for every one common share held, from the unrestricted retained earnings of the Corporation as of December 31, 2013, and to be issued from the increase in the authorized capital stock of the Corporation. It was approved and ratified by the stockholders at the annual meeting on August 5, 2014.
5. The Board approved the increase in the authorized capital stock of the Corporation from Php6,000,000,000.00, divided into 5,900,000,000 common shares and 100,000,000 preferred shares, both with a par value of Php1.00 per share, to Php20,000,000,000.00, divided into 19,900,000,000 common shares and 100,000,000 preferred shares, both with a par value of Php1.00 per share, by way of stock dividend declaration; It was approved and ratified by the stockholders at the annual meeting on August 5, 2014. SEC approved the increase in the authorized capital stock via stock dividend on September 18, 2014. It was paid on November 7, 2014 in favor of the stockholders of record as of October 17, 2014.
6. There were 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 have 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 that 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
Vice President & Chief Finance Officer

Signature and Title 
Aldric G. Borlaza
Senior Finance Officer


Brian T. Lim
Finance Officer


Ma. Luisa C. Austria
Accounting Officer

Date November 19, 2014

DMCI HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

For the period ended September 30, 2014 and December 31, 2013

(Amounts in Thousands of Philippine Pesos,

Except Par Value and Number of Shares)

	2014	AUDITED 2013
ASSETS		
Current Assets		
Cash and cash equivalents	17,195,022	24,774,495
Financial assets at fair value through profit or loss	72,450	73,150
Available-for-sale financial assets - net	71,265	59,979
Receivables - net	19,734,995	14,961,082
Costs and estimated earnings in excess of billings on uncompleted contract	326,980	986,359
Inventories - net	28,550,902	23,171,833
Other current assets	4,496,097	7,158,892
Total Current Assets	70,447,711	71,185,790
Noncurrent Assets		
Noncurrent receivables - net	5,088,481	5,186,785
Available for sale financial assets		950
Investments in associates, jointly controlled entities and others - net	13,733,811	11,883,288
Investment properties - net	298,239	270,175
Property, Plant and Equipment - net	40,534,748	31,271,246
Deferred tax assets	148,789	197,599
Pension asset	774,866	796,723
Mining Rights	3,357,219	
Other noncurrent assets - net	4,549,066	2,958,203
Total Noncurrent Assets	68,485,219	52,564,969
	138,932,931	123,750,759

LIABILITIES AND STOCKHOLDERS' EQUITY**Current Liabilities**

Short-term debt	4,500,000	2,119,296
Current portion of liabilities for purchased land	2,805,721	885,088
Accounts and other payables	14,746,556	13,764,063
Billings in Excess of Costs and estimated earnings on uncompleted contracts	3,268,904	3,680,765
Customers' advances and deposits	8,099,688	4,929,701
Current portion of long-term debt	3,741,075	3,386,257
Income tax payable	41,675	66,182
Payable to related parties	0	33,992
Total Current Liabilities	37,203,619	28,865,344

Noncurrent Liabilities

Long-Term Debt - net of current portion	32,838,198	31,258,586
Liabilities for purchased land - net of current portion	465,775	487,389
Deferred tax liabilities - net	2,324,151	1,149,384
Pension liabilities	48,991	93,765
Other Noncurrent Liabilities	1,068,526	1,693,214
Total Noncurrent Liabilities	36,745,642	34,682,338
Total Liabilities	73,949,262	63,547,682

Equity

Equity attributable to equity holders of the DMCI Holdings, Inc.:

Paid-up capital	7,420,815	7,420,815
Distributable stock dividend (Note 3)	10,621,976	-
Retained earnings		
Appropriated	2,100,000	2,100,000
Unappropriated	35,838,541	41,441,859
Premium on acquisition of non-controlling interests	(161,033)	(161,033)
Remeasurements on retirement plans - net of tax	516,675	516,675
Net accumulated unrealized gains (losses) on AFS financial assets	6,830	6,830
Cumulative translation adjustment	(32,376)	(32,376)
	56,311,427	51,292,770
Non-controlling interests	8,672,242	8,910,307
Total Equity	64,983,669	60,203,077
	138,932,931	123,750,759

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

For the period ended September 30, 2014 and 2013 and for the quarter ended
September 30, 2014 and 2013

(Amounts in Thousands of Philippine Pesos)

	For the period		For the quarter	
	2014	2013	2014	2013
REVENUE				
Electricity sales	9,930,978	10,979,545	4,114,100	4,007,144
Construction contracts	11,212,552	11,694,893	3,460,952	3,493,595
Coal Sales	11,958,899	7,503,978	2,907,767	2,361,927
Nickel Ore Sales	2,383,500	264,428	2,171,311	-
Real estate sales	10,151,802	10,107,167	3,668,306	4,224,979
Merchandise sales and others	216,980	599,936	65,407	478,911
	45,854,711	41,149,947	16,387,843	14,566,556
COST OF SALES AND SERVICES				
Electricity sales	8,029,457	5,137,705	2,918,154	2,004,803
Construction contracts	10,519,962	9,757,526	3,659,589	2,664,784
Coal Sales	6,684,257	5,001,889	1,881,004	1,358,792
Nickel Ore Sales	752,379	339,564	692,444	3,974
Real estate sales	5,301,693	5,268,878	1,904,434	2,479,688
Merchandise sales and others	151,788	747,876	45,498	654,525
	31,439,536	26,253,438	11,101,123	9,166,566
GROSS PROFIT	14,415,175	14,896,509	5,286,720	5,399,990
OPERATING EXPENSES	(5,638,902)	(4,513,882)	(1,796,577)	(1,804,629)
	8,776,273	10,382,627	3,490,143	3,595,361
OTHER INCOME (LOSSES)				
Equity in net earnings of associates	1,288,381	1,542,515	209,680	425,080
Finance income	267,281	399,609	114,587	135,457
Finance costs	(527,581)	(980,769)	(133,374)	(375,982)
Gain/(Loss) on Sale of Shares	0	8,354,528	0	0
Other income (charges) - net	978,761	261,306	(8,816)	348,624
INCOME BEFORE INCOME TAX	10,783,115	19,959,816	3,672,220	4,128,540
PROVISION FOR INCOME TAX	1,372,570	1,215,470	557,765	446,415
NET INCOME	9,410,545	18,744,346	3,114,455	3,682,125
NET INCOME ATTRIBUTABLE TO				
Equity holders of DMCI Holdings, Inc.	7,540,014	16,392,747	2,411,157	2,898,181
Non-controlling interests	1,870,531	2,351,599	703,298	783,944
	9,410,545	18,744,346	3,114,455	3,682,125
Basic Earnings Per Share (See Note 8)	2.84	6.17	0.91	1.09
Diluted Earnings Per Share (See Note 8)	0.57	1.23	0.18	0.22

DMCI HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**For the period ended September 30, 2014 and 2013 and for the quarter ended
September 30, 2014 and 2013

(Amounts in Thousands of Philippine Pesos)

	For the period		For the quarter	
	2014	2013	2014	2013
NET INCOME	9,410,545	18,744,346	3,114,455	3,682,125
OTHER COMPREHENSIVE INCOME				
Change in fair value on AFS financial assets				
Unrealized gain (loss) on AFS financial assets				
transferred to statement of income	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	-
Recognized revaluation increment	-	-	-	-
OTHER COMPREHENSIVE INCOME (LOSS)				
FOR THE YEAR, NET OF TAX	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	9,410,545	18,744,346	3,114,455	3,682,125
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Equity holders of DMCI Holdings, Inc.	7,540,014	16,392,747	2,411,157	2,898,181
Non-controlling interests	1,870,531	2,351,599	703,298	783,944
	9,410,545	18,744,346	3,114,455	3,682,125

DMCI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 2014 AND 2013
(Amounts in Thousands of Philippine Pesos)

	SEPTEMBER 2014	SEPTEMBER 2013
CAPITAL STOCK		
Cumulative and convertible		
Preferred stock - P1 par value		
Authorized - 100,000,000 shares		
Issued - 2,400,000 shares	2,400,000	2,400,000
Retirement of preferred shares	(2,396,220)	(2,396,220)
	<u>4</u>	<u>4</u>
Common stock - P1 par value		
Authorized - 5,900,000,000 shares		
Issued - 2,255,494,000 shares	2,655,494	2,655,494
Additional subscription - 400,000,000 shares	-	-
	<u>2,655,494</u>	<u>2,655,494</u>
	2,655,498	2,655,498
ADDITIONAL PAID-IN CAPITAL		
Balance at the beginning	4,765,317	4,765,317
Retirement of Preferred Shares	-	-
Additional Paid-in Capital of new subscribed shares	-	-
	<u>4,765,317</u>	<u>4,765,317</u>
DISTRIBUTABLE STOCK DIVIDEND (Note 3)	10,621,976	-
RETAINED EARNINGS		
Balance at beginning of the period	36,771,713	33,238,094
Net income(loss) for the period	7,540,014	16,392,746
Dividends paid	(6,373,186)	(5,842,087)
Balance at end of the period	<u>37,938,541</u>	<u>43,788,753</u>
Premium on Acquisition of non-controlling interest	(161,033)	(161,033)
Remeasurement losses on retirement plan	516,675	-
Net Unrealized Gain on AFS	6,831	28,911
Cumulative Translation Adjustment	(32,376)	-
TOTAL EQUITY ATTRIBUTABLE TO PARENT	56,311,428	51,077,446
Non-controlling interests	8,672,242	7,880,082
TOTAL STOCKHOLDERS' EQUITY	64,983,670	58,957,528

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended September 30, 2014 and 2013
(Amounts in Thousands of Philippine Pesos)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	9,410,545	18,744,346
Adjustments to reconcile net income (loss) to net cash:		
Equity in net losses (earnings) of affiliates, depreciation, depletion and amortization and other non-cash items (net)	(1,992,065)	(3,919,665)
Gain on Sale of Shares		(8,354,528)
Income (Loss) applicable to Minority Interest	1,870,531	2,351,599
Changes in assets and liabilities:		
Decrease / (Increase) in :		
Receivables- net	(4,675,609)	(4,559,423)
Inventories - net	(5,379,069)	(1,021,797)
Prepaid expenses and other current assets	2,662,795	1,323,583
Increase/ (Decrease) in :		
Accounts payable and accrued expenses	6,039,121	(222,584)
Billings in excess of cost of uncompleted contracts	247,518	(371,676)
Income tax payable	(24,507)	(61,095)
Net cash provided by operating activities	8,159,260	3,908,760
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Financial assets at fair value through profit or loss	700	(1,610)
Available for sale financial assets	(10,336)	(9,553)
Investments in associates, jointly controlled entities and others	0	(1,006,033)
Investment properties	(28,064)	(445,760)
Property, plant and equipment - net	(9,263,502)	(2,410,684)
Deferred charges and other assets - net	(1,520,166)	(862,399)
Mining Rights	(3,357,219)	0
Cash dividends received from Maynilad	252,280	4,938,929
Proceeds from sale of Maynilad		8,227,483
Net cash used by investing activities	(13,926,307)	8,430,373
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:		
Notes payable	2,380,704	1,521,659
Current portion of long-term debt	354,818	0
Long term debt	1,579,612	7,198,785
Non current liabilities	483,691	2,792,607
Payment of Dividends	(6,373,186)	(5,842,087)
Net increase (decrease) in minority interest	(238,065)	415,911
Net cash provided by financing activities	(1,812,426)	6,086,875
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,579,473)	18,426,008
CASH AND CASH EQUIVALENTS, BEGINNING	24,774,495	9,739,025
CASH AND CASH EQUIVALENTS, ENDING	17,195,022	28,165,033

DMCI HOLDINGS, INC.
AGING OF ACCOUNTS RECEIVABLE
AS OF SEPTEMBER 30, 2014

TYPE OF ACCOUNTS RECEIVABLE	T O T A L	Within 6 mos.	6mos. To 1 yr.	1-2 yrs.	2-3 yrs.	More than 3 yrs.	Past Due
A. TRADE RECEIVABLE - CONTRACT							
D.M. Consunji, Inc.	4,295,967,415.52	-	4,295,967,415.52	-	-	-	-
Beta Electric Corporation	588,276,473.64	-	588,276,473.64	-	-	-	-
Sub-total	4,884,243,889.16	-	4,884,243,889.16	-	-	-	-
DMCI Project Developers, Inc.	6,956,364,672.00	2,783,871,773.00	641,859,028.00	644,541,385.00	535,050,554.00	1,499,807,529.00	851,234,403.00
Semirara Mining Corporation	3,589,158,299.00	1,729,066,133.00	1,442,813,726.00	417,278,440.00	-	-	-
DMCI Mining Corporation	604,571,057.00	-	-	604,571,057.00	-	-	-
ENK PLC	500,267,350.00	-	-	500,267,350.00	-	-	-
DMCI Power Corporation	449,919,883.00	377,141,990.00	3,383,850.00	16,638,993.00	49,621,388.00	1,609,517.00	1,524,145.00
Wire Rope Corporation of the Philippines	82,966,260.00	64,554,745.00	18,411,515.00	-	-	-	-
Sub-total	12,183,247,521.00	4,954,634,641.00	2,106,468,119.00	2,183,297,225.00	584,671,942.00	1,501,417,046.00	852,758,548.00
Total Contract/Retention Receivable - Trade	17,067,491,410.16	4,954,634,641.00	6,990,712,008.16	2,183,297,225.00	584,671,942.00	1,501,417,046.00	852,758,548.00
Less: Allowance for Doubtful Accounts	12,820,408.00						
Net Trade Receivable	17,054,671,002.16						
B. NON-TRADE RECEIVABLES							
ADVANCES -							
D.M. Consunji, Inc.	2,072,252,394.60						
DMCI Holdings, Inc.	1,735,853.88						
DMCI Project Developers, Inc.	603,027,074.00						
DMCI Power Corporation	3,308,509.00						
Sub-total	2,680,323,831.48						
AFFILIATES -							
DMCI Holdings, Inc.	61,074.53						
D.M. Consunji, Inc.	726,461,575.95						
DMCI Project Developers, Inc.	129,083,294.00						
Semirara Mining Corporation	5,794,908.20						
DMCI Mining Corporation	16,048,783.00						
Sub-total	877,449,635.68						
OTHER RECEIVABLES -							
DMCI Holdings, Inc.	105,688.59						
DMCI Project Developers, Inc.	575,483,167.00						
DMCI Mining Corporation	2,732,125.00						
DMCI Power Corporation	4,180,152.00						
Sub-total	582,501,132.59						
Total Non-trade Receivables	4,140,274,599.75						
Less: Allowance for Doubtful Accounts	-						
Net Non-trade Receivables	4,140,274,599.75						
TOTAL RECEIVABLES	21,194,945,601.91						

DMCI HOLDINGS, INC.
 ACCOUNTS RECEIVABLE DESCRIPTION
 September 30, 2014

Type of Receivable	Nature/Description	Collection Period
1) Contracts/Retention Receivable	Construction contract billings, sale of Goods and services pertaining to construction and related businesses of subsidiaries; real estate sales like sale of condominium units; development, improvements and construction of real estate projects; and coal mining sales	Contract Receivable - 20 to 30 days upon submission of progress billing Retention Receivable (10%) - depends on the agreement: 1) usually, 60 days after completion and acceptance of the project 2) if 50% completed, can bill 50% of retained amount as specified in the contract agreement Coal Mine Receivable - 1) Average standard term 80% of sales - 30 days upon presentation of invoice 20% of sales - 35 to 45 days term upon receipt of test results 2) Actual term - 45 to 60 days after billing Real Estate Receivable terms: Upon sale - 1) Reservation Fee - P 20,000.00 2) 10% or 20% downpayment over one year (depends on the payment) 3) Balance paid through in-house or pag-ibig or bank financing
2) Advances	Includes Advances to Suppliers, sub-contractors, and advances to employees/subject for liquidation	
3) Affiliates	Includes Advances to Subsidiaries and Affiliates	
4) Other Receivables	Includes refundable deposits, claims from some government agency like SSS, BIR and other receivables from miscellaneous billings	

Normal Operating Cycle

- 1.) Construction and Real Estate - positive net working capital
- 2) Mining - positive net working capital

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 Don Chino Roces Avenue, Makati City. The Parent Company was listed in the Philippine Stock Exchange on December 18, 1995.

The Parent Company is the holding company of the DMCI Group (collectively referred to herein as the Group), which is primarily engaged in general construction, mining, power generation, infrastructure, real estate development, water concessionaire and manufacturing.

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

The accompanying unaudited condensed consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on May 15, 2014.

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, 2013.

The interim financial statements have been prepared using the historical cost basis, except for available-for-sale (AFS) financial assets and financial assets at fair value through profit or loss (FVPL) 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 unaudited condensed consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intercompany transactions that are recognized in assets are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

Non-controlling interests pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company.

Non-controlling interests (NCI) represent the portion of profit or loss and net assets in subsidiaries not wholly owned by the Group and are presented separately in consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from equity holders' of the Parent Company.

Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares and options under share-based transactions.

Losses within a subsidiary are attributed to the NCI even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a 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 NCI 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 Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

The interim unaudited condensed consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at September 30, 2014.

	September 2014			2013		
	Direct	Indirect	Effective Interest	Direct	Indirect	Effective Interest
<u>General Construction:</u>						
D.M. Consunji, Inc. (DMCI) ¹	100.00	–	100.00	100.00	–	100.00
DMCI International, Inc. (DMCI) ²	–	–	–	–	–	–
OHKI-DMCI Corporation (OHKI) ²	–	–	–	–	–	–
DMCI-Laing Construction, Inc. (DMCI-Laing) ²	–	–	–	–	–	–
Beta Electric Corporation (Beta Electric) ²	–	51.77	51.77	–	51.77	51.77
Raco Haven Automation Philippines, Inc. (Raco) ²	–	50.14	50.14	–	50.14	50.14
<u>Mining:</u>						
Semirara Mining Corporation (Semirara)	56.32	–	56.32	56.32	–	56.32
DMCI Mining Corporation (DMC)	100.00	–	100.00	100.00	–	100.00
Toledo Mining Corporation (TMC) ⁶	–	100.00	98.09	–	98.09	98.09
ENK Plc (ENK) ⁶	100.00	–	100	60	–	60

	September 2014			2013		
	Direct	Indirect	Effective Interest	Direct	Indirect	Effective Interest
<u>Real Estate Development:</u>						
DMCI Project Developers, Inc. (PDI)	88.87	11.13	100.00	88.87	11.13	100.00
Hampstead Gardens Corporation (Hampstead) ³	–	100.00	100.00	–	100.00	100.00
Riviera Land Corporation (Riviera) ³	–	100.00	100.00	–	100.00	100.00
DMCI-PDI Hotels, Inc. (PDI Hotels) ³	–	100.00	100.00	–	100.00	100.00
DMCI Homes Property Management Corporation (DHPMC) ³	–	100.00	100.00	–	100.00	100.00
<u>Manufacturing:</u>						
Semirara Cement Corporation (SemCem) [*]	100.00	–	100.00	100.00	–	100.00
Oriken Dynamix Company, Inc. (Oriken) ²	–	89.00	89.00	–	89.00	89.00
DMCI Technical Training Center (DMCI Training)	–	100.00	100.00	–	100.00	100.00
Wire Rope Corporation of the Philippines (Wire Rope)	45.68	16.02	61.70	45.68	16.02	61.70
Semirara Claystone, Inc. (SCI) ^{4*}	–	56.32	56.32	–	56.32	56.32
<u>Marketing Arm:</u>						
DMCI Homes, Inc. (DMCI Homes) ³	–	100.00	100.00	–	100.00	100.00
<u>Power:</u>						
DMCI Power Corporation (DPC) (formerly DMCI Energy Resources Unlimited Inc.)	100.00	–	100.00	100.00	–	100.00
DMCI Masbate Power Corporation (DMCI Masbate) ⁵	–	100.00	100.00	–	100.00	100.00
DMCI Palawan Power Corporation (DMCI Palawan) ⁵	–	100.00	100.00	–	100.00	100.00
Sem-Calaca Power Corporation (SCPC) ⁴	–	56.32	56.32	–	56.32	56.32
Southwest Luzon Power Generation Corporation (SLPGC) ^{4*}	–	56.32	56.32	–	56.32	56.32
Sem-Calaca Res Corporation (SCRC) (formerly DMCI Calaca Power Corporation) ^{4*}	–	56.32	56.32	–	56.32	56.32
SEM-Cal Industrial Park Developers, Inc. (SIPDI) ^{4*}	–	56.32	56.32	–	56.32	56.32
Semirara Energy Utilities, Inc. (SEUI) ^{4*}	–	56.32	56.32	–	56.32	56.32
St. Raphael Power Generation Corporation (SRPGC) ^{4*}	–	56.32	56.32	–	56.32	56.32
SEM-Balayan Power	–	56.32	56.32	–	56.32	56.32

	September 2014			2013		
	Direct	Indirect	Effective Interest	Direct	Indirect	Effective Interest
Generation Corporation (SBPGC) ^{4*}						

* Have not yet started commercial operations as of December 31, 2013

¹ Also engaged in real estate development

² DMCI's subsidiaries

³ PDI's subsidiaries

⁴ Semirara's subsidiaries

⁵ DPC's subsidiaries

⁶ DMC's subsidiary

General Construction

DMCI

Subscription to PDI's increase in authorized capital stock

On October 30, 2009, the PDI BOD and stockholders approved the increase in the PDI's authorized capital stock from ₱3.00 billion, divided into 3,000,000,000 common shares with a par value of ₱1.00 per share, to ₱5.00 billion, divided into 5,000,000,000 common shares with a par value of ₱1.00 per share.

On December 30, 2010, the Securities and Exchange Commission (SEC) approved PDI's application for increase in authorized capital stock. Of the said increase in the authorized capital stock of 2 billion common shares at ₱1.00 par value per share, 538,132,578 common shares have been subscribed by the DMCI and the Parent Company, each subscribing 504,862,578 shares and 33,270,000 shares, respectively in exchange of real estate properties.

On September 24, 2012, PDI filed a petition for the substitution of subscription payment to the increase of capital stock from real estate properties to cash. DMCI paid the subscription in October 2012. As at December 31, 2013, PDI is still awaiting for the SEC's approval of the above petition. Subsequently on January 9, 2014, the SEC granted the petition.

Declaration of Investment in PDI as Property Dividends to the Parent Company

In October 2011, DMCI declared majority of its investment in PDI as property dividends to the Parent Company with equivalent value of ₱949.59 million representing 30.57% share in PDI.

On December 5, 2011, the SEC approved DMCI's application to declare its investment in PDI as property dividend to the Parent Company. The property dividend amounted to ₱949.59 million payable in 949,594,750 shares of stocks in PDI with same par value. As a result, PDI became 88.87% owned by the Parent Company.

Revocation of Investees' SEC Licenses

In 2013, the Company has retired its various investments in subsidiaries and associates. The Company received the notice from the SEC approving the revocation of the investees' SEC licenses. Entities whose SEC licenses are revoked include:

- DMCI-Laing Construction, Inc.
- OHKI-DMCI Corporation
- DMCI International, Inc
- Eco Process & Equipment Philippines, Inc.

Due to the revocation, the Company derecognized the investees' respective net assets in the books with remaining total carrying value of ₱16.75 million.

Mining

DMC

DMC was incorporated and domiciled in the Republic of the Philippines on May 29, 2007 primarily to carry on the business of mining, developing, exploiting, extracting, milling,

concentrating, preparing for market, manufacturing, buying, shipping and transporting, all kinds of ores, metals and minerals. It involves surface mining and direct shipping of nickel laterite ore and is conducted through simple benching operation using excavators and trucks in Sta. Cruz and Candelaria, Zambales.

On March 31, 2013, the BOD of DMC approved the acceptance of ₱1.80 billion advances from the Parent Company as deposit for future additional issuances of DMC's capital stock.

On September 24, 2013, the BOD approved the increase in the authorized capital stock of DMC from ₱0.50 billion divided into 0.50 billion shares with a par value of ₱1.00 per share to ₱5.00 billion divided into 5.00 billion shares with a par value of ₱1.00 per share.

On November 19, 2013, the Parent Company and DMC executed a Deed of Assignment of Advances wherein the BOD of DMC approved and agreed for the conversion of the advances made by the Parent Company into equity for the additional subscription to 1.80 billion shares of DMC.

On December 19, 2013, the SEC approved DMC's application for increase in its authorized capital stock. Accordingly, the advances were converted to equity and 1.80 billion shares were issued as of December 31, 2013.

TMC

In October 2012, DMC acquired 17% stake of Daintree Resources Limited in TMC for GBP 3.4 million. Such investment was accounted for as an associate as of December 31, 2012.

In 2013, DMC increased its interest in TMC by acquiring additional shares through a mandatory cash offer to TMC's shareholders representing additional 81.09% interest. As of December 31, 2013, DMC holds 49,148,335 shares and voting rights representing 98.09% of voting rights.

On December 20, 2013 after establishing the 98.09% voting rights and gaining majority seats in the BOD of TMC, DMC obtained control over TMC. TMC has subsequently delisted on London Stock Exchange – Alternative Investment Market (AIM) after the resolution for the matter has been approved on the General Meeting of Shareholders. The business combination transaction was initially accounted provisionally as allowed under PFRS 3.

ENK

On March 25, 2014, the Parent Company acquired from D&A Income Ltd. the remaining 40% interest in ENK Plc for approximately P3.1 billion. Upon completion of the acquisition, ENK became a wholly owned subsidiary of the Parent Company (see Note 7).

Power

DPC

DPC was incorporated and domiciled in the Republic of the Philippines. It was registered with the SEC on October 16, 2006 to engage in acquiring, designing, constructing, investing in and operating electric power plants, and engaging in the business of a Generation Company in accordance with Republic Act (RA) No. 9136 otherwise known as the Electric Power Industry Reform Act (EPIRA) of 2001.

On December 17, 2013, the Parent Company and DPC entered into a Subscription Agreement for the subscription of the latter's new shares. As of the date of signing the Agreement, the authorized capital stock of DPC amounts to ₱1,000.00 million, divided into 1,000.00 million shares, with a par value of ₱1.00 per share, out of which ₱300.00 million consisting of 300.00 million shares have been previously issued to the subscriber. Subject to the terms and conditions provided in the Agreement, the Parent Company subscribed to 700.00 million new shares from

the unissued portion of DPC's existing authorized capital stock, at the subscription price of ₱1.00 per share, or a total of subscription price for all the new shares of ₱700.00 million.

Upon signing of the Agreement, ₱150.00 million has been paid in the subscription price. The balance of ₱550.00 million will be paid in two or more tranches upon the call of DPC's Board of Directors, provided the Subscriber is notified of such call at least three business days prior to the due date of payment.

DMCI Masbate

DMCI Masbate was incorporated and domiciled in the Republic of the Philippines. It was registered with the SEC on November 13, 2007 primarily to acquire, design, develop, construct, invest in and operate power generating plants in the province of Masbate and engage in the business of a generation company in accordance with RA No. 9136 otherwise known as the EPIRA and its implementing rules and regulations, and to design, develop, assemble and operate other power related facilities, appliances and devices. On February 3, 2011, the Parent Company and DPC executed a Deed of Assignment, whereby the Parent Company conveyed all its rights and interest over its subscribed 5,099,995 shares of DMCI Masbate with ₱1.00 par value each, of which ₱1.28 million has been paid. As at December 31, 2011, DMCI Masbate is wholly owned by DPC.

DMCI Palawan

DMCI Palawan Power Corporation, a wholly-owned subsidiary of DPC, was incorporated and domiciled in the Republic of the Philippines. It was registered with the Securities and Exchange Commission (SEC) on September 12, 2012 primarily to acquire, design, develop, construct, invest in and operate power generating plants in the province of Palawan and engage in the business of a generation company in accordance with RA No. 9136, otherwise known as EPIRA and its implementing rules and regulations, and to design, develop, assemble and operate other power related facilities, appliances and devices.

In 2012, DPC provided equity funding to DMCI Palawan amounting ₱2.50 million.

SLPGC

On August 31, 2011, SLPGC, a wholly-owned subsidiary of Semirara, was incorporated to operate electric power plants and to engage in business of a Generation Company. In 2011, Semirara provided equity funding to SLPGC amounting ₱770.20 million.

SCRC

SCRC is a stock corporation registered with SEC on September 14, 2009, primarily to sell electricity to any person or entity through electricity markets, by trading, or by contract, to administer, conserve and manage the electricity generated by power-generating plants, owned by its affiliates or by a third party, to invest in or acquire corporations or entities engaged in any of the foregoing activities.

Prior to 2013, the Parent Company owns 100% of common shares of SCRC. However, on March 15, 2013, the Parent Company assigned all of its 1.25 million shares in SCRC to SCPC at ₱1.00 par value or in the total amount of ₱1.25 million, making it as a wholly owned subsidiary of SCPC.

On September 25, 2013, SCPC subscribed to additional 6.75 million SCRC shares bringing the total investment in SCRC to ₱8.00 million as of December 31, 2013. The related shares were issued as of December 31, 2013. The Parent Company has 56.32% indirect ownership interest in SCPC and thus, an effective ownership interest of the same in SCRC.

SIPDI

On April 24, 2011, SIPDI was incorporated to acquire, develop, construct, invest in, operate and

maintain an economic zone capable of providing infrastructures and other support facilities for export manufacturing enterprises, information technology enterprises, tourism economic zone enterprises, medical tourism economic zone enterprises, retirement economic zone enterprises and/or agro-industrial enterprises, inclusive of the required facilities and utilities, such as light and power system, water supply and distribution system, sewerage and drainage system, pollution control devices, communication facilities, paved road network, and administration building as well as amenities required by professionals and workers involved in such enterprises, in accordance with R.A. No. 7916, as amended by R.A. No. 8748, otherwise known as the Special Economic Zone Act of 1995.

SEUI

On February 18, 2013, SEUI was incorporated to perform Qualified Third Party (QTP) functions pursuant to Section 59 of Republic Act 9136, otherwise known as the EPIRA and its Implementing Rules & Regulations”. DOE-Circular No. 2004-06-006 of the Department of Energy defines QTP as an alternative service provider authorized to serve remote and unviable areas pursuant to Section 59 of the EPIRA Law. The new company intends to act as the QTP over Barangays of Semirara, Tinogboc and Alegria, all located at Semirara Island, Caluya, Antique.

SRPGC

On September 10, 2013, SRPGC was incorporated to acquire, construct, erect, assemble, rehabilitate, expand, commission, operate and maintain power-generating plants and related facilities for the generation of electricity, including facilities to purchase, manufacture, develop or process fuel for the generation of such electricity; to sell electricity to any person or entity through electricity markets, by trading, or by contract; to administer, conserve and manage the electricity generated by power-generating plants, owned by SRPGC or by a third party, to invest in or acquire corporations or entities engaged in any of the foregoing activities.

SBPGC

On September 9, 2013, SBPGC was incorporated to acquire, construct, erect, assemble, rehabilitate, expand, commission, operate and maintain power-generating plants and related facilities for the generation of electricity, including facilities to purchase, manufacture, develop or process fuel for the generation of such electricity, to sell electricity to any person or entity through electricity markets, by trading, or by contract, to administer, conserve and manage the electricity generated by power-generating plants, owned by SBPGC or by a third party, to invest in or acquire corporations or entities engaged in any of the foregoing activities.

Manufacturing

SCI

On November 29, 2012, SCI was incorporated to engage in, conduct, and carry on the business of manufacturing, buying, selling, distributing, marketing at wholesale and retail insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description including pottery earthenware, stoneware, bricks, tiles, roofs and other merchandise produce from clay; to enter into all contracts for export, import, purchase requisition, sale at wholesale or retail and other disposition for its own account as principal or in representative capacity as manufacturer’s representative, merchandise broker, indenter, commission merchant, factors or agents, upon consignment of all goods, wares, merchandise or products natural or artificial. In 2012, Semirara provided equity funding to SCI amounting ₱2.50 million.

DMCI Training

DMCI Training was registered with SEC on August 15, 2006. The primary purpose of the company is to establish, promote, and operate training centers and or institutions in the field of science, technology, vocational and other apprenticeable trades and occupations in which qualified and deserving persons regardless of gender may be thought, developed and trained in a well-rounded theoretical and practical method.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2013, except for the adoption of new Standards and Interpretations enumerated below.

Effective 2014

- *PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- *Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)*
These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.
- *Philippine Interpretation IFRIC 21, Levies*
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.
- *PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Company has no derivatives designated as hedging instrument and derivatives novated as of the financial reporting period.
- *PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*
The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendment has no significant impact on the Company's financial position and performance since the employees are not required to make contribution to the Company's retirement fund.

Annual Improvements to PFRSs (2010-2012 cycle)

The *Annual Improvements to PFRSs (2010-2012 cycle)* contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39. The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments have no impact on the Group's financial position or performance.
- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.
- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- *PAS 24, Related Party Disclosures - Key Management Personnel*
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- *PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
 - a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
 - b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)

The *Annual Improvements to PFRSs (2011-2013 cycle)* contain non-urgent but necessary amendments to the following standards:

- *PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard

is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- *PFRS 3, Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.
- *PFRS 13, Fair Value Measurement - Portfolio Exception*
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.
- *PAS 40, Investment Property*
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective in the Philippines. One of the standards that the Company did not early adopt is PFRS 9, *Financial Instruments*.

PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship

between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

In compliance with SEC Memorandum Circular No. 3, Series of 2012, the Group has conducted a study on the impact of an early adoption of PFRS 9. After careful consideration of the results on the impact evaluation, the Group has decided not to early adopt PFRS 9 for its 2013 annual financial reporting. Therefore, these consolidated financial statements do not reflect the impact of the said standard. The Group will quantify the effect in conjunction with the other phases, when issued, to present a more comprehensive picture.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
 This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The Group will make an assessment when these have been completed.

3. Preferred and Common Stock

	September 30, 2014	December 31, 2013
Preferred stock - ₱1 par value cumulative and convertible to common stock		
Authorized number of shares	100,000,000	100,000,000
Issued and outstanding		
Balance at beginning of year	3,780	3,780
Cancellation/retirement of issued preferred shares	0	0
Balance at end of year	3,780	3,780
Common stock - ₱1 par value		
Authorized number of shares	19,900,000,000	5,900,000,000
Issued and outstanding	2,655,494,000	2,655,494,000

Additional subscription		
Preferred shares held in treasury		
Balance at beginning of year	0	0
Redemption of preferred shares	0	0
Cancellation/retirement of issued preferred shares	0	0
Balance	0	0

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. Aside from the issued and outstanding 3,780 preferred shares, all the preferred shares were essentially redeemed, retired, cancelled and paid.

On May 15, 2014, the Board of Directors approved the increase in the authorized capital stock of the Parent Company from P6,000,000,000.00, divided into 5,900,000,000 common shares and 100,000,000 preferred shares, both with a par value of P1.00 per share, to P20,000,000,000.00, divided into 19,900,000,000 common shares and 100,000,000 preferred shares, both with a par value of Php1.00 per share, by way of stock dividend declaration. The Board approved the declaration of stock dividends amounting to Php 10,621,976,000.00 billion, divided into 10,621,976,000 common shares at the par value of Php1.00 per share, or 4 common shares for every one common share held, from the unrestricted retained earnings of the Corporation as of December 31, 2013, and to be issued from the increase in the authorized capital stock of the Corporation. It was approved and ratified by the stockholders at the annual meeting on August 5, 2014. On September 18, 2014, the Securities and Exchange Commission approved the Parent Company's application for increase in authorized capital stock by way of stock dividend declaration. The record date was set on October 17, 2014 and payment date on November 7, 2014.

On May 15, 2014, the Board approved the declaration of (1) *regular cash dividends* in the amount of ₱1.20 per common share or a total of ₱3,186,592,800.00; and (2) *special cash dividends* of ₱1.20 per common share or a total of ₱3,186,592,800.00, or a grand total of ₱6,373,185,600.00 out of the unrestricted retained earnings of the Corporation as of December 31, 2013, in favor of the common stockholders of record as of May 30, 2014, and was paid on June 13, 2014.

4. Business Segments

The following tables present the net income of the specific business segments for the period and quarter ended September 30, 2014 and 2013 (amounts in thousands):

	Revenues			
	For the period		For the Quarter	
	2014	2013	2014	2013
Power Sales	9,930,978	10,979,545	4,114,100	4,007,144
Construction Contracts	11,212,552	11,694,893	3,460,952	3,493,595
Coal Sales	11,958,899	7,503,978	2,907,767	2,361,927
Nickel Ore Sales	2,383,500	264,428	2,171,311	-

Real Estate Sales	10,151,802	10,107,167	3,668,306	4,224,979
Parent and Others	216,980	599,936	65,407	478,911
TOTAL	45,854,711	41,149,947	16,387,843	14,566,556

Net Income After Non-controlling Interests

	For the period		For the Quarter	
	2014	2013	2014	2013
Power	634,722	2,650,270	526,903	738,009
Construction	349,983	1,146,528	(252,199)	471,369
Coal Mining	1,775,559	588,714	254,476	352,052
Nickel Ore Mining	869,955	19,979	504,367	80,226
Real Estate	2,621,461	2,037,835	968,403	760,367
Water	1,418,075	1,483,480	440,837	404,638
Parent and Others	(129,742)	8,465,939	(31,633)	91,518
TOTAL	7,540,013	16,392,746	2,411,156	2,898,180

5. Operating Expenses

The following tables present the consolidated operating expenses for the period ended September 30, 2014 and 2013:

	SEPTEMBER 2014	SEPTEMBER 2013
Government Share	1,712,680,103.00	787,455,969.00
Salaries, Wages & Employees benefits	716,903,018.52	546,485,967.50
Taxes and Licenses	527,302,376.34	492,284,488.61
Commission	464,034,251.64	537,403,293.80
Outside Services	349,402,126.95	94,011,040.74
Depreciation Expense	292,417,548.19	268,639,964.89
Advertising and Marketing Expense	238,142,987.12	244,926,750.46
Professional Fees	215,818,983.56	161,486,555.63
Repairs and Maintenance	194,161,895.60	261,159,133.22
Supplies	129,901,581.94	82,786,280.26
Communication, light and water	92,250,282.12	70,737,722.61
Transportation and Travel	61,059,850.76	34,878,362.86
Insurance	56,015,917.49	53,142,774.82
Entertainment, amusement and recreation	50,049,019.28	50,101,568.52
Gasoline and Oil Expense	30,092,227.76	12,107,515.18
Rental Expense	28,627,207.00	47,070,144.86
Other Operating Expense	480,042,734.02	769,204,786.20
TOTAL	5,638,902,111.29	4,513,882,319.16

6. Summarized financial information of interests in related entities.

Financial information as of and for the period ended September 30, 2014 on the Company's subsidiary with material NCI follows:

Semirara Mining Corporation and Subsidiaries

Amount (in thousands):

As of:	September 30, 2014	December 31, 2013
Current assets	P 14,441,980	P 14,800,206
Non-current assets	36,136,635	29,927,185
Current liabilities	13,027,241	9,990,894
Non-current liabilities	17,786,994	14,608,985
For the period:	September 30, 2014	September 30, 2013
Revenue	20,559,633	17,414,640
Net income	3,911,081	5,367,224
Other comprehensive income	-	-
Total comprehensive income	3,911,081	5,367,224

Financial information as of and for the period ended September 30, 2014 on the Company's material interest in associate follows:

Maynilad Water Holdings Company Inc. and Subsidiary

Amount (in thousands):

As of:	September 30, 2014	December 31, 2013
Current assets	P 10,322,962	P 10,785,242
Non-current assets	72,422,897	70,003,553
Current liabilities	14,157,270	15,034,952
Non-current liabilities	33,524,399	35,072,814
Equity	35,064,191	30,681,029
For the period:	September 30, 2014	September 30, 2013
Revenue	P 13,572,602	12,598,421
Net income	5,026,406	4,967,982
Other comprehensive income	4,309	-
Total comprehensive income	5,030,715	4,967,982

Investment in DMWCI is accounted for using the equity method. For the period ended September 30, 2014 and 2013, the Company received dividends from DMWCI amounting to P252 million and P4.9 billion, respectively. Equity in net earnings in the first nine months amounted to P1.4 billion in 2014 and P1.5 billion in 2013.

Financial information as of and for the period ended September 30, 2014 on the Company's immaterial interest in associates follows:

Subic Water and Sewerage Company, Inc.

Investment in Subic Water is accounted for using the equity method. The carrying amount of the investment in associate amounted to P261 million and P236 million as of September 30, 2014 and December 31, 2013, respectively. The unaudited share in net earnings amounted to P51 million and P59 million for the period ended September 30, 2014 and 2013, respectively.

Private Infra Dev Corporation (PIDC)

Investment in PIDC is accounted for using the equity method. The carrying amount of the investment in associate amounted to P797 million and P927 million as of September 30, 2014

and December 31, 2013, respectively. The unaudited share in net loss amounted to P130 million for the period ended September 30, 2014.

The Company does not have any material interests in joint ventures as of September 30, 2014 and 2013.

7. Business Combination

In 2012, the Parent Company acquired existing shares of ENK Plc, a mining company with significant mining assets in the Philippines. ENK is a nickel laterite development and production company focused on developing its Acoje and Zambales chromite projects in the Philippines. The total acquisition cost amounted to P2.1 billion. In aggregate, the Parent Company owns 157.26 million shares which represents 60% ownership in ENK Plc. The remaining 40% is owned by D&A Income Ltd (D&A), an entity from United Kingdom. The investment in ENK is accounted for as an acquisition of a business.

In 2012, the Parent Company and D&A executed a Shareholders' Agreement which clearly defines the roles of the shareholders as having economic interests over ENK. The Parent Company's 60% ownership interest in ENK only allows it to exercise significant influence because of limited participation in the governance of ENK. ENK is classified as an associate of the Group and accounted for using the equity method of accounting.

On January 22, 2013, the Parent Company has acquired majority seats in the Board of ENK. Upon adoption of PFRS 10 and PFRS 11 in 2013, the Parent Company reassessed its arrangement with D&A over ENK and has determined that it has joint control over ENK because even at 60% ownership and majority seats in the Board, the strategic and financial operating decisions relating to the economic activities of ENK require the unanimous consent of both parties.

On March 25, 2014, the Parent Company acquired from D&A Income Ltd. the remaining 40% interest in ENK Plc for approximately P3.1 billion. Upon completion of the acquisition, ENK became a wholly owned subsidiary of the Parent Company.

The following table summarizes the amounts of the provisional assets acquired and liabilities assumed recognized at the acquisition date

	Fair value recognized on acquisition date
Assets	(in Php millions)
Cash and cash equivalents	P721
Receivables	6
Property, plant and equipment	62
Intangible assets	3,888
	4,677
Liabilities	
Trade payables	99
Accrued expenses	664
Other liabilities	22
	785
Fair value of identifiable net assets acquired	3,892

The Group assessed that the carrying values of the assets acquired and liabilities assumed approximates fair values for the purpose of provisional accounting.

Excess of consideration paid on the business combination of ENK Plc over the provisional fair values of net identifiable assets follow (in Php millions)

Total consideration paid for the acquisition	P5,240
Fair value of identifiable net assets acquired	3,892

(Provisional Value of) Goodwill	1,348
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Goodwill is included in “Other Noncurrent Asset” account.

8. Basic and Diluted 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 and diluted earnings per share):

Basic Earnings Per Share

	For Period 2014	For Period 2013	For Quarter 2014	For Quarter 2013
Net Income Attributable to Parent Company	7,540,014	16,392,747	2,411,157	2,898,118
Divided by Weighted average number of common shares	2,655,494	2,655,494	2,655,494	2,655,494
Basic EPS	P2.84	P6.17	P0.91	P1.09

Diluted Earnings Per Share

	For Period 2014	For Period 2013	For Quarter 2014	For Quarter 2013
Net Income Attributable to Parent Company	7,540,014	16,392,747	2,411,157	2,898,118
Divided by Weighted average number of common shares	13,277,470	13,277,470	13,277,470	13,277,470
Diluted EPS	P0.57	P1.23	P0.18	P0.22

A four for one stock dividend for common shares will be issued on November 7, 2014 (see Note 3).

9. 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:

- (a) Comprehensive surety, corporate and letters of guarantee issued by the Company for various credit facilities granted to and for full performance of certain obligations by certain related parties.

- (b) Certain assets of the Group, associates and other related parties were placed under accommodation mortgages to secure the indebtedness of the Group, its associates and other related parties.
- (c) Engineering and construction works of the water business is contracted to the construction segment of the Company. These projects are bid out to various contractors and are awarded on arms length transactions. The interrelated contracts amounted to Php 988,373,879.29 and Php 1,405,339,635.33 as of September 30, 2014 and September 30, 2013 respectively, where Php 413,626,713.79 and Php 216,641,737 were booked for the period ended September 30, 2014 and September 30, 2013 respectively.
- (d) Services rendered by DMC-CERI, an affiliate under common stockholder, relating to coal operations. These services are for the confirmatory drilling for coal reserve evaluation of identified potential areas, exploratory drilling of other minerals within Semirara Island, dewatering well drilling along cut-off wall of Panian mine and fresh water well drilling for industrial and domestic supply under an agreement.

10. Maynilad Sale

Subsequent to the subscription agreement executed between Marubeni Corporation - Nippon Koei Ltd (MCNK) and DMWC on December 28, 2012, another subscription agreement dated February 13, 2013 was executed, wherein MCNK subscribed an additional 508,853,045 common shares of DMWC for a total subscription price of ₱10.2 billion. On same date, DMWC issued these shares and MCNK has likewise fully paid these shares.

On February 13, 2013, MPIC purchased 154,992,852 common shares of stock of DMWC from the Parent Company for a total cash consideration of ₱2.4 billion. These were fully paid in cash on the same date. Also on the same date, MCNK purchased 472,455,019 common shares of stock of the DMWC from the Parent Company for a total cash consideration of ₱6.7 billion. The net gain of the Parent Company on the effective dilution and partial disposal of interest in DMWC is estimated to be ₱8.4 billion, exclusive of other costs and charges attributable in the disposal of shares.

The above transactions resulted to the following changes in effective interest in Maynilad:

Effective interest in Maynilad	Pre-deal Ownership	Post-deal Ownership
MPIC	56.80%	52.80%
DMCI	40.98%	25.24%
MCNK	–	20.00%
ESOP/Others	2.22%	1.96%
	100.00%	100.00%

11. Financial Instruments and Financial Risk

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

Financial assets

The fair values of cash and short-term receivables approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

The fair values of real estate receivable are calculated by discounting expected future cash flows at applicable rates for similar instruments using the remaining terms of maturity.

AFS quoted equity securities and financial assets at FVPL - Fair values are based on quoted prices published in markets.

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.

Security deposits other than those pertaining to operating leases and unquoted AFS 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, these security deposits 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.

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 equity price risk, market price risk, foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's BOD reviews and approves policies for managing each of these risks and they are summarized below.

The sensitivity analyses have been prepared on the following bases:

- Interest rate risk - market interest rate on unsecured bank loans
- Equity price risk - movements in equity indices
- Market Price risk - movements in one-year historical coal prices
- 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 September 30, 2014.

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.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the

levels of equity indices and the value of individual stocks. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments.

The effect on equity as a result of a change in fair value of quoted equity instruments held as financial asset at FVPL as of September 30, 2014 due to a reasonably possible change in equity indices, with all other variables held constant, will have an increase on equity by ₱0.74 million if equity indices will increase by 1%. An equal change in the opposite direction would have decreased equity by the same amount.

The effect on equity as a result of a change in fair value of quoted equity instruments held as AFS investments as of September 30, 2014 due to a reasonably possible change in equity indices, with all other variables held constant, will have an increase on equity by ₱14.72 million if equity indices will increase by 15%. An equal change in the opposite direction would have decreased equity by the same amount.

Market price risk

Market 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.

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 (i.e., domestic vs local). 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, forex).

Below are the details of the Group’s coal sales to the domestic market (excluding those to the power-generating companies) and to the export market:

	09/30/2014	12/31/2013
Domestic Market	39.99%	55.43%

Export Market <i>as a percentage of total coal sales volume</i>	60.01%	44.57%
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The following table shows the effect on income tax should the change in the prices of coal occur based on the inventory of the Group as of September 30, 2014 and December 31, 2013 with all other variables held constant. The change in coal prices is based on 1-year historical price movements.

<i>Based on ending coal inventory</i>	Effect on income <u>before income tax</u>	
	09/30/2014	12/31/2013
<u>Change in coal price</u>		
Increase by 22% in 2014 and 42% in 2013	961,298,910	1,022,494,329
Decrease by 22% in 2014 and 42% in 2013	(961,298,910)	(1,022,494,329)

<i>Based on coal sales volume</i>	Effect on income <u>Before income tax</u>	
	09/30/2014	12/31/2013
<u>Change in coal price</u>		
Increase by 22% in 2014 and 42% in 2013	3,027,088,110	5,643,685,176
Decrease by 22% in 2014 and 42% in 2013	(3,027,088,110)	(5,643,685,176)

Foreign currency risk

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

The 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):

	September 30, 2014					
	U.S. Dollar	Australian Dollar	Japanese Yen	UK Pounds	Euro	Php Equivalent
Assets						
Cash and cash equivalents	\$38,932	A\$353	¥2,760	£131	€270	₱1,766,961
Trade receivables						
Coal mining	12,053		–	–	–	539,431
	<u>50,986</u>	<u>353</u>	<u>2,760</u>	<u>131</u>	<u>270</u>	<u>2,306,392</u>
Liabilities						
Accounts and other payables	64,319		380,318	12	1,231	3,091,943
Long-term debt (including current portion)	124,608		–	–	–	5,591,784
	<u>188,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,683,727</u>
Net foreign currency denominated assets (liabilities)	<u>(\$137,942)</u>	<u>A\$353</u>	<u>(¥377,558)</u>	<u>£119</u>	<u>(€961)</u>	<u>(₱6,377,335)</u>

The following table 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) and equity (amounts in thousands).

September 30, 2014

	Exchange rate movement	Effect on Profit	Effect on Equity
In Peso per U.S. Dollar			

Increase	P1	(P137,942)	(P96,559)
Decrease	(P1)	137,942	96,559
In Peso per Australian Dollar			
Increase	1	353	247
Decrease	(1)	(353)	(247)
In Peso per Japanese Yen			
Increase	2	(755,116)	(528,581)
Decrease	(2)	755,116	528,581
In Peso per UK Pounds			
Increase	2	P238	P167
Decrease	(2)	(238)	(167)
In Peso per Euro			
Increase	2	(1,922)	(1,345)
Decrease	(2)	1,922	1,345

The movement in sensitivity analysis is derived from current observations on fluctuations in foreign currency exchange rates.

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 September 30, 2014 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 and mining receivables from export sales. As of September 30, 2014, the Group's exposure to bad debts is not significant.

Real estate contracts

Credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contributes to lower customer default. Customer payments are facilitated through various collection modes including the use of postdated checks. The credit risk for real estate receivable is also mitigated as the Group has the right to cancel the sales contract and takes possession of the subject house without need for any court action in case of default in payments by the buyer. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

Electricity sales

The Group earns substantially all of its revenue from the Wholesale Electricity Spot Market (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 not regulated but is determined in accordance with the WESM Price Determination Methodology (PDM) approved by the Energy Regulatory Commission (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.

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.

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.

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 through continuous production and sale of coal and power generation. 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.

Fair Value Hierarchy

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fair values of real estate receivables and long-term debt are based on level 3 inputs while that of available for sale financial assets and financial assets through profit or loss are from level 1 inputs.

Installment contracts receivable

The fair values of installment contracts receivable is based on the discounted value of future cash flows using the applicable rates for similar types of loans and receivables.

Available for sale financial assets and Financial asset at FVPL

The fair values are based on quoted market prices.

As at September 30, 2014, the Group's AFS financial assets amounting to ₱71 million and financial assets at FVPL amounting to ₱72 million are carried at fair value based on Level 1. There were no transfers among levels 1, 2 and 3 during the interim period. Cumulative net unrealized gain on AFS reported in equity amounted to ₱6.8 million as of September 30, 2014. Mark-to-market loss on FVPL amounting to ₱0.7 million was included in other expenses.

Long-term debt

The carrying values approximated the fair values because of recent and regular repricing of interest rates based on current market conditions. As of September 30, 2014 and December 31, 2013, interest rates ranges from 1% to 3%.

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 stockholders' equity as capital. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Group less unrealized gain or loss on AFS financial assets. The Group is not subject to any externally imposed capital requirements.