

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended
Jun 30, 2017
2. SEC Identification Number
ASO-95002283
3. BIR Tax Identification No.
004-703-376-000
4. Exact name of issuer as specified in its charter
DMCI Holdings, Inc.
5. Province, country or other jurisdiction of incorporation or organization
Phippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
3/F Dacon Bldg. 2281 Chino Roces Avenue, Makati City
Postal Code
1231
8. Issuer's telephone number, including area code
(632) 888 3000
9. Former name or former address, and former fiscal year, if changed since last report
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding	
Common	13,277,470,000	
Preferred	3,780	

11. Are any or all of registrant's securities listed on a Stock Exchange?
☒ Yes ☐ No
If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange, Common and Preferred Shares
12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC 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 that 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

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



DMCI Holdings, Inc. DMC

PSE Disclosure Form 17-2 - Quarterly Report References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Jun 30, 2017
Currency (indicate units, if applicable)	Thousand Php

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Jun 30, 2017	Dec 31, 2016
Current Assets	81,790,702	80,143,569
Total Assets	159,552,899	156,941,902
Current Liabilities	30,673,315	33,775,778
Total Liabilities	73,194,000	72,975,313
Retained Earnings/(Deficit)	51,413,889	50,139,562
Stockholders' Equity	86,358,899	83,966,589
Stockholders' Equity - Parent	69,492,195	68,217,868
Book Value per Share	5.23	5.14

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	18,289,894	16,724,482	37,057,214	31,396,088
Gross Expense	12,862,907	11,825,143	25,082,635	22,136,818
Non-Operating Income	700,678	867,153	1,211,022	1,737,035
Non-Operating Expense	306,624	373,043	569,842	703,174

Income/(Loss) Before Tax	5,821,041	5,393,449	12,615,759	10,293,131
Income Tax Expense	708,828	437,170	1,533,544	1,004,643
Net Income/(Loss) After Tax	5,112,213	4,956,279	11,082,215	9,288,488
Net Income Attributable to Parent Equity Holder	3,593,339	3,367,992	7,647,513	6,442,226
Earnings/(Loss) Per Share (Basic)	0.27	0.25	0.58	0.49
Earnings/(Loss) Per Share (Diluted)	0.27	0.25	0.58	0.49

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	1.07	0.94
Earnings/(Loss) Per Share (Diluted)	1.07	0.94

Other Relevant Information

Please see attached full disclosure under SEC Form 17-Q.

Filed on behalf by:

Name	Brian Lim
Designation	Vice President & Senior Finance Officer

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)

3 R D F L R . D A C O N B L D G . 2 2 8 1
P A S O N G T A M O E X T . M A K A T I C I T Y

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

HERBERT M. CONSUNJI
Contact Person

888-3000
Company Telephone Number

(Last Wednesday of July)

1 2
Month

3 1
Day

Fiscal Year

SEC Form 17-Q
Second Quarter Interim Report 2017
FORM TYPE

0 5
Month

1 6
Day

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

Remarks: Please use BLACK ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended June 30, 2017

2. SEC Identification No. AS095-002283

3. BIR Tax Identification No. 004-703-376

DMCI Holdings, Inc.

4. Exact name of issuer as specified in its charter

5. Philippines

6. (SEC Use Only)

Province, Country or other jurisdiction of
incorporation or organization

Industry Classification Code:

7. 3rd Floor, Dacon Building, 2281 Pasong Tamo Ext., Makati city1231

Address of principal office

Postal Code

8. Tel. (632) 888-3000

Fax (632) 816-7362

Issuer's telephone number, including area code

9. Not applicable

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

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>No. of Shares Outstanding</u>	<u>Amount</u>
Common Shares	Php13,277,470,000.00	Php13,277,470,000.00
Preferred Shares	3,780.00	3,780.00
TOTAL	Php13,277,473,780.00	Php13,277,473,780.00

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

Yes ☒ No ☐

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange

Class "A" Shares

Preferred Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes ☒ No ☐

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

Yes ☒ No ☐

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements as of and for the period ended **June 30, 2017** are contained herein.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF CONSOLIDATED OPERATIONS AND CONSOLIDATED FINANCIAL CONDITION AS OF AND FOR THE PERIOD ENDED JUNE 30, 2017

June 30, 2017 (Unaudited) vs June 30, 2016 (Restated)

I. RESULTS OF OPERATIONS

Below is a table on the net income contributions of the Company's businesses for 2017 and 2016:

CONSOLIDATED NET INCOME AFTER NON-CONTROLLING INTERESTS

(in Php Millions)	For the Year		Variance	
	2017	2016 Restated ¹	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P4,465	P3,588	P877	24%
DMCI HOMES ¹	1,618	909	709	78%
MAYNILAD	759	1,097	(338)	-31%
D.M. CONSUNJI, INC.	497	397	100	25%
DMCI POWER (SPUG)	228	241	(13)	-5%
DMCI MINING	54	57	(3)	-5%
PARENT & OTHERS	27	42	(15)	-36%
NET INCOME EXCLUDING ONE-TIME INVESTMENT GAIN	7,648	6,331	1,317	21%
ONE-TIME INVESTMENT GAIN	–	111	(111)	-100%
TOTAL NET INCOME	P7,648	P6,442	P1,206	19%

¹ Restated for comparative purposes using percentage of completion method for DMCI Homes

DMCI Holdings, Inc. (the "Company") reported a 21% surge in consolidated net income at P7.6 billion in the first half of 2017 from P6.3 billion the previous year excluding one-time investment gain. The strong double-digit growth was driven by the 18% improvement in consolidated revenues mainly coming from the coal, real estate and construction businesses.

Including a one-time gain of P111 million in 2016 for the partial sale of its stake in Subic Water, consolidated net income improved 19% to P7.6 billion from P6.4 billion in the previous year. Likewise, consolidated EBITDA increased by 23% from P12.8 billion to P15.7 billion.

SMPC contributed P4.5 billion to DMCI Holdings' bottom line, a 24% jump from P3.6 billion reported last year. The 4% dip in coal sales volume was offset by the 28% upsurge in average coal prices. Energy generation increased by 12% which was boosted by a 12% uptick in electricity prices.

DMCI Homes recognized a 78% surge in its net income from P909 million to P1.6 billion due to higher sales and reservations and change in accounting policy from completed contract method to percentage of completion (POC) method. The company shifted to the POC method in June 2017 to align with current accounting practice in the industry.

Meanwhile, affiliate Maynilad posted a 31% drop in net earnings contributions from P1.1 billion to P759 million, as delays in the implementation of the rate rebasing tariff continued to put a downward pressure on its earnings.

Net income contributions from construction arm DMCI increased 25% from P397 million to P497 million due to higher recognized construction revenues and operating efficiencies among its business units.

Off-grid energy supplier DMCI Power recorded a 5% slip in first half earnings contributions from P241 million to P228 million, mainly due to the expiration of its income tax holiday for its Masbate operations. On the other hand, its income before income tax grew 11% to P275 million during the first half of the year.

Despite its protracted mining suspension, DMCI Mining stayed profitable due to the increase in average selling price of nickel. This allowed the nickel firm to contribute P54 million to the Parent, 5% less than the P57 million recorded during the same period last year.

Meanwhile, DMCI Holdings and other investments contributed P27 million during the first half of 2017, a 36% decline from P42 million same period last year due to the full period effect of the sale of the 10% stake in Subic Water and Sewerage Company (Subic Water).

SEMIRARA MINING AND POWER CORPORATION

Below is SMPC's management discussion and analysis of results of operations and financial condition for the period ending and as of June 30, 2017 as lifted from its first half financial report with the SEC and PSE.

SEMIRARA MINING AND POWER CORPORATION

I. PRODUCTION – COMPARATIVE REPORT H1 2016 vs H12017

COAL

On 8 February 2017, the Department of Environment and Natural Resource (DENR) issued a Special Order creating a team to conduct investigation at the minesite. This is despite passing the audit done in August 2016. The results of the February investigation was released on 13 March 2017, again clearing the Company of any violation of its Environmental Clearance Certificate (ECC).

The Company continued to invest in additional CAPEX this year to hit its annual target of 13-14 million metric tons (tons), increasing from last year's 12 million annual capacity. With additional equipment in H1, total materials moved increased by 6% YoY to 71.49 million bank cubic meters (bcm) from 67.32 million bcm in H1 2016.

Clean coal production consequently increased by 21% YoY to 6.57 million tons from 5.42 million tons in the same period last year. In addition, 772 thousand tons of low-grade coal were produced this quarter, increasing by 41% from last year's 454 thousand tons.

Strip ratio slightly increased to 9.03:1 compared to 5.97:1 last year. The strip ratio was lower last year since operations were already wrapping for Panian mine. This year's strip ratio is normalized with the operations of the two new mines, Molave and Narra.

Coal sales volume slightly decreased by 4% YoY to 6.33 million tons from 6.58 million tons last year. Clean coal ending inventory closed at 1.74 million tons; H1 last year closed with and ending inventory of 406thousand tons.

The table below shows the comparative production data for H1 2016 and H1 2017.

<i>(in millions)</i>	ACTUAL			ACTUAL			VARIANCE	
	<u>Q1</u>	<u>Q2</u>	<u>H1 2017</u>	<u>Q1</u>	<u>Q2</u>	<u>H1 2016</u>	<u>vs H1 2016</u>	
PRODUCTION								
Total Materials (BCM)	35.18	36.31	71.49	30.79	36.53	67.32	4.2	6%
Pre-Stripping (BCM)	-		-	-	28.06	28.06	(28.1)	0%
Prod'n Stripping (BCM)	35.18	36.31	71.49	30.79	8.48	39.26	32.2	82%
Clean Coal (MT)	3.67	2.90	6.57	3.43	2.00	5.42	1.1	21%
Unwashed Coal (MT)	0.38	0.40	0.77	0.27	0.18	0.45	0.3	70%
Strip Ratio (W:C)	7.97	10.32	9.03	7.61	3.18	5.97	3.1	51%
Beg. Inventory (MT)	0.83	1.80	0.89	0.83	1.80	0.83	0.1	8%
End Inventory (MT)	1.80	1.74	1.74	1.80	0.41	0.41	1.3	330%

SCPC

Unit 1 was down in Q1 2017 for scheduled maintenance which started in December 15, 2016. This was originally scheduled for a 75-day maintenance shutdown but was extended to allow additional maintenance works to ensure power unit availability during the summer months. The shutdown also included activities related to the 3-year life extension programs of the unit and increasing its output capacity to up to 250MW using Semirara coal.

Despite of the lower total plant availability, total gross generation is up by 14% YoY to 1,383 GWhr from 1,212 GWhr last year. Consequently, capacity factor also increased by 15%. Average capacity in H1 2017 is 518MW, almost 12% higher than last year with 463MW

Total plants' availability decreased by 7% YoY to 5,217 hours from 5,661 hours.

Unit One (Unit 1 of 2x300MW)

Unit 1 did not generate any power in Q1 2017 while on maintenance. The maintenance shutdown which started on December 15, 2016 was originally scheduled for two and a half months or 75 days. However, it lasted until April 18, 2017. Gross generation in 2017 Q2 is 361 GWh.

Average Capacity 244MW and Capacity factor is at 28% as of H1 2017.

Unit Two (Unit 2 of 2x300MW)

Gross generation of Unit 2 is 1,022 GWh in H1 2017. The unit did not generate any power in Q1 2016 while on maintenance shutdown. In 2016, the maintenance shutdown which started on 20 November 2015 was originally scheduled for one month. However, it lasted until 13 April 2016. Gross generation in 2016 Q2 is 503 GWh.

Average Capacity 274MW and Capacity factor is at 78% as of H1 2017.

The table below shows the comparative production data for 2016 and 2017.

COMPARATIVE PLANT PERFORMANCE DATA <i>AO Q1 '16 VS AO Q1 '17</i>							
	<u>Q1 '16</u>	<u>Q2 '16</u>	<u>AO H1 '16</u>	<u>Q1 '17</u>	<u>Q2 '17</u>	<u>AO H1 '17</u>	<u>% Inc (Dec)</u>
Gross Generation, Gwh							
Unit 1	346	363	709	-	361	361	-49%
Unit 2	-	503	503	562	460	1,022	100%
Total Plant	346	867	1,212	562	821	1,383	14%
% Availability							
Unit 1	84%	92%	88%	0%	67%	34%	-61%
Unit 2	0%	82%	41%	92%	79%	86%	100%
Total Plant	42%	87%	64%	46%	73%	60%	-7%
Capacity Factor							
Unit 1	53%	55%	54%	0%	54%	28%	-49%
Unit 2	0%	76%	38%	87%	69%	78%	100%
Total Plant	26%	65%	46%	43%	62%	53%	15%

SOUTHWEST LUZON POWER GENERATION CORPORATION (SLPGC)

Both Units 3 and 4 are on commercial operations for 2017 unlike Q1 2016 when both units are still on commissioning stage. COC was granted last May 15, 2017 by the ERC.

Unit Three (Unit 1 of 2x150MW)

Unit 3 generated 442 GWh as of Q2 this year. Average capacity is 131 MW, with a capacity factor of 58%. The unit operated for 3,382 hours as of Q2.

Unit Four (Unit 2 of 2x150MW)

Gross generation of Unit 4 is 374 GWh. Average Capacity is 133 MW, while capacity factor is at 56%

Unit's operating hours as of Q2 is 2,805 hours.

The table below shows the comparative production data for 2016 and 2017.

COMPARATIVE PLANT PERFORMANCE DATA							
<i>AO Q2 '16 vs Q2 '17</i>							
	<u>Q1 '16</u>	<u>Q2 '16</u>	<u>Tot Yr '16</u>	<u>Q1 '17</u>	<u>Q2 '17</u>	<u>Tot Yr '17</u>	<u>% Inc (Dec)</u>
Gross Generation, GWh							
Unit 3	65	250	315	147	295	442	40%
Unit 4	152	287	439	74	300	374	-15%
Total Plant	217	537	754	221	596	817	8%
% Availability							
Unit 3	34%	88%	61%	58%	97%	77%	27%
Unit 4	55%	97%	76%	30%	97%	64%	-16%
Total Plant	45%	93%	69%	44%	97%	71%	3%
Capacity Factor							
Unit 3	20%	76%	48%	45%	89%	58%	20%
Unit 4	46%	87%	67%	23%	91%	56%	-17%
Total Plant	33%	81%	58%	34%	90%	62%	8%

MARKETING – COMPARATIVE REPORT H1 2016 vs. H1 2017

COAL

Coal sales volume slightly decreased by 4% YoY to 6.33 million tons from 6.58 million tons last year.

Export sales accounted for 48% of total coal sales volume in H1 2017 at 3.07 million tons, decreasing by 22% from last year's 3.92 million tons. The drop in export sales is just a timing issue due to early onset of rainy season. Coal produced during the period was prioritized for the local market and own plant's requirement.

Meanwhile, local sales posted an increase of 23% YoY to 3.26 million tons from 2.66 million tons last year. This figure is inclusive of low-grade coal of 757 thousand tons and 772 thousand tons in H1 2016 and H1 2017, respectively.

Deliveries to power customers increased by 18%. All power plant customers increased their off-take this year.

Sales to cement plants also grew by 41% YoY to 433 thousand tons from 308 thousand tons last year.

Sales to other industrial plants likewise significantly rose by 55% YoY to 223 thousand tons from 144 thousand tons last year.

The increase in cement and industrial plants' off-take because of the new customer and one plant increased its liftings.

Composite average FOB price per ton grew by 30% YoY to PHP2,167 from PHP1,667 last year. Global coal prices are significantly higher this year than last year.

The table below shows the comparative sales volume data for H1 2016 and H1 2017.

COMPARATIVE SALES VOLUME <i>(in thousand MT)</i>									
Customer	Q1	Q2	2017 YTD	%	Q1	Q2	2016 YTD	%	Inc (Dec) %
Own Plant	722	972	1,694		716	756	1,472		15%
GBPs	240	272	512		122	278	399		28%
Others PPs	172	225	397		186	147	332		19%
Power Plants	1,134	1,469	2,603	41%	1,023	1,181	2,204	34%	18%
Cement	163	270	433	7%	147	161	308	5%	41%
Others Plants	113	111	223	4%	69	76	144	2%	55%
Local	1,410	1,849	3,259		1,239	1,417	2,656		23%
Export	2,206	863	3,070	49%	1,674	2,246	3,920	60%	-22%
TOTAL	3,616	2,713	6,329		2,913	3,663	6,576		-4%

POWER

SCPC

SCPC's Energy sales slightly increased by 1% YoY to 1,401 GWh from 1,390 GWh last year.

Composite average price per Kwh increased by 18% YoY at PHP3.83 from PHP3.25 last year due to higher fuel component of the price which is based on New Castle Index.

Average price for bilateral contracts increased by 20% YoY to PHP3.87/KWh from PHP3.21/KWh last year due to higher fuel component of the price which is based on New Castle Index.

On the other hand, spot sales' average price is 56% lower YoY at PHP3.13/KWh from PHP7.18/KWh as a result of lower prices in the market.

Of the total energy sold, more than 99% or 1,401 GWh were sold to bilateral contracts, while spot market sales were minimal at 80 GWh.

MERALCO remained to be the single biggest customer, accounting for 88% of the total energy sales of the bilateral contracts; BATELEC I comprised 6% of total sales; while Spot sales accounts for another 6%.

Spot Market Sales increased by 475% YoY to 80 GWh, as against 14 GWh last year.

Of the total energy sold, 95% was sourced from own generation, while 5% was 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.

The table below shows the comparative marketing data for H1 2016 and H1 2017.

COMPARATIVE SALES VOLUME DATA (in GWh)							
CUSTOMER	Q1 '16	Q2 '16	AO H1 '16	Q1 '17	Q2 '17	AO H1 '17	% Inc (Dec)
Bilateral Contracts	422.2	954	1,376.3	585.6	736	1,321.1	-4%
Spot Sales	2.2	12	13.8	0.8	79	79.6	475%
GRAND TOTAL	424.5	966	1,390.1	586.4	814	1,400.7	1%
Composite Ave Price	3.90	2.97	3.25	4.13	3.61	3.83	18%

SLPGC

SLPGC has a total contracted capacity of 192.51 MW as of June 30, 2017, 50MW of which is a financial contract.

Energy sales rose by 2% YoY to 771 GWh from 757 GWh last year due to a more reliable performance from the 2 Units. Composite average price per Kwh, also increased by 4% YoY at PHP4.33 from PHP4.16 last year due to higher Newcastle Price Index slightly offset by the higher Spot Sales vs Bilateral Contracts for 2017.

Average price for bilateral contracts increased by 16% YoY to PHP5.20/KWh from PHP4.48/KWh last year due to a higher Newcastle Price Index.

Spot sales' average price also increased by 18% YoY at PHP3.16/KWh from PHP2.67/KWh due to favorable WESM price.

Of the total energy sold, more than 57% or 443 GWh were sold to bilateral contracts, while spot market sales accounted for 328 GWh.

Of the total energy sold, 94% was sourced from own generation, while 6% was purchased from the spot market.

The table below shows the comparative marketing data for H1 2016 and H1 2017.

COMPARATIVE SALES VOLUME DATA (in GWh)							
CUSTOMER	Q1 '16	Q2 '16	Tot Yr '16	Q1 '17	Q2 '17	Tot Yr '17	% Inc (Dec)
Bilateral Contracts	208	413	621	177	266	443	-29%
Spot Sales	41	94	136	62	266	328	142%
GRAND TOTAL	250	507	757	239	532	771	2%
Composite Ave Price	4.22	4.13	4.16	4.81	4.12	-	4%

II. FINANCE

A. Sales and Profitability

Revenues

Before Eliminations

	H1 2016	H1 2017	Variance	Remarks
Coal	10,944	13,454	23%	Increase in ASP by 28%, offset slight decrease of 4% in Sales Volume
SCPC	4,522	5,365	19%	18% increase in ASP; 1% increase in sales volume
SLPGC	3,000	3,342	11%	4% increase in ASP; 2% increase in sales volume

After Eliminations (Consolidated)

	H1 2016	H1 2017	Variance	Remarks
Coal	9,017	11,120	23%	Increased average selling price per MT
SCPC	4,522	5,365	19%	18% increase in ASP; 1% increase in sales volume
SLPGC	3,000	3,342	11%	4% increase in ASP; 2% increase in sales volume; 2016 inclusive of commissioning cost of Php615 M
Total	16,540	19,827	20%	increased coal & SLPGC revenues offset drop in SCPC revenues

Cost of Sales

Before Eliminations

	H1 2016	H1 2017	Variance	Remarks
Coal	4,758	5,730	20%	Higher strip ratio since it is already normalized at the new mine compared to the very strip ratio during wrapping up of Panian mine
SCPC	3,004	3,037	1%	
SLPGC	831	1,485	79%	Already in commercial operations, hence cost is already under cost of sales

After Eliminations (Consolidated)

	H1 2016	H1 2017	Variance	Remarks
Coal	3,817	4,482	17%	Higher strip ratio because it is already at normal level compare to during the wrap-up activities at Panian mine
SCPC	2,288	2,055	-10%	Last year, more replacement power was bought after the plants consumed allowable downtime during second quarter.
SLPGC	562	1,382	146%	Already in commercial operations, hence cost is already under cost of sales
Total	6,667	7,920	19%	Depreciation dropped 12% YoY to PHP1.74 billion from PHP1.98 billion last year

Consolidated Gross Profit

	H1 2016	H1 2017	Variance	Remarks
Coal	5,200	6,638	28%	Due to the significant increase in Selling price which offset the increase in cost hence profitability still increase
SCPC	2,235	3,309	48%	Due to higher prices with slim increase in costs
SLPGC	2,438	1,960	-20%	Increased in price but offset by the significant increase in cost hence lower in gross profit
Total	9,873	11,907	21%	Increase in Gross profit principally attributable to the Coal segment with its significant increase in ASP
<i>Gross Profit Margin</i>	<i>60%</i>	<i>60%</i>	<i>0%</i>	

Consolidated OPEX

	H1 2016	H1 2017	Variance	Remarks
Coal	2,303	2,168	-6%	Higher revenue generation translated to higher government royalties from Php1.84 B last year to Php1.96 B this year; General Admin Expenses however dropped from Php462.22 M to Php205.53 M. Last year includes one time payment of tax assessment for years 2012-2014 totalling around Php200M
SCPC	663	648	-2%	
SLPGC	72	325	349%	Mainly due to increase in OMM fee and Real Property Tax in H1
Others	3		-100%	OPEX of pre-operating subsidiaries
Total	3,041	3,140	3%	Increase is mainly driven by SLPGC's growth in OPEX

Consolidated Finance Income

	H1 2016	H1 2017	Variance	Remarks
Coal	20	29	49%	Higher cash levels in 2017
SCPC	6	4	-35%	Less placements, lower rates
SLPGC	14	20	41%	Increase mainly due to short term cash placements
Total	40	53	32%	Higher cash levels offset lower placement interest rates

Consolidated Finance Costs

	H1 2016	H1 2017	Variance	Remarks
Coal	96	129	34%	Interest rates are higher in 2017 vs 2016
SCPC	41	22	-48%	SCPC's LTD interest-bearing loans was fully paid. Also, a portion of its higher priced long-term loan was converted to cheaper short-term loan.
SLPGC	107	149	39%	Since SLPGC is already on commercial operations in 2017, interest expense is no longer capitalized, unlike in first half of 2016.
Total	245	300	23%	Higher interest expense of coal and recognition of interest expense of SLPGC offset drop in finance cost of

Consolidated FOREX Gains / (Losses)

	H1 2016	H1 2017	Variance	Remarks
Coal	(24)	(144)	499%	Result of the valuation of USD denominated loans and foreign currency denominated transactions.
SCPC	(18)	(68)	283%	Loss on foreign currency denominated transactions.
Total	(41)	(212)	412%	Weaker PHP vs USD

Consolidated Other Income

	H1 2016	H1 2017	Variance	Remarks
Coal	2	6	165%	Higher other income in 2016 due to booking of one-time gain on disposal of assets
SCPC	42	56	35%	Unit 2 was down in Q1 2016, hence less fly ash is sold as cement additive.
SLPGC	19	28	46%	Fly ash sold as cement additive
Total	63	91	44%	Higher SLPGC other income due to better performance of plants while on commissioning in 2016 vs 2015

Consolidated NIBT

	H1 2016	H1 2017	Variance	Remarks
Coal	2,799	4,233	51%	Higher coal sales pushed profitability up in 2017
SCPC	1,561	2,633	69%	Higher generation and better prices
SLPGC	2,292	1,534	-33%	Better plant performance in 2016 translated to improved profits during the year.
Others	(2)	(3)	43%	Net expenses of pre-operating subsidiaries
Total	6,650	8,396	26%	Higher coal and SCPC profitability offset drop in SLPGC earnings

Consolidated Income Tax Provision

	H1 2016	H1 2017	Variance	Remarks
Coal	3	4	21%	Minimal coal tax provision is due to the Income tax holiday it enjoys as a BOI-registered company. The amount merely pertains to final withholding tax on interest income from banks
SCPC	255	496	95%	Increase in SCPC's tax provision is a result of increase in profitability in 2017.
SLPGC	28	36	26%	Minimal SLPGC tax provision is due to the Income tax holiday it enjoys as a BOI-registered company. The increase over last year is due to income taxes paid on BCQ sales from Spot Purchases
Total	286	536	87%	Coal and SLPGC still has ITH, while only SCPC is in tax position. The increase is due to SCPC's higher provisioning in 2017.

NIAT**Before Eliminations (Core Income)**

	H1 2016	H1 2017	Variance	Remarks
Coal	3,781	5,315	41%	Growth in income is mainly driven by increase in selling price.
SCPC	590	1,154	96%	More plant downtimes but running at higher capacity out put translated to higher revenues and profitability.
SLPGC	1,995	1,395	-30%	Higher energy sales, further augmented by 46% better average price/KWh of power sold boosted profitability. SLPGC also enjoys ITH

After Eliminations (Consolidated)

	H1 2016	H1 2017	Variance	Remarks
Coal	2,796	4,229	51%	Growth in income is mainly driven by increase in selling price.
SCPC	1,307	2,137	64%	More plant downtimes but running at higher capacity out put translated to higher revenues and profitability.
SLPGC	2,264	1,498	-34%	
Others	(2)	0	-100%	Net expenses of pre-operating subsidiaries
Total	6,363	7,864	24%	Higher coal and SCPC profitability offsets drop in SLPGC earnings
EPS	5.95	7.38	24%	2017 outstanding shares is net of 3.46 million shares held in treasury.

DMCI HOMES

DMCI Project Developer's Inc. (PDI) net income contribution amounted to P1.6 billion for the first half of 2017, a 78% surge from P909 million last year backed by higher realized revenues for the period.

Recognized revenues improved by 35% from P6.9 billion to P9.4 billion during the period driven by higher bookings from projects such as Brio Tower, Lumiere Residences and Zinnia Towers. As real estate sales expanded in the first half of 2017, cost of sales stood at P5.6 billion from P4.1 billion last year. Meanwhile, operating expenses grew 10% primarily due to higher commission expense recognized during the period which is also based on percentage of completion.

On June 2017, DMCI PDI changed its accounting policy on recognition of real estate sales and cost of sales from completed contract method to Percentage of Completion (POC) method as allowed under the Philippine Financial Reporting Standards (PFRS). The shift in accounting policy is to align the company's revenue recognition with the current practice in the industry.

Sales and reservations jumped 64% from P13.5 billion in 2016 to P22.1 billion this year buoyed by strong demand for residential condominium coming from new launches as well as existing projects. Top selling projects during the year include Prisma Residences and Oak Harbor Residences, a luxury waterfront property in Bay City Paranaque.

For the first half of the year, the company has launched three new projects, namely Prisma Residences, Mulberry Place and The Orabella. It plans to launch four more projects for the rest of 2017. Consequently, total estimated sales value for 2017 launches amounted to P55.9 billion, an increase of 47% from P38.1 billion sales value of launches last year.

With the value of increased launches, capex disbursements grew by 18% to P4.7 billion from P4.0 billion last year. Of the amount spent in 2017, 74% went to development cost and the rest to land and asset acquisition.

MAYNILAD

The Company's investment in the water business is recognized mainly through its equity investment in the partnership with Metro Pacific Investments Corporation (MPIC) and Marubeni Corporation of Japan, 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.

During the first half of 2017, billed volume grew by 2%, from 247.57 million cubic meters (mcm) to 252.46 mcm. Meanwhile, water supply increased by 6.3% which is faster than billed volume growth resulting to a relatively higher average non-revenue water of 32.18% compared to 29.29% last year.

Continued expansion mostly into the southern areas of the concession, namely in Cavite, Muntinlupa, Las Piñas and Paranaque, brought connections up to a total of 1,336,566 billed services, a 3.7% growth from last year.

Maynilad's water service revenue rose by 1.2% to P9.95 billion from P9.83 billion last year mainly due to higher billed volume during the period. Meanwhile, effective tariff declined by a marginal

rate of 0.7% from P39.72/mcm in 2016 to P39.42/mcm in 2017 as the new rebased rates won by Maynilad has yet to be implemented.

With total operating expenses increasing faster than revenues, income from operations declined 6.5% to P5.72 billion from P6.12 billion last year. Higher personnel cost as a result of a redundancy and right-sizing program to optimize headcount coupled with the increase in amortization of its concession asset brought cash and noncash operating expenses to rise by 15.1% and 7.9%, respectively. Reported net income, on the other hand, grew 4.3% to P3.18 billion in 2017 compared to P3.05 billion last year due to lower taxes as a result of deferred tax asset recalculation last year.

After adjustments at the consortium company level, the Company's equity in net earnings reported a 31% drop to P759 million from P1.1 billion last year due mainly to prior year re-measurement of deferred tax liability recorded in the consortium level regarding the use of the optional standard deduction (OSD) in computing its income taxes.

Rate Rebasing Update

The matter of the Maynilad tariff implementation remains unresolved although the arbitration panel in Singapore recently ruled in favor of Maynilad in its related claim on the Republic of the Philippines:

- In 2014, Maynilad received a favorable award in the arbitration of its 2013-2017 water tariff which centered on Corporate Income Taxes being a recoverable expense. The MWSS has still not implemented the awarded tariff increase while indicating they will await clarification from the Supreme Court of the Philippines before proceeding.
- Acting in formal accordance with the provisions of its concession, Maynilad notified the Republic of the Philippines ("Republic") that it was calling on the Republic's written undertaking to compensate Maynilad for losses arising from delayed implementation of the new tariff. On 27th March 2015, Maynilad served a Notice of Arbitration against the Republic.
- On 24th July 2017, the Arbitral Tribunal unanimously upheld Maynilad's claim for compensation for the delayed implementation of its tariff increases for the rebasing period 2013 to 2017. The Tribunal ordered the Republic to reimburse Maynilad the amount of P3.4 billion for losses from 11th March 2015 to 31st August 2016, without prejudice to any rights that Maynilad may have to seek recourse against MWSS for losses incurred from 1st January 2013 to 10th March 2015. Further, the Tribunal ruled that Maynilad is entitled to recover from the Republic its losses from 1st September 2016 onwards. In case a disagreement on the amount of such losses arises, Maynilad may revert to the Tribunal for further determination.

Maynilad is now in discussion with Government on settling its claim. However, the issue of the tariff going forward still needs to be resolved and this is essential to fund further infrastructure for drinking water supply and enhance sewage coverage.

D.M. CONSUNJI, INC.

DMCI's earnings grew 25% from P397 million to P497 million in the first half of 2017. Higher accomplishments in buildings, infrastructure and utilities resulted to a 7% increase in construction revenues from P5.5 billion to P5.9 billion in the first half of 2017. Meanwhile, total costs (under cost

of services and operating expenses) grew at a slower pace of 6% to P5.1 billion in 2017 from P4.8 billion in 2016 due to operational efficiencies among its business units. As a result of better operating performance, EBITDA rose by 12% from P947 million to P1.1 billion this year.

The Company reported a total order book (balance of work) of P26.8 billion at the end of June 2017, from P20.1 billion at the close of 2016. Awarded projects during the first half of the year totaled P11.7 billion which includes Cavite- Laguna Expressway Project of MPCALA Holdings, Inc., construction of Bued Viaduct and Roadway of Private Infra Dev Corporation, Anchor Grand Suites of Anchorland Land Holdings, Inc. and civil works for a thermal power plant for engineering procurement and construction contractor JGC Philippines.

Meanwhile, major ongoing projects in the orderbook include among others, The Skyway Stage 3 (S1 and S2) of Citra Central Expressway Corp. (a unit of San Miguel Corporation), LRT Line 2 East (Masinag) Stations under Department of Transportation, Six Senses Resort Phase 2 of Federal Land, Inc. in Pasay City, NCCC Mall of LTS Malls, Inc. in Buhangin, Davao City, One Griffinstone Building in Ayala Alabang, City Gate of Ayala Land in the Makati Central Business District, The Viridian, The Royalton and The Imperium of Ortigas & Company, and the Paranaque Sewer Network of Maynilad.

DMCI POWER (SPUG)

An added growth area of the power segment is under DMCI Power Corporation (DPC), a wholly-owned subsidiary of DMCI Holdings, Inc. DPC provides off-grid power to missionary areas through long-term power supply agreements with local electric cooperatives.

As of June 30, 2017, the total installed rated capacity is 98.92MW. Out of the total, 31.69MW (12.40MW bunker-fired and 19.29MW diesel) is in Masbate, 47.98MW (9.90MW bunker-fired and 38.08MW diesel) in Palawan, a 4x3.89 (15.56) MW bunker-fired plant in Oriental Mindoro and a 3x1.23 (3.69) MW diesel-fired in Sultan Kudarat. The additional 2x4.95MW (9.90MW) bunker-fired plant in Aborlan, Palawan has started commercial operations last December 20, 2016.

Sales volume reported in Masbate (48.03 GWh), Palawan (47.42 GWh) and Mindoro (24.97 GWh) totaled 120.42 GWh compared to 121.14 GWh last year due to the unavailability of transmission lines brought by the typhoon affecting Oriental Mindoro last December 2016. On the other hand, average selling prices for the period increased by 23% to P11.28/KWh due to the increase in fuel prices. As a result, total off-grid generation revenue went up by 20% to P1.4 billion from P1.1 billion last year while total cash expenses (under cost of sales and operating expenses) grew by 23% to P989 million this year. Meanwhile, core EBITDA stood at P379 million in 2017, a growth of 15% from P330 million in 2016.

Net income contribution of the off-grid power segment for the first half of 2017 slipped by 5% from P241 million in 2016 to P228 million in 2017 despite the improvement in core EBITDA. The decline is due mainly to the expiration of income tax holiday of DMCI Masbate Power.

DMCI MINING

The nickel and metals (non-coal) mining business is reported under DMCI Mining Corporation, a wholly-owned subsidiary of DMCI Holdings, Inc.

DMCI Mining net income contribution stood at P54 million during the first half of 2017 despite its protracted mining suspension. The drastic drop in nickel shipments was moderated by higher average selling prices of nickel ore during the period.

Revenues for the first half of the year amounted to P458 million in 2017 compared to P1.1 billion in 2016 as a result of fewer nickel ore shipments as its two operating subsidiaries remained suspended during the period. Total ore shipments dropped 71% from 873 thousand wet metric tons (WMT) to 257 thousand WMT this year. Nickel ore shipments in 2017 mainly came from Zambales Diversified Metals Corporation (ZDMC), a wholly owned subsidiary, whereas 2016 ore shipments were from its 75% owned subsidiary in Palawan, Berong Nickel Corporation (BNC). Moreover, the ore shipments for the first half of the year came from the existing stockpiles in response with the order to remove such from the Department of Environment and Natural Resources (DENR).

Composite average price improved to P1,783 per WMT from P1,310 per WMT last year due mainly due to the shrinking stockpile in China coupled with the significant growth in stainless steel production. Average ore grade is 1.56% in 2017 compared to 1.59% in 2016.

The segment's total depletion, depreciation and amortization amounted to P73 million in 2017 compared to P183 million in 2016 using the output method of depreciation and depletion accounting. Meanwhile, total company cash cost per WMT (under cost of sales and operating expenses) amounted to P1,145 per WMT in 2017 compared to P856 per WMT in 2016.

As a result, net income contribution of the nickel firm dropped by 5% from P57 million in 2016 to P54 million in 2017.

DMCI Mining Corporation is currently dealing with the Order of Suspension issued against BNC, and the Closure Order issued against ZDMC. Both have pending appeals to reopen with the Office of the President. DENR is also conducting a review of the mining audits which recommended the suspension or closure of several mining companies.

Explanation of movement in consolidated income statement accounts:

Revenue

Consolidated revenue increased by 18% to P37.1 billion in the first half of 2017 compared to P31.4 billion last year mainly driven by the surge in average coal prices, improved energy generation, increased POC revenues in real estate and higher accomplishments in the construction segments.

Cost of Sales and Services

Consolidated cost of sales and services grew at a slower pace of 17% from P17.0 billion in 2016 to P19.9 billion in 2017 due mainly to operating efficiencies in the construction segment and cost cutting measurements implemented in the nickel mining segment brought about by the prolonged suspension of its operating mines.

Operating Expenses

Higher coal profit generated during the period resulted to the 8% rise in government royalties from P1.8 billion to P2.0 billion in 2017. Excluding government royalties, operating expenses actually dropped by 3% due to cost cutting measurements in the nickel mining segment.

Equity in Net Earnings

Equity in net earnings of associate slipped by 30% as a result of lower income take up from Maynilad consortium.

Finance Costs

Consolidated finance costs decreased by 19% due to higher capitalized interest cost of high rise building construction in real estate business.

Other Income-net

The 21% drop is mainly due to the result of valuation of dollar denominated loans and foreign currency denominated transactions in the coal segment.

Gain on Sale of Investment

This pertains to the sale of the 10% interest in Subic Water at the end of first quarter 2016. The Group's remaining interest in Subic Water is 30% following the sale.

Provision for Income Tax

Higher taxable profits of Sem Calaca (Units 1 and 2) and the POC accounting profits in the real estate segment accounted for the 53% increase in consolidated provision for income tax (both current and deferred) during the first half of the year.

II. CONSOLIDATED FINANCIAL CONDITION

June 30, 2017 (Unaudited) vs December 31, 2016 (Restated)

The Company's financial condition for the period improved as consolidated total assets and total equity amounted to P160 billion and P86 billion, respectively as of June 30, 2017. This is an improvement of 2% and 3%, respectively.

Consolidated cash dropped by 13% from P18.7 billion in December 31, 2016 to P16.3 billion in June 30, 2017 due mainly to capital expenditures on the coal and power segments, loan repayments and higher dividend payments made during the first half of the year.

Total receivables (current and non-current) grew by 12% from P21.6 billion to P24.2 billion in 2017 driven mainly by higher recognized revenues from the real estate segment.

Consolidated inventories stood at P34.2 billion, 2% up from P33.5 billion last year due to the purchase of equipment parts and supplies used for power plant maintenance and increased coal production resulting to higher ending inventory during the first half of 2017.

Other current assets rose by 47% to P9.7 billion due mainly to advances to suppliers for equipment and spare parts of the coal segment and input vat of SLPGC that were recoverable within 12 months from the reporting period.

Investments in associates and joint ventures dropped at a marginal rate of 0.2% mainly due to higher dividends received from Maynilad during the first half of 2017.

Property, plant and equipment stood at P56.5 billion from P55.8 billion last year. The increase was attributed to capital expenditures for expansion in the coal segment and the construction of additional bunker plant of the off-grid power segment which were offset by the depreciation, depletion and amortization charges during the period.

Other noncurrent assets declined by 57% as deferred input vat of SLPGC were reclassified to other current assets which is expected to be applied or realized within one year.

Accounts and other payables decreased by 10% mainly attributed to payments of normal trade transactions with suppliers and subcontractors in the coal and power segments.

Customers' advances and deposits expanded by 15% due to collections from real estate customers, the corresponding revenue of which is not yet qualify for recognition under POC accounting.

Income tax payable dropped by 66% due to payments of income taxes due during the first half of 2017.

Liabilities for purchased land dipped by 12% to P1.3 billion in 2017 mainly due to payments made to sellers of land.

From P34.3 billion, long term debt grew by 7% to P36.6 billion upon loan drawdown of the real estate and coal segments during the period for capital expenditures.

Deferred tax liabilities decreased by 10% mainly due to excess of tax income over book in real estate sales.

Pension liabilities slipped 12% as additional contributions from the real estate segment were made during the first half of 2017.

Other noncurrent liabilities declined by 13% due to reclassification of noncurrent payables of the construction segment which will be due within 12 months.

Consolidated retained earnings stood at P51.4 billion at the end of June 2017, a 3% rise from P50.1 billion at the close of 2016 after P7.6 billion of net income and declaration and payment of P6.4 billion dividends.

Non-controlling interest grew by 7% as a result of the non-controlling share in net income reduced by dividends of SMPC.

III. KEY PERFORMANCE INDICATORS

The Company and its Subsidiaries (the "Group") use the following key performance indicators to evaluate its performance:

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

SEGMENT REVENUES

(in Php Millions)	For the Period		Variance	
	2017	2016 Restated ¹	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P19,852	P16,558	P3,294	20%
DMCI HOMES ¹	9,357	6,947	2,410	35%
D.M. CONSUNJI, INC.	5,876	5,487	389	7%
DMCI POWER (SPUG)	1,374	1,141	233	20%
DMCI MINING	458	1,144	(686)	-60%
PARENT & OTHERS	140	119	21	18%
TOTAL REVENUE	P37,057	P31,396	P5,661	18%

¹ Restated for comparative purposes using percentage of completion method for DMCI Homes

The initial indicator of the Company's gross business results are seen in the movements in the different business segment revenues. As illustrated above, revenue grew by 18% mainly driven by improved average coal prices, increased energy generation, robust real estate sales and reservation and higher accomplishments in the construction segments. Meanwhile, lower shipments due to prolonged suspension brought the decline in revenue of the nickel segment.

CONSOLIDATED NET INCOME AFTER NON-CONTROLLING INTERESTS

(in Php Millions)	For the Year		Variance	
	2017	2016 Restated ¹	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P4,465	P3,588	P877	24%
DMCI HOMES ¹	1,618	909	709	78%
MAYNILAD	759	1,097	(338)	-31%
D.M. CONSUNJI, INC.	497	397	100	25%
DMCI POWER (SPUG)	228	241	(13)	-5%
DMCI MINING	54	57	(3)	-5%
PARENT & OTHERS	27	42	(15)	-36%
NET INCOME EXCLUDING ONE-TIME INVESTMENT GAINS	7,648	6,331	1,317	21%
ONE-TIME INVESTMENT GAINS	—	111	(111)	-100%
TOTAL NET INCOME	P7,648	P6,442	P1,206	19%

¹ Restated for comparative purposes using percentage of completion method for DMCI Homes

The net income (after non-controlling interest) of the Company have multiple drivers for growth from different business segments. For the first half of 2017, the Company reported a 19% growth in consolidated net income due to strong performance of its coal, real estate and construction segments.

EARNINGS PER SHARE

Earnings per share (EPS) pertains to the company's income allocated to each outstanding share of common stock. It serves as an indicator of the company's profitability.

The Company's consolidated basic and diluted EPS was P0.58/share in the first half of the year, a 19% improvement from P0.49/share EPS year-on-year which reflects the significant growth in consolidated net income of the Company.

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.

As of June 30, 2017, consolidated current assets stood at P81.8 billion while current liabilities amounted P30.7 billion accounting for a current ratio of 2.67x this year compared to 2.37x at the close of 2016.

NET DEBT TO EQUITY RATIO

As a stockholder/investor, financial position and stability would be an important aspect. The Company tests its solvency and leverage exposure through the net debt to equity ratio. This test indicates the Company's ownership of creditors vs. owners/investors. Net debt to equity ratio is computed by dividing the interest-bearing loans net of cash and cash equivalents over total equity.

Total borrowings stood at P39.3 billion from P36.9 billion last year, which resulted to a net debt to equity ratio of 27% and 22% as of June 30, 2017 and December 31, 2016, respectively.

FINANCIAL SOUNDNESS RATIOS

	June 30, 2017	December 31, 2016, as restated ¹
Current Ratio	267%	237%
Net Debt to Equity Ratio	27%	22%
Asset to Equity Ratio	185%	187%
	June 30, 2017	June 30, 2016, as restated ¹
Return on Assets	7.4%	6.7% 6.6%*
Return on Parent Equity	11.1%	10.3% 10.2%*
Interest Coverage Ratio	17.1 times	13.9 times 13.7 times*
Gross Profit Margin (%)	46.2%	45.7%
Net Profit Margin (%)	29.9%	29.6% 29.2%*

¹ Restated for comparative purposes using percentage of completion method for DMCI Homes

* Excluding one time gain of P111 million pertaining to partial sale of Subic Water share

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 hinge on the commodities market. Businesses not affected by known cycle, trends or uncertainties are power and water.
3. On April 5, 2017, the BOD of the Parent Company has declared cash dividends amounting P0.24 regular dividends and P0.24 special cash dividends in favor of the stockholders of record as of April 21, 2017 and paid on May 5, 2017 with a total amount of P6,373 million.
4. 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;
5. There are no material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation has been disclosed in the notes to financial statements.
6. 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
7. 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.
8. 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
9. The Group does not have any offering of rights, granting of stock options and corresponding plans therefore.
10. All necessary disclosures were made under SEC Form 17-C.

SIGNATURES

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

Issuer DMCI Holdings, Inc.

Signature and Title


Herbert M. Consunji

Executive Vice President & Chief Finance Officer

Signature and Title


Brian T. Lim

Vice President & Senior Finance Officer

Date

August 14, 2017

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

December 31, 2016

June 30, 2017 (Restated - Note 2)**ASSETS****Current Assets**

Cash and cash equivalents	₱16,279,072	₱18,738,106
Receivables - net	20,172,374	19,464,330
Costs and estimated earnings in excess of billings on uncompleted contracts	1,295,483	1,753,204
Inventories	34,248,692	33,491,010
Available-for-sale financial assets	85,255	85,255
Other current assets	9,709,826	6,611,664
Total Current Assets	81,790,702	80,143,569

Noncurrent Assets

Noncurrent receivables	3,995,916	2,183,424
Investments in associates, joint ventures and others	12,732,766	12,761,044
Investment properties	201,682	209,141
Property, plant and equipment	56,509,464	55,751,702
Exploration and evaluation asset	225,448	224,645
Goodwill	1,637,430	1,637,430
Deferred tax assets - net	416,017	416,017
Pension assets – net	884,122	893,764
Other noncurrent assets	1,159,352	2,721,166
Total Noncurrent Assets	77,762,197	76,798,333
	₱159,552,899	₱156,941,902

LIABILITIES AND EQUITY**Current Liabilities**

Accounts and other payables	₱16,192,002	₱18,078,802
Short-term debt	2,706,837	2,621,109
Current portion of liabilities for purchased land	28,097	906,622
Billings in excess of costs and estimated earnings on uncompleted contracts	2,318,619	2,311,377
Customers' advances and deposits	7,225,579	6,305,144
Current portion of long-term debt	2,079,324	3,193,487
Income tax payable	122,857	359,237
Total Current Liabilities	30,673,315	33,775,778

(Forward)

December 31, 2016
June 30, 2017 (Restated - Note 2)

Noncurrent Liabilities

Long-term debt - net of current portion	₱34,511,628	₱31,070,773
Liabilities for purchased land - net of current portion	1,320,765	623,151
Deferred tax liabilities - net	4,097,899	4,536,407
Pension liabilities - net	190,289	217,470
Other noncurrent liabilities	2,400,104	2,751,734
Total Noncurrent Liabilities	42,520,685	39,199,535
Total Liabilities	73,194,000	72,975,313

Equity

Equity attributable to equity holders of the Parent Company:

Paid-in capital	17,949,868	17,949,868
Retained earnings	51,413,889	50,139,562
Premium on acquisition of non-controlling interests	(522,903)	(522,903)
Remeasurements on retirement plans - net of tax	624,130	624,130
Net accumulated unrealized gains on AFS financial assets	27,211	27,211
	69,492,195	68,217,868
Non-controlling interests	16,866,704	15,748,721
Total Equity	86,358,899	83,966,589
	₱159,552,899	₱156,941,902

DMCI HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

For the Period Ended June 30, 2017 and 2016 and Quarter Ended June 30, 2017 and 2016

(Amounts in Thousands, except for Earnings Per Share figures)

	For the period		For the quarter	
	Jan to Jun 2016		Apr to Jun 2016	
	Jan to Jun 2017	(Restated-Note 2)	Apr to Jun 2017	(Restated-Note 2)
REVENUE				
Coal mining	P11,120,012	P9,017,379	P4,341,644	P5,077,263
Electricity sales	10,106,190	8,681,964	5,919,244	5,482,930
Real estate sales	9,357,309	6,947,009	4,564,548	2,516,322
Construction contracts	5,875,769	5,486,533	3,235,849	2,529,806
Nickel mining	458,462	1,143,865	159,714	1,054,082
Merchandise sales and others	139,472	119,338	68,895	64,079
	37,057,214	31,396,088	18,289,894	16,724,482
COSTS OF SALES AND SERVICES				
Coal mining	4,482,303	3,817,112	1,828,015	2,175,242
Electricity sales	4,525,577	3,733,894	3,008,840	2,762,461
Real estate sales	5,619,424	4,095,479	2,812,925	1,436,386
Construction contracts	5,061,671	4,786,159	2,732,794	2,161,897
Nickel mining	144,154	516,078	31,824	441,159
Merchandise sales and others	102,551	83,675	52,598	46,640
	19,935,680	17,032,397	10,466,996	9,023,785
GROSS PROFIT	17,121,534	14,363,691	7,822,898	7,700,697
OPERATING EXPENSES	5,146,955	5,104,421	2,395,911	2,801,358
	11,974,579	9,259,270	5,426,987	4,899,339
OTHER INCOME (EXPENSES)				
Equity in net earnings of associates	785,092	1,128,533	491,562	708,000
Finance income	220,029	217,375	113,058	108,664
Finance costs	(569,842)	(703,174)	(306,624)	(373,043)
Gain on sale of investment	—	131,409	—	—
Other income - net	205,901	259,718	96,058	50,489
INCOME BEFORE INCOME TAX	12,615,759	10,293,131	5,821,041	5,393,449
PROVISION FOR INCOME TAX	1,533,544	1,004,643	708,828	437,170
NET INCOME	P11,082,215	P9,288,488	P5,112,213	P4,956,279
NET INCOME ATTRIBUTABLE TO				
Equity holders of the Parent				
Company	P7,647,513	P6,442,226	P3,593,339	P3,367,992
Non-controlling interests	3,434,702	2,846,262	1,518,874	1,588,286
	P11,082,215	P9,288,488	P5,112,213	P4,956,278
EARNINGS PER SHARE				
ATTRIBUTABLE TO EQUITY				
HOLDERS OF THE PARENT				
COMPANY-BASIC AND				
DILUTED	P0.58	P0.49	P0.27	P0.25

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

For the Period Ended June 30, 2017 and 2016 and Quarter Ended June 30, 2017 and 2016
(Amounts in Thousands)

	For the period		For the quarter	
	Jan to Jun 2016		Apr to Jun 2016	
	Jan to Jun 2017	(Restated-Note 2)	Apr to Jun 2017	(Restated-Note 2)
NET INCOME	P11,082,215	P9,288,488	P5,112,213	P4,956,278
OTHER COMPREHENSIVE INCOME (LOSS)				
Items to be reclassified subsequently to profit or loss				
Cumulative translation adjustment	—	—	—	—
Changes in fair values of AFS financial assets	—	—	—	—
	—	—	—	—
Items not to be reclassified to profit or loss in subsequent periods				
Remeasurement gains on retirement plans	—	—	—	—
Income tax effect	—	—	—	—
	—	—	—	—
OTHER COMPREHENSIVE INCOME	—	—	—	—
TOTAL COMPREHENSIVE INCOME	P11,082,215	P9,288,488	P5,112,213	P4,956,278
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	P7,647,513	P6,442,226	P3,593,339	P3,367,992
Non-controlling interests	3,434,702	2,846,262	1,518,874	1,588,286
	P11,082,215	P9,288,488	P5,112,213	P4,956,278

DMCI HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Period Ended June 30, 2017 and 2016

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company											
	Capital Stock	Additional Paid-in Capital	Total Unappropriated Paid-in Capital	Retained Earnings	Appropriated Retained Earnings	Premium on Acquisition of Non-controlling Interest	Remeasurements on Retirement Plans	Net Accumulated Gain (Loss) on Available-for-Sale Financial Assets	Cumulative Translation Adjustment	Total	Non-controlling Interests	Total Equity
For the Period Ended June 30, 2017 (Restated - Note 2)												
Balances as of January 1, 2017, as previously reported	P13,277,474	P4,672,394	P17,949,868	P49,521,603	P–	(P522,903)	P624,130	P27,211	P–	P67,599,909	P15,748,721	P83,348,630
Restatement – Note 2	–	–	–	617,959	–	–	–	–	–	617,959	–	617,959
Balances as of January 1, 2017, as restated	13,277,474	4,672,394	17,949,868	50,139,562	–	(522,903)	624,130	27,211	–	68,217,868	15,748,721	83,966,589
Comprehensive income												
Net income	–	–	–	7,647,513	–	–	–	–	–	7,647,513	3,434,702	11,082,215
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	7,647,513	–	–	–	–	–	7,647,513	3,434,702	11,082,215
Cash dividends declared	–	–	–	(6,373,186)	–	–	–	–	–	(6,373,186)	(2,316,719)	(8,689,905)
Balances at June 30, 2017	P13,277,474	P4,672,394	P17,949,868	P51,413,889	P–	(P522,903)	P624,130	P27,211	P–	P69,492,195	P16,866,704	P86,358,899
For the Period Ended June 30, 2016 (Restated - Note 2)												
Balances as of January 1, 2016, as previously reported	P13,277,474	P4,672,394	P17,949,868	P43,709,847	P–	(P161,033)	P699,491	P21,435	P285,105	P62,504,713	P12,270,467	P74,775,180
Restatement - Note 2	–	–	–	(262,833)	–	–	–	–	–	(262,833)	–	(262,833)
Balances as of January 1, 2016, as restated	13,277,474	4,672,394	17,949,868	43,447,014	–	(161,033)	699,491	21,435	285,105	62,241,880	12,270,467	74,512,347
Comprehensive income												
Net income	–	–	–	6,442,226	–	–	–	–	–	6,442,226	2,846,262	9,288,488
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	6,442,226	–	–	–	–	–	6,442,226	2,846,262	9,288,488
Cash dividends declared	–	–	–	(6,373,186)	–	–	–	–	–	(6,373,186)	(1,867,229)	(8,240,415)
Acquisition of business	–	–	–	–	–	–	–	–	–	–	12,500	12,500
Balances at June 30, 2016	P13,277,474	P4,672,394	P17,949,868	P43,516,054	P–	(P161,033)	P699,491	P21,435	P285,105	P62,310,920	P13,262,000	P75,572,920

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Period Ended June 30, 2017 and 2016
(Amounts in Thousands)

	June 30	
	2017	2016 Restated - Note 2
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱12,615,759	₱10,293,131
Adjustments for:		
Depreciation, depletion and amortization	2,767,511	2,172,882
Finance cost	569,842	703,174
Net unrealized foreign exchange loss	210,384	56,803
Gain on sale of investments	—	(131,409)
Equity in net earnings of associates and joint ventures	(785,092)	(1,128,533)
Finance income	(220,029)	(217,375)
Other noncash adjustments	(17,539)	24,343
Operating income before changes in working capital	15,140,836	11,773,016
Decrease (increase) in:		
Receivables	(2,491,831)	650,673
Cost and estimated earnings in excess of billings	457,720	(1,868,055)
Inventories	(249,805)	(165,125)
Other current assets	(356,253)	(1,171,574)
Increase (decrease) in:		
Accounts and other payables	(1,886,802)	2,266,030
Billings in excess of costs and estimated earnings	7,242	915,107
Customer advances and deposits	920,436	536,744
Liabilities for purchased land	(180,911)	(1,300,932)
Cash generated from operations	11,360,632	11,635,884
Interest received	211,223	210,001
Income taxes paid	(2,208,432)	(1,232,959)
Interest paid and capitalized as cost of inventory	(201,060)	(110,698)
Net cash provided by operating activities	9,162,363	10,502,228
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property, plant and equipment	(4,908,733)	(4,024,496)
Investment properties	(33)	(14,865)
Exploration and evaluation asset	—	(1,026,839)
Investments in associates, joint ventures and others	—	(12,872)
Proceeds from disposals of:		
Investments in associates, joint ventures and others	—	210,583
Investment properties	—	3,000
Dividends received	793,472	545,541
Interest paid and capitalized as part of property, plant and equipment	(1,449)	(8,378)
Decrease (increase) in other noncurrent assets	(95,313)	(93,239)
Net cash used in investing activities	(4,212,056)	(4,421,565)

(Forward)

	June 30	
	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Long-term debt	₱4,441,124	₱11,157,340
Short-term debt	278,603	4,849,000
Payments of:		
Dividends to equity holders of the Parent Company	(6,373,186)	(6,373,186)
Dividends to non-controlling interests	(2,316,718)	(1,867,229)
Long-term debt	(2,114,432)	(12,641,351)
Short-term debt	(192,876)	(3,019,011)
Interest	(569,842)	(672,614)
Decrease in other noncurrent liabilities	(351,630)	(290,633)
Net cash used in financing activities	(7,198,957)	(8,857,684)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(210,384)	(56,803)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,459,034)	(2,833,824)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	18,738,106	19,150,603
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱16,279,072	₱16,316,779

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 and its subsidiaries (collectively referred to herein as the Group) is primarily engaged in general construction, coal and nickel mining, power generation, infrastructure, real estate development, water concession and manufacturing.

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

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on August 10, 2017.

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, 2016.

The interim financial statements have been prepared using the historical cost basis, except for available-for-sale (AFS) financial assets that have been measured at fair value. The Group's functional and presentation currency is the Philippine Peso (₱). All amounts are rounded to the nearest thousand (₱000), unless otherwise indicated.

Statement of Compliance

The interim unaudited condensed consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Change in Accounting Policy

The Group is adopting PFRS 15, *Revenue from Contract with Customers* once this is adopted locally. In relation with PFRS 15, the Philippine Interpretations Committee (PIC) recently issued PIC Q&A 2016-04 on Application of IFRS 15 on Sale of Residential Properties under Pre-Completion Contracts which provides that that transactions with the same fact pattern as provided in the PIC Q&A will have to recognize revenue from real estate sales under percentage of completion method. To align with the expected change in revenue recognition brought about by the new standard and to increase comparability of the Group's financial statements with the industry, wherein most players use percentage of completion, the Group changed its accounting policy on the revenue and cost recognition of its real estate segment from completed contract method to percentage of completion starting January 1, 2017.

Under the completed contract method, revenue is recognized when the collectability of the sales price is reasonably assured, the construction process is virtually complete and the Group does not have substantial continuing involvement in the subject properties. Under the percentage of completion method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion by reference to the actual costs incurred to date over the estimated total cost of the project.

The change in accounting policy is expected to provide information that is more useful in enabling the users of the consolidated financial statements of the Group to evaluate the past, present and future events.

Under paragraph 23 of PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, a change in accounting policy requires restatement of previous financial statements. The change in accounting policy resulted to a decrease in consolidated total assets and liabilities of ₱1.1 billion and ₱1.7 billion, respectively, and an increase in consolidated retained earnings of ₱0.6 million as of December 31, 2016.

Basis of Consolidation

The interim unaudited condensed consolidated financial statements comprise the financial statements of the Group as of June 30, 2017 and December 31, 2016.

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

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Non-controlling interests (NCI) pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. NCI represent the portion of profit or loss and net assets in subsidiaries not wholly owned by the Group and are presented separately in the 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.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the NCI, even if this results in the NCI having a deficit balance. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without 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
- Derecognizes the carrying amount of any NCI
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries which are all incorporated in the Philippines:

	2017			2016		
	Direct	Indirect	Effective Interest (In percentage)	Direct	Indirect	Effective Interest
<u>General Construction:</u>						
D.M. Consunji, Inc. (DMCI)	100.00	–	100.00	100.00	–	100.00
Beta Electric Corporation (Beta Electric) ¹	–	53.95	53.95	–	53.95	53.95
Raco Haven Automation Philippines, Inc. (Raco) ¹	–	50.14	50.14	–	50.14	50.14
<u>Manufacturing and others:</u>						
Oriken Dynamix Company, Inc. (Oriken) ^{1*}	–	89.00	89.00	–	89.00	89.00
DMCI Technical Training Center (DMCI Training) ¹	–	100.00	100.00	–	100.00	100.00
<u>Real Estate Development:</u>						
DMCI Project Developers, Inc. (PDI)	100.00	–	100.00	100.00	–	100.00
Hampstead Gardens Corporation (Hampstead) ²	–	100.00	100.00	–	100.00	100.00
Riviera Land Corporation (Riviera) ²	–	100.00	100.00	–	100.00	100.00
DMCI-PDI Hotels, Inc. (PDI Hotels) ²	–	100.00	100.00	–	100.00	100.00
DMCI Homes Property Management Corporation (DPMC) ²	–	100.00	100.00	–	100.00	100.00
Zenith Mobility Solutions Services, Inc. ²	–	51.00	51.00	–	51.00	51.00
<u>Marketing Arm:</u>						
DMCI Homes, Inc. (DMCI Homes) ²	–	100.00	100.00	–	100.00	100.00
<u>Coal Mining</u>						
Semirara Mining and Power Corporation (SMPC)	56.51	–	56.51	56.51	–	56.51
<u>On-Grid Power</u>						
Sem-Calaca Power Corporation (SCPC) ³	–	56.51	56.51	–	56.51	56.51
Southwest Luzon Power Generation Corporation (SLPGC) ³	–	56.51	56.51	–	56.51	56.51
Sem-Calaca RES Corporation (SCRC) ^{3*}	–	56.51	56.51	–	56.51	56.51
SEM-Cal Industrial Park Developers, Inc. (SIPDI) ^{3*}	–	56.51	56.51	–	56.51	56.51
Semirara Energy Utilities, Inc. (SEUI) ^{3*}	–	56.51	56.51	–	56.51	56.51
Southeast Luzon Power Generation Corporation (SeLPGC) ^{3***}	–	56.51	56.51	–	56.51	56.51

(Forward)

	2017			2016		
	Direct	Indirect	Effective Interest (In percentage)	Direct	Indirect	Effective Interest
<u>Manufacturing</u>						
Semirara Claystone, Inc. (SCI) ^{3*}	–	56.51	56.51	–	56.51	56.51
<u>Off-Grid Power</u>						
DMCI Power Corporation (DPC)	100.00	–	100.00	100.00	–	100.00
DMCI Masbate Power Corporation (DMCI Masbate) ⁴	–	100.00	100.00	–	100.00	100.00
DMCI Palawan Power Corporation (DMCI Palawan) ⁴	–	100.00	100.00	–	100.00	100.00
<u>Nickel Mining:</u>						
DMCI Mining Corporation (DMC)	100.00	–	100.00	100.00	–	100.00
Berong Nickel Corporation (BNC) ⁵	–	74.80	74.80	–	74.80	74.80
Ulugan Resources Holdings, Inc. (URHI) ⁵	–	30.00	30.00	–	30.00	30.00
Ulugan Nickel Corporation (UNC) ⁵	–	58.00	58.00	–	58.00	58.00
Nickeline Resources Holdings, Inc. (NRHI) ⁵	–	58.00	58.00	–	58.00	58.00
TMM Management, Inc. (TMM) ⁵	–	40.00	40.00	–	40.00	40.00
Zambales Diversified Metals Corporation (ZDMC) ⁵	–	100.00	100.00	–	100.00	100.00
Zambales Chromite Mining Company Inc. (ZCMC) ⁵	–	100.00	100.00	–	100.00	100.00
Fil-Asian Strategic Resources & Properties Corporation (FASRPC) ⁵	–	100.00	100.00	–	100.00	100.00
Montague Resources Philippines Corporation (MRPC) ⁵	–	100.00	100.00	–	100.00	100.00
Montemina Resources Corporation (MRC) ⁵	–	100.00	100.00	–	100.00	100.00
Mt. Lanat Metals Corporation (MLMC) ⁵	–	100.00	100.00	–	100.00	100.00
Fil-Euro Asia Nickel Corporation (FEANC) ⁵	–	100.00	100.00	–	100.00	100.00
Heraan Holdings, Inc. (HHI) ⁵	–	100.00	100.00	–	100.00	100.00
Zambales Nickel Processing Corporation (ZNPC) ⁵	–	100.00	100.00	–	100.00	100.00
Zamnorth Holdings Corporation (ZHC) ⁵	–	100.00	100.00	–	100.00	100.00
ZDMC Holdings Corporation (ZDMCHC) ⁵	–	100.00	100.00	–	100.00	100.00
<u>Manufacturing:</u>						
Semirara Cement Corporation (SemCem) *	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

*Have not yet started commercial operations as of December 31, 2016 and 2015

** Has not yet started commercial operations and treated as joint-venture starting May 23, 2016.

¹ DMCI's subsidiaries

² PDI's subsidiaries

³ SMPC's subsidiaries

⁴ DPC's subsidiaries

⁵ DMC's subsidiaries

General Construction

DMCI

DMCI was incorporated in the Philippines on December 24, 1954 primarily to engage in and carry on the trade and business of engineering, general building and contracting. DMCI's secondary purpose, among others, is to engage in the real estate business.

Beta Electric

Beta Electric is a domestic corporation incorporated and registered with the Securities and Exchange Commission (SEC) on March 21, 1973. Beta Electric is primarily engaged in the installation of electrical backbone and related systems thereto for building construction. It is also engaged in the general business of trading, buying or selling of electrical equipment items and commodities related thereto.

Manufacturing and others

Oriken

Oriken Dynamix Company, Inc. (Oriken) was registered with the SEC on September 16, 2005. Oriken's primary purpose is to manufacture, buy and sell ready mix concrete of every class and description. As of December 31, 2016 and 2015, Oriken is non-operational.

DMCI Training

DMCI Training was registered with the SEC on August 15, 2006. The primary purpose of DMCI Training 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 taught, developed and trained in a well-rounded theoretical and practical method.

Real estate development

PDI

PDI was incorporated and registered with the SEC on April 27, 1995. PDI is organized to deal and engage in the development of residential subdivisions and construction of condominium and housing units. PDI offers range of products from middle-income to high-end housing and condominium projects.

Below are the subsidiaries of PDI and the nature of their operations:

- a) Hampstead Gardens Corporation - real estate developer
- b) DMCI Homes, Inc. - real estate brokerage
- c) Riviera Land Corporation - real estate developer
- d) DMCI Homes Property Management Corporation - real estate developer
- e) DMCI-PDI Hotels, Inc. - hotel operator
- f) Zenith Mobility Solution Services, Inc. - mobility services provider of the Group.

Coal Mining

SMPC

SMPC was incorporated and domiciled in the Philippines on February 26, 1980 primarily to search for, prospect, explore, dig and drill, mine, exploit, extract, produce, mill, purchase or otherwise acquire, store, hold transport, use experiment with, market, distribute, exchange, sell and otherwise dispose of, import, export and handle, trade, and generally deal in, ship coal, coke, and other coal products of all grades, kinds, forms, descriptions and combinations and in general the products and by-products which may be derived, produced, prepared, developed, compounded, made or manufactured there; to acquire, own, maintain and exercise the rights and privileges under the coal operating contract within the purview of Presidential Decree No. 972, "*The Coal Development Act of 1976*", and any amendments thereto. SMPC is a publicly listed entity in the Philippines. It has coal mining operations in Semirara Island in Caluya, Antique.

On-Grid Power

SCPC

SCPC, a wholly owned subsidiary of SMPC, was registered with the SEC on November 19, 2009. It is primarily engaged to acquire, expand, rehabilitate and maintain power generating plants, develop fuel for generation of electricity and sell electricity to any person or entity through electricity markets among others. It currently operates 2 units of coal-fired power plants located in Calaca, Batangas with a combined operating capacity of 600 MW.

SLPGC

On August 31, 2011, SLPGC, a wholly owned subsidiary of SMPC, was incorporated to operate electric power plants and to engage in business of a power generation company. Its 2x150 MW plant is located in Calaca, Batangas and started commercial operations on April 1, 2016.

SCRC

SCRC is a stock corporation registered with the 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.

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 9 of Republic Act 9136, otherwise known as the Electric Power Industry Reform Act (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. SEUI intends to act as the QTP over Barangays of Semirara, Tinogboc and Alegria, all located at Semirara Island, Caluya, Antique.

SeLPGC

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. On July 12, 2016, SEC approved the change in the corporate name from Sem-Balayan Power Generation Corporation to Southeast Luzon Power Generation Corporation.

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.

In 2016, SRPGC become a 50% owned joint venture when Meralco PowerGen Corporation subscribed to the remaining unissued capital stock of SRPGC. SRPGC has not yet started commercial operations as of December 31, 2016.

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.

Off-Grid Power

DPC

DPC was incorporated and 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 EPIRA of 2001. It currently has 29.45 MW modular diesel generation sets and 2x4.95 MW bunker-fired power plant in Palawan, 4x3.889 MW bunker-fired power plant in Mindoro and 3x1.23 MW diesel-fired generation sets in Sultan Kudarat.

DMCI Masbate

DMCI Masbate was incorporated and 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. It currently has 24.4 MW diesel-powered power plant in Mobo, Masbate, 4.23 MW diesel-powered generation sets in Aroroy, Masbate, 4.23 MW diesel-powered generation sets in Cataingan, Masbate, 1 MW diesel-powered generation sets in Cawayan, Masbate and 0.75 MW diesel-powered generation sets in Balud, Masbate.

DMCI Palawan

DMCI Palawan was incorporated and registered with the 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. At a meeting of the stockholders and Board of Directors held on July 27, 2016, the amendment of the By-Laws and Articles of Incorporation of DMCI Palawan to shorten its term to end on December 29, 2016 was duly adopted and approved. The net assets of DMCI Palawan as of December 29, 2016 amounted to ₱0.70 million.

Nickel Mining

DMC

DMC was incorporated 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.

Berong Nickel Corporation (BNC)

BNC was registered with the SEC on September 27, 2004, for the purpose of exploring, developing and mining the Berong Mineral Properties located in Barangay Berong, Quezon, province of Palawan. BNC shall have the exclusive privilege and right to explore, develop, mine, operate, produce, utilize, process and dispose of all the minerals and the products or by-products that may be produced, extracted, gathered, recovered, unearthed or found within the Mineral Properties, inclusive of Direct Shipping Project, under the MPSA with the Government of the Philippines or under any appropriate rights granted by law or the Government of the Philippines.

Ulugan Resources Holdings, Inc. (URHI)

URHI was registered with the SEC on June 23, 2005 for the purpose of generally dealing in and with personal properties and securities of every kind and description of any government, municipality, political subdivision or agency, corporation, association or entity; exercising any and

all interest in respect of any of such securities; and promoting, managing, and participating in and act as agent for the purchase and sale of any securities as may be allowed by law.

Ulugan Nickel Corporation (UNC)

UNC was registered with the SEC on June 23, 2005 for the purpose of exploring, developing and mining Ulugan Mineral Properties and the exclusive privilege and right to explore, develop, mine, operate, produce, utilize, process and dispose of all the minerals and the products or by-products that may be produced, extracted, gathered, recovered, unearthed, or found within the mineral properties, inclusive of direct shipping project, under the MPSA with the Government of the Philippines or under any appropriate rights granted by law or the Government of the Philippines.

Nickeline Resources Holdings, Inc. (NRHI)

NRHI was registered with the SEC on August 15, 2005 primarily to subscribe for, receive, purchase or otherwise acquire, obtain an interest in, own, hold, pledge, hypothecate, mortgage, assign, deposit, create trusts with respect to, deal in, exchange, sell and otherwise dispose of, alone or in syndicates or otherwise in conjunction with others, and generally deal in and with any kind of shares and securities and to exercise all the rights, powers and privileges of ownership or interest in respect to them.

TMM Management Inc. (TMM)

TMM was registered with the SEC on September 28, 2004, primarily to act as managers or managing agents of persons, firms, associations, corporations, partnership and other entities, to provide management, investment and technical advice for commercial, industrial, manufacturing and other kinds of enterprises, and to undertake, carry on or participate in the promotion, organization, management, liquidation or reorganization of operations, partnerships and other entities, except the management of funds, securities, portfolios and other similar assets of the managed entity.

ENK Plc. (ENK)

ENK (an entity incorporated in London, United Kingdom) was previously treated as a joint venture investment between the Parent Company and D&A Income Ltd (D&A). The Parent Company owns 60% of ENK as of December 31, 2013. On March 25, 2014, the Parent Company purchased from D&A the remaining 40% interest in ENK and its subsidiaries for approximately ₱ 3.12 billion, making ENK and its wholly owned foreign and local subsidiaries, wholly owned subsidiaries of the Parent Company. The business combination was completed on April 3, 2014 when the Board seats were occupied by the representatives of the Parent Company. Goodwill recognized from the business combination amounted to ₱1,637.43 million.

On March 31, 2016, the BOD of the Parent Company approved the restructuring of ENK. The dissolution and liquidation of ENK is part of the ongoing restructuring of the Parent Company's nickel mining subsidiaries in order to simplify the structure of the nickel segment and liquidate non-operating subsidiaries. On July 1, 2016, the Parent Company has completed the restructuring of ENK and ENK was subsequently sold to a third party liquidator. The local subsidiaries which controls the mining assets are now owned by DMCI Mining.

(a) *Heraan Holdings, Inc. (HHI)*

HHI was registered with the SEC on February 27, 2008 to invest in, purchase, or otherwise acquire and own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stock, membership certificates, bonds, debentures, notes, evidences of indebtedness, and other securities, provided, that the corporation shall not engage in the business of a stock broker or dealer in securities.

(b) *Zambales Nickel Processing Corporation (ZNPC)*

ZNPC was incorporated in the Philippines and registered with the SEC on October 21, 2009 primarily to own, hold, sell, exchange, lease, mortgage or otherwise dispose of, deal in, and operate plants for processing, reducing, concentrating, smelting, converting, refining, preparing for market, or otherwise treating metals, minerals and mined products to be used in the production of nickel and cobalt products, and any and all ingredients, products and by-products of any thereof, and to produce, manufacture, process, refine, treat, sell, use, deal in, distribute, market and otherwise turn to account nickel and cobalt products and all ingredients, products and by-products of any thereof.

(c) Zamnorth Holdings Corporation (ZHC)

ZHC was incorporated in the Philippines and registered with the SEC on June 19, 2009 and started commercial operations on July 1, 2009. ZHC is primarily engaged in acquiring and disposing investments and exercise in respect thereof all the rights, powers and privileges of ownership. ZHC is also engaged in acquiring real properties and obtaining contracts, franchises and licenses from the government, corporation or person as may deemed conducive to the objects of the corporation.

(d) ZDMC Holdings Corporation (ZDMCHC)

ZDMCHC was incorporated and registered with the SEC on August 28, 2006. ZDMCHC is primarily engaged in acquiring and disposing investment and exercise in respect thereof all the rights, powers and privileges of ownership. ZDMCHC is also engaged in acquiring real properties and obtaining contracts, franchises and licenses from the government, corporation or person as may deemed conducive to the objects of the corporation.

(e) Fil-Euro Asia Nickel Corporation (FEANC)

FEANC was incorporated in the Philippines and registered with the SEC on November 7, 2008 and started operations immediately thereafter. FEANC is primarily engaged in exploring for and evaluation of mining resources. FEANC also renders financial assistance to individuals, partnerships, corporations and associations engaged in mining and to local mineral or exploration enterprises.

(f) Fil-Asian Strategic Resources & Properties Corporation (FASRPC)

FASRPC was incorporated and registered in the SEC on May 15, 2006 with the primary purpose of engaging in mining activities including the acquisition, exploration and evaluation of opportunities in gold, base metals, other minerals and diatomaceous earth.

(g) Montemina Resources Corporation (MRC)

MRC was incorporated in the Philippines and registered with the SEC on August 11, 2008 and started operations immediately thereafter. MRC is primarily engaged in exploring for and evaluation of mining resources in the Philippines. MRC also renders application of mineral production sharing agreements or financial assistance to individuals, partnerships, corporations and associations engaged in mining and to give financial assistance to local mineral or exploration enterprises.

(h) Montague Resources Phil. Corp. (MRPC)

MRPC was incorporated in the Philippines and registered with the SEC on April 9, 2002. Its primary purpose is to carry out the business of operating mines, and of prospecting, exploration and of mining, milling, concentrating, converting, smelting, treating, refining, preparing for market, manufacturing, buying, selling and exchanging ores and mineral resources and to enter into contracts with local mineral tenement owners, mineral exploration enterprises and mining enterprises in connection with the mining activities.

(i) Mt. Lanat Metals Corp. (MLMC)

MLMC was incorporated in the Philippines and registered with the SEC on November 4, 2008 and started operations immediately thereafter. MLMC is primarily engaged in exploring for and

evaluation of mining resources here in the Philippines. MLMC also renders application of mineral production sharing agreements or financial assistance to individuals, partnerships, corporations and associations engaged in mining and to give financial assistance to local mineral or exploration enterprises.

(j) Zambales Chromite Mining Company, Inc. (ZCMC)

ZCMC was incorporated and registered in the Philippines with the Philippine Securities and Exchange Commission (SEC) on May 21, 1935 with its corporate life renewed in 1985. ZCMC is primarily engaged in exploring for and evaluation of mining resources in the Philippines.

(k) Zambales Diversified Metals Corp. (ZDMC)

ZDMC was incorporated and registered with the SEC on September 14, 2007. ZDMC is primarily engaged in rendering exploration work for the purpose of determining and evaluating the existence of mineral resources, development potential, extent, quality and quantity and the feasibility of mining them for profit or of applying for exploration permit, mineral processing permit, mineral production sharing agreements, and financial or technical assistance agreement, to individuals, partnerships, associations and corporations engaged in mining; or, in any manner, to engage in the acquisition, conveyance, storage, marketing, processing, refining and distribution of minerals; to give financial assistance to local mining enterprises or corporations; to extend financial assistance to local mineral exploration enterprises and mineral tenement owners through contracts without engaging in financing activity as defined in Republic Act No. 5980; and to acquire an interest in or shares of stocks of mining companies, to lease, option, locate or otherwise deal in mines, mining claims, and other property except lands to the extent allowed by law; to enter into contracts with local mineral tenement owners, mineral exploration enterprises, mining and mineral processing enterprises in connection with the above activities; and to provide technical and/or financial assistance for the large-scale exploration, development and utilization of minerals, petroleum and other mineral oils under Mineral Production Sharing Agreements (MPSA) or Financial or Technical Assistance Agreements with the government of the Philippines; and to carry on, either solely or in co-venture with others, mining, milling, concentrating, converting, smelting, treating, refining, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in all kinds of ores, metals, minerals, hydrocarbons, acids and, chemicals, and in the products and by-products of every kind and description and by whatsoever process, the same can be or may hereafter be produced.

Manufacturing

SemCem

Semirara Cement Corporation was registered with the Philippine Securities and Exchange Commission (SEC) on January 29, 1998. SemCem is primarily engaged in the manufacturing, marketing, distribution and trading of cement and related products. As of December 31, 2016, SemCem has not yet started commercial operations.

Wire Rope

Wire Rope was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 22, 1960 to produce, manufacture, fabricate, sell, distribute or otherwise deal in, wires, wire ropes and cables of all kinds and descriptions.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended standards and improvements to PFRS which the Group has adopted starting January 1, 2016. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements of the Group.

- Amendments to PFRS 10, PFRS 12 and Philippine Accounting Standards (PAS) 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*

- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
 - Amendment to PFRS 5, *Changes in Methods of Disposal*
 - Amendment to PFRS 7, *Servicing Contracts*
 - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
 - Amendment to PAS 19, *Discount Rate: Regional Market Issue*
 - Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Standards Issued But Not Yet Effective

The Group has not applied the following PFRS, PAS and Philippine Interpretations which are not yet effective as of December 31, 2016. This list consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. Unless otherwise indicated, adoption of these standards and interpretations are not expected to have any significant impact on the consolidated financial statements of the Group.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as

appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. The Parent Company is currently assessing the impact of these amendments on its consolidated financial statements.

Effective beginning on or after January 1, 2018

- *Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

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

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

This is not applicable to the Group because it does not have share-based payment arrangements.

- *Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- *PFRS 15, Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The standard is expected to significantly impact contracts entered into by the construction, coal mining, on-grid power generation and real estate development segments of the Group. Particularly for real estate sales which is currently accounted for at completed contract method, revenue and cost recognition will now be based on percentage of completion method. This will significantly impact revenue, cost of sales, inventory, receivables, customer's deposits and deferred tax accounts previously reported. The Group is currently quantifying the impact of the adoption of the new standard.

- *PFRS 9, Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption is expected to impact the assessment of the Group's credit losses amount. The Group is currently assessing the impact of adopting this standard.

- *Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. The Group is currently assessing the impact of adopting this standard.

- *Amendments to PAS 40, Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the consolidated financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The new standard is expected to impact the Group's leasing arrangement as a lessee.

The Group is currently quantifying the impact of adopting PFRS 16.

Deferred effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting

that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Equity

Capital Stock

As of June 30, 2017 and December 31, 2016, the Parent Company's capital stock consists of:

In PHP thousands	2017	
	Shares	Amount
Preferred stock - ₱1 par value		
Authorized:	100,000	₱100,000
Issued and outstanding:		
Balance at beginning and end of year	4	₱4
Common stock - ₱1 par value		
Authorized:	19,900,000	₱19,900,000
Issued and outstanding:		
Balance at beginning and end of year	13,277,470	₱13,277,470

In PHP thousands	2016	
	Shares	Amount
Preferred stock - ₱1 par value		
Authorized:	100,000	₱100,000
Issued and outstanding:		
Balance at beginning and end of year	4	₱4
Common stock - ₱1 par value		
Authorized:	19,900,000	₱19,900,000
Issued and outstanding:		
Balance at beginning and end of year	13,277,470	₱13,277,470

The preferred stock is redeemable, convertible, non-voting, non-participating and cumulative with par value of ₱1.00 per share. The preferred shareholders' right of converting the preferred shares to common shares expired in March 2002.

On December 18, 1995, the Parent Company launched its Initial Public Offering where a total of 1.13 billion common shares were offered at an offering price of ₱9.12 per share.

Increase in Authorized Capital Stock

On August 5, 2014, the SEC approved the increase in authorized capital stock of the Parent Company from ₱6,000.00 million divided into ₱5,900.00 million common shares and ₱100.00 million preferred shares both with par value of ₱1.00 per share, to ₱20,000.00 million divided into ₱19,900.00 million common shares and ₱100.00 million preferred shares both with a par value of ₱1.00 per share.

Retained Earnings

On April 5, 2017, the BOD approved the declaration of (1) *regular cash dividends* in the amount of ₱0.24 per common share or a total of ₱3,186.59 million; and (2) *special cash dividends* of ₱0.24 per common share or a total of ₱3,186.59 million, or a grand total of ₱6,373.19 million out of the unrestricted retained earnings of the Parent Company as of March 31, 2017, in favor of the common stockholders of record as of April 21, 2017, and was paid on May 5, 2017.

On May 11, 2016, the BOD approved the declaration of (1) *regular cash dividends* in the amount of ₱0.24 per common share or a total of ₱3,186.59 million; and (2) *special cash dividends* of ₱0.24 per common share or a total of ₱3,186.59 million, or a grand total of ₱6,373.19 million out of the unrestricted retained earnings of the Parent Company as of December 31, 2015, in favor of the common stockholders of record as of May 27, 2016, and was paid on June 10, 2016.

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.

4. **Business Segments**

The following tables present the net income of the specific business segments for the period ended June 30, 2017 and 2016:

Segment Revenues

(in PHP Millions)	For the period		Variance	
	June 2017	June 2016	Amount	%
Semirara Mining and Power Corporation	₱19,852	₱16,558	₱3,294	20%
DMCI Homes	9,357	6,947	2,410	35%
D.M. Consunji, Inc.	5,876	5,487	389	7%
DMCI Power (SPUG)	1,374	1,141	233	20%
DMCI Mining	458	1,144	(686)	-60%
Parent and others	140	119	21	18%
	₱37,057	₱31,396	₱5,661	18%

Net income after non-controlling interests

(in PHP Millions)	For the period		Variance	
	June 2017	June 2016	Amount	%
Semirara Mining and Power Corporation	₱4,465	₱3,588	₱877	24%
DMCI Homes	1,618	909	709	78%
Maynilad	759	1,097	(338)	-31%
D.M. Consunji, Inc.	497	397	100	25%
DMCI Power (SPUG)	228	241	(13)	-5%
DMCI Mining	54	57	(3)	-5%
Parent and others	27	42	(15)	-36%
Net income ex one time investment gain	7,648	6,331	1,317	21%
One time gain on sale of investment	—	111	(111)	-100%
	₱7,648	₱6,442	₱1,206	19%

5. Operating Expenses

The following tables present the consolidated operating expenses for the period ended June 30, 2017 and 2016:

	2017	2016
Government share	P1,962,023	P1,840,859
Salaries, wages and employee benefits	541,649	493,482
Taxes and licenses	512,704	543,593
Commission	458,350	341,394
Outside services	338,113	315,435
Repairs and maintenance	277,842	257,780
Advertising and marketing	271,350	319,436
Depreciation, depletion and amortization	260,685	255,253
Supplies	97,112	82,072
Insurance	81,244	50,804
Communication, light and water	62,094	55,042
Transportation and travel	54,381	42,289
Entertainment, amusement and recreation	43,888	37,465
Rent	28,078	23,667
Association dues	24,994	16,779
Environment and community development	14,524	24,062
Excise taxes	10,184	24,805
Royalties	6,347	11,027
Miscellaneous expense	101,393	369,177
	P5,146,955	P5,104,421

6. Summarized Financial Information of Interests in Related Entities

Financial information as of and for the period ended June 30, 2017 and December 31, 2016 on the Group's subsidiary with material non-controlling interest (NCI) follows:

Semirara Mining and Power Corporation and Subsidiaries (SMPC)

	June 30, 2017	December 31, 2016
Statements of Financial Position		
Current assets	P21,145,419	P21,154,330
Noncurrent assets	45,277,176	44,606,146
Current liabilities	12,517,380	15,652,537
Noncurrent liabilities	17,031,363	15,821,628
Equity	36,823,852	34,286,311
	June 30, 2017	June 30, 2016
Statements of Comprehensive Income		
Revenue	P19,851,707	P16,558,704
Net income	7,860,512	6,363,341
Other comprehensive income	—	—
Total comprehensive income	7,860,512	6,363,341

Financial information as of and for the period ended June 30, 2017 and December 31, 2016 on the Group's material interest in associate follows:

Maynilad Water Holdings Company, Inc. and Subsidiaries

	June 30, 2017	December 31, 2016
Statements of Financial Position		
Current assets	₱11,197,622	₱14,048,842
Noncurrent assets	87,746,896	84,205,597
Current liabilities	14,851,568	14,329,728
Noncurrent liabilities	34,228,866	33,899,394
Equity	49,864,084	50,025,317
	June 30, 2017	June 30, 2016
Statements of Comprehensive Income		
Revenue	₱10,241,945	₱10,120,113
Net income	2,792,391	4,034,828
Other comprehensive income	—	—
Total comprehensive income	2,792,391	4,034,828

Investment in Maynilad Water Holdings Company, Inc. (MWHCI) is accounted for using the equity method. For the period ended June 30, 2017 and 2016, the Company received dividends from MWHCI amounting to ₱758.47 million and ₱510.54 million, respectively. Equity in net earnings in the six months ended amounted to ₱759.25 million in 2017 and ₱1,097.07 million in 2016.

Financial information as of and for the period ended June 30, 2017 and December 31, 2016 on the Group's immaterial interest in associate follows:

Subic Water

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

On March 23, 2016, the Group sold 915,580 shares in Subic Water to the City of Olongapo for a total consideration of ₱210.58 million resulting to a gain on partial sale of investment amounting to ₱131.41 million. The shares represent 10% of the outstanding capital stock of Subic Water. The Group still owns a total of 30% of Subic Water's outstanding capital stock after the sale.

The investment in Subic Water is accounted for as an investment in an associate using the equity method. The carrying amount of the investment in associate amounted to ₱236.52 million and ₱216.31 million as of June 30, 2017 and December 31, 2016, respectively. The unaudited share in net earnings amounted to ₱25.84 million and ₱31.46 million for the period ended June 30, 2017 and 2016, respectively.

7. Earnings Per Share

The following table presents information necessary to calculate basic and diluted earnings per share on net income attributable to equity holders of the Parent Company (in thousands except basic earnings per share):

Basic/diluted earnings per share

	For the period (2017)	For the period (2016)	For 2 nd Quarter (2017)	For 2 nd Quarter (2016)
Net income attributable to equity holders of Parent Company	₱7,647,513	₱6,442,226	₱3,593,339	₱3,367,992
Divided by weighted average number of common shares	13,277,470	13,277,470	13,277,470	13,277,470
Basic and diluted earnings per share	₱0.58	₱0.49	₱0.27	₱0.25

8. Related Party Transactions

Related parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Transactions entered into by the Group with related parties are at arm's length and have terms similar to the transactions entered into with third parties. In the regular course of business, the Group's significant transactions with related parties include the following:

- a. Comprehensive surety, corporate and letters of guarantee issued by the Group 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 Group. These projects are bid out to various contractors and are awarded on arms length transactions. The interrelated contracts amounted to ₱5,311 million and ₱4,490 million as of June 30, 2017 and 2016, respectively, while booked revenues from these contracts amounted to ₱881 million and ₱1,220 million for the period ended June 30, 2017 and 2016, respectively.
- d. An affiliate had transactions with the Group for services rendered relating to the Group's coal operations. These include services for the confirmatory drilling for coal reserve and evaluation of identified potential areas, exploratory drilling of other minerals within the Island, dewatering well drilling along cut-off wall of Panian mine and fresh water well drilling for industrial and domestic supply under an agreement.

The affiliate also provides to the group marine vessels for use in the delivery of coal to its various customers. The coal freight billing is on a per metric ton basis plus demurrage charges when delay will be incurred in the loading and unloading of coal cargoes.

- e. An affiliate of the Group transports visitors and employees from point to point in relation to the Group's ordinary course of business and vice versa and bills the related party for the utilization costs of the aircrafts.

9. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise financing for its operations and capital expenditures. The Group has various other financial assets and liabilities, such as receivables and payables which arise directly from its operations.

The main risks arising from the use of financial instruments are liquidity risk, market risk and credit risk. The Group's BOD reviews and approves policies for managing each of these risks and they are summarized below.

a. Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations.

A significant part of the Group's financial assets that are held to meet the cash outflows include cash equivalents and accounts receivables. Although accounts receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Group considers the following as mitigating factors for liquidity risk:

- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored to avoid past due collectibles.
- The Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues both on-shore and off-shore which is included in the Group's corporate planning for liquidity management.

b. Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in equity prices, market prices, interest rates and foreign currency exchange rates.

The sensitivity analyses have been prepared on the following bases:

- Equity price risk - movements in equity indices
- Market price risk - movements in one-year historical coal and nickel prices
- Interest rate risk - market interest rate on unsecured bank loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the

financial assets and financial liabilities held at June 30, 2017 and December 31, 2016.

Equity Price Risk

The Group's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as AFS financial assets.

Quoted securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

The effect on equity as a result of a change in fair value of quoted equity instruments held as AFS investments as of June 30, 2017 due to a reasonably possible change in equity indices, with all other variables held constant, will have an increase on equity by P3.53 million if equity indices will increase by 5.1%. An equal change in the opposite direction would have decreased equity by the same amount.

Commodity Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Coal

The price that the Group can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Group is not subject to domestic competition in the Philippines, the pricing of all of its coal sales is linked to the price of imported coal. World thermal coal prices are affected by numerous factors outside the Group's control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the world supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs.

As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility.

There can be no assurance that world coal prices will be sustained or that domestic and international competitors will not seek to replace the Group in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Group's profits.

To mitigate this risk, the Group continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved. Also, in order to mitigate any negative impact resulting from price changes, it is the Group's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin. The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract.

Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e., abnormal rise in cost of fuel, foreign exchange).

Below are the details of the Group's coal sales to the domestic market and to the export market (as a percentage of total coal sales volume):

	June 30, 2017	December 31, 2016
Domestic market	51.50%	41.08%
Export market	48.50%	58.92%

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of June 30, 2017 and December 31, 2016 with all other variables held constant. The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on one-year historical price movements in 2017 and 2016.

	<u>Effect on income before income tax</u>	
	June 30, 2017	December 31, 2016
Change in coal price (in thousands)		
<i>Based on ending coal inventory</i>		
Increase by 52% in 2017 and 35% in 2016	₱3,047,392	₱555,061
Decrease by 52% in 2017 and 35% in 2016	(3,047,392)	(555,061)
<i>Based on coal sales volume</i>		
Increase by 52% in 2017 and 35% in 2016	7,113,336	4,416,544
Decrease by 52% in 2017 and 35% in 2016	(7,113,336)	(4,416,544)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates, with all variables held constant, through the impact on floating rate borrowings:

	<u>Effect on income before income tax</u>	
	June 30, 2017	December 31, 2016
Basis points (in thousands)		
+100	(₱169,698)	(₱129,899)
-100	169,698	129,899

The sensitivity analyses shown above are based on the assumption that the interest movements will be more likely be limited to hundred basis points upward or downward fluctuation in both 2017 and 2016. The forecasted movements in percentages of interest rates used were derived based on the Group's historical changes in the market interest rates on unsecured bank loans.

There was no effect on the equity other than those affecting the income before tax.

Foreign Currency Risk

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

The Group does not have any foreign currency hedging arrangements.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents follows (amounts in thousands):

	June 30, 2017				
	U.S. Dollar	Japanese Yen	UK Pounds	E.M.U Euro	Equivalent in PHP
Financial assets					
Cash and cash equivalents	\$26,365	¥2,369	£121	€16	₱1,337,982
Receivables	2,224	—	—	—	112,244
	28,589	2,369	121	16	1,450,226
Financial liabilities					
Accounts payable and accrued expenses	(10,157)	—	—	—	(512,685)
Long-term loans	(69,435)	—	—	—	(3,504,886)
	(79,592)	—	—	—	(4,017,571)
	(\$51,003)	¥2,369	£121	€16	(₱2,567,345)

The following tables demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and equity as of June 30, 2017:

	Exchange rate movement	Effect on profit before tax
In Peso per US Dollar		
Increase	₱2	(₱102,007)
Decrease	(2)	102,007
In Peso per Japanese Yen		
Increase	2	4,739
Decrease	(2)	(4,739)
In Peso per UK Pound		
Increase	2	242
Decrease	(2)	(242)
In Peso per Euro		
Increase	2	31
Decrease	(2)	(31)

There is no impact on the Group's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on movement in dollar average exchange rates.

c. Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's maximum exposure to credit risk for the components of the statement of financial position at June 30, 2017 and December 31, 2016 is the carrying amounts except for real estate receivables. The Group's exposure to credit risk arises from default of the counterparties which include certain financial institutions, real estate buyers, subcontractors, suppliers and various electric companies. Credit risk management involves dealing only with recognized, creditworthy third parties. It is the Group's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. The Treasury Department's policy sets a credit limit for each counterparty. In addition, receivable balances are monitored on an ongoing basis. The

Group's financial assets are not subject to collateral and other credit enhancement except for real estate receivables. As of June 30, 2017 and December 31, 2016, 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 bilateral contracts and 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.

The Group generally offers 80% of coal delivered payable within thirty (30) days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered.

Construction contracts

The credit risk for construction receivables is mitigated by the fact that the Group can resort to carry out its contractor's lien over the project with varying degrees of effectiveness depending on the jurisprudence applicable on location of the project. A contractor's lien is the legal right of the Group to takeover the projects-in-progress and have priority in the settlement of contractor's receivables and claims on the projects-in-progress and have priority in the settlement of contractor's receivables and claims on the projects in progress is usually higher than receivables from and future commitments with the project owners. Trade and retention receivables from project owners are normally high standard because of the creditworthiness of project owners and collection remedy of contractor's lien accorded contractor in certain cases.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks that have proven track record in financial soundness.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

Cash and Cash Equivalents

Cash and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top ten (10) banks in the Philippines in terms of resources and profitability. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

AFS Financial Assets

The Group's AFS financial assets are classified as Grade B because these assets are susceptible to untoward consequences due to the current financial positions of counterparties.

Receivables

Included under Grade A are accounts considered to be of high value and are covered with coal supply, power supply, and construction contracts. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Grade B accounts are active accounts with minimal to regular instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Group determines financial assets as impaired when probability of recoverability is remote and in consideration of lapse in period which the asset is expected to be recovered.

For real estate receivables, advances to officers and employees and other receivables, Grade A are classified as financial assets with high credit worthiness and probability of default is minimal. While receivables under Grade B and C have favorable and acceptable risk attributes, respectively, with average credit worthiness.

Receivable from related parties are considered Grade A due to the Group's positive collection experience.

Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Receivable balances are monitored on an ongoing basis to ensure timely execution of necessary intervention efforts, such as raising the case to the Group's legal department. Regular monitoring of receivables resulted to manageable exposure to bad debts.

Security and Refundable Deposits

Security and refundable deposits are classified as Grade A since these are to be refunded by the lessor and utility companies at the end of lease term and holding period, respectively, as stipulated in the agreements.

As of June 30, 2017, the aging analysis of the Group's receivables presented per class follows:

	June 30, 2017							
	Neither past	Past due but not impaired					Impaired	
	nor impaired	<30 days	30-60 days	61-90 days	91-120 days	>120 days	assets	Total
Receivables								
Trade								
Real estate	₱13,219,688	₱32,281	₱29,003	₱23,810	₱5,328	₱330,984	₱–	₱13,641,094
General								
construction	3,176,326	1,302,974	22,489	–	–	–	77,618	4,579,407
Electricity sales	2,912,117	57,271	117,085	48,915	17,218	552,266	838,355	4,543,227
Coal mining	579,398	–	493,516	–	51,494	49,114	35,961	1,209,483
Nickel mining	□82,882	–	–	–	–	–	–	82,882
Merchandising								
and others	27,303	17,830	7,466	4,445	1,581	14,713	2,921	76,259
Receivables from								
related parties	125,222	–	–	–	–	–	–	125,222
Other receivables	801,603	51,504	889	6,600	–	4,974	744,737	1,610,307
	₱20,924,539	₱1,461,860	₱670,448	₱83,770	₱75,621	₱952,051	₱1,699,592	₱25,867,881

Fair Value of Financial Instruments

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 cash equivalents and receivables (except installment contract receivables) approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

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

The fair values of financial assets at FVPL are based on quoted market rates.

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.

In the absence of a reliable basis of determining fair values due to the unpredictable nature of future cash flows and the lack of suitable methods in arriving at a reliable fair value, security deposits other than those pertaining to operating leases and unquoted AFS financial assets are carried at cost less impairment allowance, if any.

Financial liabilities

The fair values of accounts and other payables and accrued expenses and payables to related parties approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

Estimated fair value of long-term fixed rate loans and liabilities for purchased land are based on the discounted value of future cash flows using the applicable rates for similar types of loans with maturities consistent with those remaining for the liability being valued. For floating rate loans, the carrying value approximates the fair value because of recent and regular repricing (quarterly) based on market conditions.

Fair 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) market prices in active markets for identical assets or liabilities
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Fair values of receivables, long-term debt, liabilities for purchased land and investment properties are based on level 3 inputs while that of quoted AFS financial assets and financial assets at FVPL are from level 1 inputs.