CR03130-2018

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
   Mar 31, 2018
2. SEC Identification Number
   AS095002283
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
   Philippines
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) 8883000
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-DMC / Preferred-DMCP
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

DMCI HOLDINGS INCORPORATED

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	Mar 31, 2018
Currency (indicate units, if applicable)	Php Thousand

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Mar 31, 2018	Dec 31, 2017
Current Assets	92,681,286	91,499,493
Total Assets	175,682,916	171,814,576
Current Liabilities	42,126,535	35,155,566
Total Liabilities	84,567,972	78,208,022
Retained Earnings/(Deficit)	56,187,329	58,308,942
Stockholders' Equity	91,114,944	93,606,554
Stockholders' Equity - Parent	74,164,553	76,362,410
Book Value per Share	5.59	5.75

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	20,311,957	18,767,321	20,311,957	18,767,321
Gross Expense	13,743,226	12,219,730	13,743,226	12,219,730
Non-Operating Income	574,448	510,344	574,448	510,344
Non-Operating Expense	305,518	263,218	305,518	263,218

Income/(Loss) Before Tax	6,837,661	6,794,717	6,837,661	6,794,717
Income Tax Expense	569,394	824,716	569,394	824,716
Net Income/(Loss) After Tax	6,268,267	5,970,001	6,268,267	5,970,001
Net Income Attributable to Parent Equity Holder	4,251,573	4,054,174	4,251,573	4,054,174
Earnings/(Loss) Per Share (Basic)	0.32	0.31	0.32	0.31
Earnings/(Loss) Per Share (Diluted)	0.32	0.31	0.32	0.31

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	1.13	1.03
Earnings/(Loss) Per Share (Diluted)	1.13	1.03

Other Relevant Information
None

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	888-3000
Contact Person	Company Telephone Number

(Third Tuesday of May)

1 2	3 1	**SEC Form 17-Q** **First Quarter Interim Report 2018**	0 5	1 5
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

N.A.

Secondary License Type, If Applicable

C F D

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended **March 31, 2018**

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

Title of Each Class	No. of Shares Outstanding	Amount
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 [X]   No [ ]

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

Philippine Stock Exchange	Class "A" Shares
	Preferred Shares

12. Indicate by check mark whether the registrant:

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

Yes [X]   No [ ]

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

Yes [X]   No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements as of and for the period ended **March 31, 2018** are contained herein.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF CONSOLIDATED OPERATIONS AND CONSOLIDATED FINANCIAL CONDITION AS OF AND FOR THE PERIOD ENDED MARCH 31, 2018

March 31, 2018 (Unaudited) vs March 31, 2017 (Restated)

I. RESULTS OF OPERATIONS

Below is a table on the net income contributions of the Company's businesses for 2018 and 2017:

CONSOLIDATED NET INCOME AFTER NON-CONTROLLING INTERESTS

	For the Year		Variance	
(in Php Millions)	2018	2017 Restated[1]	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P2,594	P2,510	P84	3%
DMCI HOMES[1]	848	950	(102)	-11%
D.M. CONSUNJI, INC.	336	182	154	85%
MAYNILAD	315	282	33	12%
DMCI POWER (SPUG)	76	87	(11)	-12%
DMCI MINING	45	32	13	41%
PARENT & OTHERS	37	11	26	224%
NET INCOME	**P4,251**	**P4,054**	**P197**	**5%**

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

DMCI Holdings, Inc. (the "Company") registered a 5 percent increase in first-quarter earnings to P4.3 billion from P4.1 billion the previous year. Higher coal prices, water billed volume and construction revenues accounted for the upturn.

Consolidated revenues during the same period grew 8 percent from P18.8 billion to P20.3 billion as coal and construction businesses posted double-digit growth in 2018. Meanwhile, EBITDA rose by 5 percent to P9.1 billion from P8.6 billion recorded in the same period last year.

Semirara Mining and Power Corporation (SMPC) recorded a 3 percent increase in net income for the first three months of the year from P4.4 billion to P4.6 billion, owing to a 24 percent jump in the average selling price of coal. However, this was offset as the power generation business suffered some setbacks due to unplanned outages during the quarter.

Consequently, SMPC's first quarter net income contribution to the Parent rose 3 percent from P2.5 billion to P2.6 billion.

Net income share from DMCI Homes declined 11 percent to P848 million from P950 million during the same period last year due to a slowdown in revenue recognition.

Following the percentage of completion (POC) accounting method, DMCI Homes recognizes revenues based on the progress of its project development and once at least 15 percent of the contract price has been collected from the buyer.

D.M. Consunji, Inc. posted an 85 percent surge in net income share due to the realization of variation orders from projects nearing completion. From P182 million in the prior year quarter, its contribution to the Parent rose to P336 million.

Meanwhile, net income contribution from Maynilad jumped 12 percent from P282 million to P315 million, primarily driven by higher billed volume (4.9%) coupled with a 2.8 percent inflationary rate adjustment on its basic charge beginning January 1 this year.

Earnings contribution from off-grid energy business DMCI Power fell 12 percent from P87 million to P76 million attributable mainly to the lower-than-expected provisional tariff granted to its Aborlan power plant in Palawan.

Shipment of higher grade nickel from old stockpile and lower depreciation costs allowed DMCI Mining to deliver strong growth in the first three months of the year. Its net income contribution grew by 41 percent year on year from P32 million to P45 million.

Other income during the first quarter more than doubled (224%) from P11 million to P37 million because of higher interest income.

SEMIRARA MINING AND POWER CORPORATION

Below is an excerpt of SMPC's management discussion and analysis of results of operations and financial condition for the period ending and as of March 31, 2018 as lifted from its first quarter financial report with the SEC and PSE.

PRODUCTION – COMPARATIVE REPORT Q1 2018 and 2017

COAL

The Company expanded its annual production capacity to 14 million metric tons (tons) towards the end of 2017. With the increased excavating capacity, mine operations increased over burden stripping in YoY by 15% to 40.5 million bank cubic meters (bcm) from 35.2 million bcm in Q1 2017 despite delays brought about by intermittent rains in the current quarter. With increased strip ratio of 9.12 : 1 this quarter from 7.97:1 in Q1 2017, coal production increased by 3% to 4.1 million tons from 4.0 million tons last year.

POWER
SEM-CALACA POWER GENERATION CORPORATION (SCPC)

Unit 1
<u>Gross Generation:</u>
Q1 '17 vs Q1 '18 – The unit was down whole of Q1 2017 for scheduled maintenance which improved its availability during the summer months, while also increasing its capacity. On the other hand, the plant is running in the current quarter, save for a 15-day unscheduled outage.

<u>Availability:</u>
Q1 '17 vs Q1 '18 – The unit ran continuously from start of the year until it incurred 15 days outage in March this year due to boiler slagging.

<u>Capacity Factor:</u>
Q1 '17 vs Q1 '18 – The unit ran at an increased output capacity of 250MW with a slight decrease in availability during the quarter.

Unit 2
<u>Gross Generation:</u>
Q1 '17 vs Q1 '18– Unit 2 was shut down for a 90-day planned maintenance outage starting 15 December 2017. Maintenance activities were extended until 5 April.

<u>Availability:</u>
Q1 '17 vs Q1 '18 – Unit 2 was down the whole of Q1 2018 for scheduled maintenance.

<u>Capacity Factor:</u>
Q1 '17 vs Q1 '18 – Unit 2 was down the whole of Q1 2018 for scheduled maintenance. Average load in Q1 2017 at 283MW.

SOUTHWEST LUZON POWER GENERATION CORPORATION (SLPGC)

Unit 3
<u>Gross Generation:</u>
Q1 '17 vs Q1 '18 – Less operating hours and lower average capacity at 109MW vs 118MW in Q1 2017 resulted to lower generation in the current period.

<u>Availability:</u>
Q1 '17 vs Q1 '18 – Decreased due to more unplanned outage in the current period to effect repairs.

<u>Capacity Factor:</u>
Q1 '17 vs Q1 '18 – Decreased due to more outage hours and lower average capacity.

Unit 4
<u>Gross Generation:</u>
Q1 '17 vs Q1 '18 – Gross generation remained the same; higher operating hours offset lower average capacity of the unit.

Availability:
Q1 '17 vs Q1 '18 – Increased due to lesser outages.

Capacity Factor:
Q1 '17 vs Q1 '18 – Gross generation remained the same; higher operating hours offset lower average capacity of the unit. The unit ran at an average capacity of 77 MW in the current period vs 113 MW last year.

FINANCE
Sales and Profitability

Revenues (In million PhP)
Before Eliminations

	Q1 2017	Q1 2018	Variance	Remarks
Coal	8,135	9,523	17%	Increase in ASP by 24% due to higher NewCastle index; slight decline in sales volume by 3%
SCPC	2,422	2,102	-13%	Decrease mainly due to 30% decline in energy sales resulting from lower generation, offset partially by 24% increase in ASP
SLPGC	1,148	974	-15%	Decrease mainly due to 31% decline in energy sales resulting from lower generation, offset partially by 23% increase in ASP
Total	**11,705**	**12,598**	**8%**	

After Eliminations

	Q1 2017	Q1 2018	Variance	Remarks
Coal	6,778	8,354	23%	Increase in ASP by 24% due to higher NewCastle index; slight decline in sales volume by 3%
SCPC	2,422	2,102	-13%	Decrease mainly due to 30% decline in energy sales resulting from lower generation, offset partially by 24% increase in ASP
SLPGC	1,148	974	-15%	Decrease mainly due to 31% decline in energy sales resulting from lower generation, offset partially by 23% increase in ASP
Total	**10,348**	**11,430**	**10%**	

Cost of Sales (In million PhP)
Before Eliminations

	Q1 2017	Q1 2018	Variance	Remarks
Coal	3,206	3,453	8%	Increase in mining costs due to higher strip ratio and slight increase in prices of parts and fuel.
SCPC	1,169	1,233	6%	Increase mainly due to higher NewCastle Index
SLPGC	650	577	-11%	Decrease mainly due to minimal energy bought from spot market
Total	**5,025**	**5,263**	**5%**	

After Eliminations

	Q1 2017	Q1 2018	Variance	Remarks
Coal	2,654	2,954	11%	Increase in mining costs due to higher strip ratio and slight increase in prices of parts and fuel.
SCPC	554	709	28%	Increase mainly due to higher NewCastle Index
SLPGC	460	317	-31%	Decrease mainly due to minimal energy bought from spot market
Total	**3,668**	**3,981**	**9%**	

Consolidated Gross Profit (In million PhP)

	Q1 2017	Q1 2018	Variance	Remarks
Coal	4,124	5,400	31%	Increase due to significant rise in average selling price
SCPC	1,868	1,392	-25%	Decrease due to the significant decline in sales volume and the increase in fuel cost
SLPGC	688	657	-5%	Decrease due to the significant decline in sales volume and the increase in fuel cost
Total	**6,680**	**7,449**	**12%**	Higher coal segment contribution offset decline in power segment profitability
GP %	65%	65%	1%	

Consolidated OPEX (In million PhP)

	Q1 2017	Q1 2018	Variance	Remarks
Coal	1,378	1,644	19%	Increase due to higher government royalty
SCPC	293	688	135%	Increase mainly due to accelerated depreciation of Units 1 & 2 (PhP315 million)
SLPGC	81	216	167%	Increase mainly due to higher O&M expense and Real Property Tax
Total	**1,752**	**2,548**	**45%**	

Consolidated Finance Income (In million PhP)

	Q1 2017	Q1 2018	Variance	Remarks
Coal	15	26	70%	Increase due to higher cash placements
SCPC	2	5	192%	Increase due to higher cash placements
SLPGC	11	14	33%	Increase due to higher cash placements
Total	**28**	**45**	**63%**	

Consolidated Finance Charges (In million PhP)

	Q1 2017	Q1 2018	Variance	Remarks
Coal	56	98	74%	Increase due to higher debt level at higher borrowing rates
SCPC	8	74	774%	Increase due to higher debt level at higher borrowing rates
SLPGC	72	50	-31%	Decrease due to lower debt level
Total	**137**	**222**	**62%**	

Consolidated Foreign Exchange Gain / (Loss) (In million PhP)

	Q1 2017	Q1 2018	Variance	Remarks
Coal	(113)	(102)	-11%	Due to PhP depreciation on USD denominated debt; year-end 2017 FX- PhP49.93:USD1, quarter-end 2018 FX- PhP52.16:USD1
SCPC	(21)	(27)	24%	Accounts for realized loss on foreign currency denominated transactions
Total	**(135)**	**(128)**	**-5%**	

Consolidated Other Income (In million PhP)

	Q1 2017	Q1 2018	Variance	Remarks
Coal	2	0	-90%	Income from disposal of transportation equipment
SCPC	24	10	-59%	Decrease due to lower fly ash sold
SLPGC	4	5	22%	Increase due to higher fly ash sold, offset by minimal loss on financial contract
Total	**30**	**15**	**-50%**	

Consolidated NIBT (In million PhP)

	Q1 2017	Q1 2018	Variance	Remarks
Coal	2,594	3,583	38%	Increase due to stronger coal prices
SCPC	1,570	618	-61%	Decrease due to weaker plants' performance and accelerated depreciation
SLPGC	550	410	-25%	Decrease due to weaker plants' performance
Total	**4,714**	**4,611**	**-2%**	

Consolidated Income Tax Provision (In million PhP)

	Q1 2017	Q1 2018	Variance	Remarks
Coal	2	5	118%	Increase due to higher final tax on interest income from placements; coal business has Income Tax Holiday as a BOI-registered enterprise
SCPC	287	29	-90%	Decrease due to lower profitability
SLPGC	2	3	33%	Increase due to higher final tax on interest income from placements; SLPGC has Income Tax Holiday as a BOI-registered enterprise
Total	**291**	**37**	**-87%**	

NIAT (In million PhP)

<u>Before Eliminations (Core Income)</u>

	Q1 2017	Q1 2018	Variance	Remarks
Coal	3,397	4,248	25%	Increase due to stronger coal prices
SCPC	668	65	-90%	Decrease due to weaker plants' performance and accelerated depreciation
SLPGC	357	148	-59%	Decrease due to weaker plants' performance

<u>After Eliminations (Consolidated)</u>

	Q1 2017	Q1 2018	Variance	Remarks
Coal	2,591	3,579	38%	Increase due to stronger coal prices
SCPC	1,283	589	-54%	Decrease due to weaker plants' performance and accelerated depreciation
SLPGC	548	407	-26%	Decrease due to weaker plants' performance
Total	**4,423**	**4,574**	**3%**	

For detailed information – refer to SMPC 17Q filed with SEC and PSE.

<u>DMCI HOMES</u>

Net income contribution of wholly owned subsidiary, DMCI Project Developer's Inc. (PDI) amounted to P848 million for the first quarter of 2018, an 11% decline from P950 million net income last year due to the slowdown in revenue recognition. Realized revenues for the period likewise dropped by 5% from P4.8 billion to P4.6 billion. Following the percentage of completion method, revenues are recognized based on the progress of its project development and once at least 15 percent of the contract price has been collected from the buyer. Below 15 percent collection are recognized under “Customers’ advances and deposit” account.

On the other hand, total costs (under cost of sales and operating expenses) declined at a slower pace at 1% to P3.5 billion in 2018 due to higher business taxes and maintenance of construction equipment.

Sales and reservations jumped 15% from P13.2 billion in 2017 to P15.1 billion this year buoyed by strong demand for residential condominium coming from new launches as well as existing projects.

To expand its project offerings, the company plans to launch new projects located in various areas in Metro Manila (such as Pasig, Manila, Paranaque, Las Pinas, Pasay and Quezon City) and in Davao with total estimated sales value of P49 billion, 53% higher than P32 billion in 2017.

On the other hand, capex disbursements grew by 14% to P2.7 billion from P2.4 billion last year. Of the amount spent in 2018, 85% 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 quarter of 2018, billed volume grew by 4.9%, from 120.65 million cubic meters (mcm) to 126.54 mcm. The improvement in the billed volume was brought about by the increase in billed services through its continued expansion mostly in the southern areas of the concession, namely in Cavite, Muntinlupa, Las Piñas and Paranaque. Consequently, total billed services for the first quarter of 2018 stood at 1,373,564, a 3.8% growth from the end of the same period last year.

With water supply growing at 3.7% for the quarter, coupled with billed volume growth, average non-revenue water at district metered area (DMA) level improved at 32.48% in the first quarter of 2018 compared to 33.22% in the same period last year.

Maynilad’s water and sewer service revenue rose by 9.8% to P5.1 billion from P4.6 billion last year driven by higher billed volume coupled with the 2.8% inflation rate adjustment on Maynilad’s basic charge implemented last January 2018. The new rebased rates won by Maynilad in arbitration remain unimplemented.

Cash operating expenses declined by 6.2% primarily due to savings in personnel cost as a result of the special opportunity program (SOP), a redundancy and right-sizing program implemented last year to reduce headcount. Meanwhile, noncash operating expenses rose by 4.7% primarily driven by increases in amortization of intangible assets which grew in line with Maynilad’s continuing capital expenditure program.

Interest expense on loans jumped by 85% during the first quarter of 2018 following the refinancing of all its existing loans under the 2013 Term Loan and Corporate Notes, whereby the Company was granted a Term Loan Facility in the aggregate amount of P18.5 billion. Refinancing cost incurred amounted to P281 million.

As a result, Maynilad reported net income of P1.3 billion in 2018, an 11.5% improvement from P1.2 billion last year. After adjustments at the consortium company level, the Company's equity in net earnings reported a 12% growth to P315 million from P282 million last year.

Rate Rebasing Update

The matter of Maynilad's tariffs for the entire 2013-2017 five-year Business Plan period, together with the two related arbitration awards in its favor, remain unresolved. In summary:

- In 2015, Maynilad received an arbitration award in its favor against the Metropolitan Waterworks and Sewerage System ("MWSS"), which centered on treatment of Corporate Income Tax as an expense to be recovered through the tariff.
- MWSS did not act on this award and so Maynilad, in accordance with its concession agreement, sought to be kept whole by the Republic of the Philippines ("RoP"). RoP refused to act on this so Maynilad, with reluctance, launched an arbitration claim in Singapore seeking full recovery of forgone revenues. On 24th July 2017, Maynilad was notified that all three members of the arbitration panel voted unanimously to uphold its claim.
- On 9th February 2018, the RoP unexpectedly applied to the High Court in Singapore to vacate Maynilad's award. Furthermore, the RoP is seeking to hold the hearings in secret rather than in open court. Resolution may take until November this year.

Maynilad is, however, in collaborative dialogue with a newly revitalized MWSS regarding the 2018-2022 five-year Business Plan. The matter of the Corporate Income Tax recoverability through the tariff and the cash claim on the RoP will take further time to resolve. While Maynilad strives to meet its service obligations, the ongoing refusal of MWSS and RoP to address either the tariff matter or the revenue claim is hampering financing of the required capital expenditures.

D.M. CONSUNJI, INC.

Earnings from construction business expanded by 85% from P182 million to P336 million in the first quarter of 2018. The realization of revenue from variation orders from projects nearing completion resulted to a 20% improvement in construction revenues from P2.6 billion to P3.2 billion in 2018. As a result, EBITDA rose by 44% from P426 million to P612 million this year.

The Company reported a total order book (balance of work) of P25.1 billion at the end of March 2018, from P24.8 billion at the close of 2017. Awarded projects during the first quarter of the year totaled P3.2 billion which includes Civil Works for Plant Expansion Project of JG Summit Petrochemical Corp., Pasay Trenchless Pipelaying of Maynilad, and various building projects including Substructure of Shang Residences of Shang Properties, Inc.

Meanwhile, major ongoing projects in the orderbook include among others, Cavite- Laguna Expressway Project of MPCALA Holdings, Inc., 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 Inc., Bued Viaduct and Roadway of Private Infra Development Corporation, Anchor Grandsuites of Anchor Land Holdings, Six Senses Resort (Phase 2) of Federal Land in Pasay City, Maven and The Imperium of Ortigas & Co., site development works for a petrochemical plant of JG Summit and the rehabilitation and retrofitting of La Mesa Dam 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 March 31, 2018, the total installed rated capacity is 105.12MW. Out of the total, 34.69MW (12.40MW bunker-fired and 22.29MW diesel) is in Masbate, 51.18MW (9.90MW bunker-fired and 41.28MW 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.

Sales volume reported in Masbate (23.76 GWh), Palawan (27.83 GWh) and Mindoro (11.39 GWh) totaled 62.98 GWh, 17% up from last year due mainly to higher power demand and improved load dispatch in the Palawan area. On the other hand, average selling prices for the period improved by 5% to P11.77/kWh due to higher fuel prices which pulled up the average selling price. As a result, total off-grid generation revenue went up by 22% to P749 million from P615 million last year. On the other hand, total costs (under cost of sales and operating expenses) grew by 28% to P649 million also driven by higher fuel prices.

Consequently, net income contribution of the off-grid power segment for the first quarter of 2018 slipped by 12% from P87 million in 2017 to P76 million in 2018 attributable mainly to the lower-than-expected provisional tariff granted to its Aborlan power plant in Palawan. The company has a pending motion for recomputation with the Energy Regulatory Commission which is expected to be resolved soon.

DMCI MINING

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

DMCI Mining Corporation delivered a 41% improvement in net income contribution from P32 million to P45 million during the first quarter of 2018. Shipment of higher grade nickel from old stockpile and lower depreciation cost contributed to the growth of the nickel mining company for the period.

Revenues for the first quarter of the year slightly increased to P308 million in 2018 from P299 million in 2017 as sales volume stood at 156 thousand wet metric tons (WMT) compared to last year’s 158 thousand WMT. Nickel ore shipments came from the existing stockpiles in response with the order to remove such from the Department of Environment and Natural Resources (DENR).

Average ore grade improved from 1.52% in 2017 to 1.70% in 2018. Meanwhile, composite average price for the first quarter of 2018 is at P1,980 per WMT compared to P1,887 per WMT in 2017.

The segment's total depletion, depreciation and amortization amounted to P17 million in 2018, a 74% drop from P65 million in 2017 due to reduced activity and using fully depreciated equipment. Meanwhile, total company cash cost per WMT (under cost of sales and operating expenses) amounted to P1,238 per WMT in 2018 compared to P1,121 per WMT in 2017.

DMCI Mining Corporation is currently dealing with the Order of Suspension issued against Berong Nickel Corporation, and the Closure Order issued against Zambales Diversified Metals Corporation. 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 grew by 8% to P20.3 billion in the first quarter of 2018 from P18.8 billion last year mainly driven by higher average coal prices and higher construction revenues.

Cost of Sales and Services
Higher coal stripping ratio due to increased excavating capacity and increased fuel prices for the first quarter of 2018 contributed to the jump in consolidated cost of sales and services. From P9.5b billion in 2017, it increased by 7% to P10.1 billion in 2018.

Operating Expenses
Higher coal profit generated during the period resulted to the 18% rise in government royalties from P1.3 billion to P1.5 billion in 2018. Excluding government royalties, operating expenses actually increased by 41% due mainly to additional depreciation recorded by Sem-Calaca (Units 1 and 2) pertaining to the components of the power plant for replacement and higher taxes paid by SLPGC (Units 3 and 4).

Equity in Net Earnings
Equity in net earnings of associates improved by 12% as a result of higher income take up from Maynilad consortium.

Finance Costs
Consolidated finance costs grew by 16% due to higher loan balance following loan drawdown of coal and on-grid power businesses.

Finance Income
Consolidated finance income expanded by 62% due to higher interest income from placements during the period.

Other Income-net
Other income slipped by 34% due to losses on foreign currency denominated transactions.

Provision for Income Tax
Lower taxable profits of Sem Calaca (Units 1 and 2) and the real estate business accounted for the 31% drop in consolidated provision for income tax (both current and deferred) during the first quarter of 2018. Meanwhile, deferred tax of DMCI Homes more than doubled for the first quarter of 2018 due excess of book over tax income of the real estate business.

II. CONSOLIDATED FINANCIAL CONDITION

March 31, 2018 (Unaudited) vs December 31, 2017 (Audited)

The Company's financial condition for the period improved as consolidated total assets amounted to P176 billion as of March 31, 2018, a 2% growth from December 31, 2017 balance. Meanwhile, consolidated total equity contracted by 3% to P91 billion after dividend declaration last March 2018.

Consolidated cash expanded by 10% from P25.3 billion in December 31, 2017 to P27.8 billion in March 31, 2018 upon generation of P7.1 billion cash flows from operations. This was offset by capital expenditures and the dividend payment of Semirara.

Total receivables (current and non-current) declined by 10% from P28.4 billion to P25.6 billion in 2018 driven mainly by collections from real estate and on-grid power businesses.

Consolidated inventories stood at P36.5 billion, 5% up from P34.7 billion last year due to higher coal ending inventory and higher spare parts inventory for maintenance in the on-grid power business.

Other current assets rose by 4% to P8.6 billion due mainly to advances to suppliers for equipment and spare parts of the coal and on-grid power businesses.

Investments in associates and joint ventures dropped by 3% mainly due to timing of yearly dividends received from Maynilad.

Property, plant and equipment stood at P56.7 billion from P55.7 billion last year. The increase was attributed to capital expenditures in the coal and power businesses which were offset by the depreciation and depletion during the period.

Investment properties slipped by 2% mainly due to depreciation for the year.

Other noncurrent assets expanded by 79% due to additional deferred input vat from the on-grid power and construction businesses.

Accounts and other payables grew by 27% mainly attributed to P6.4 billion dividends declared by the Parent company last March 2018 and was paid subsequently in April 2018.

Customers' advances and deposits slightly increased by 1% due mainly to revenue realization in the real estate business.

Lower taxable profits in SCPC (Units 1 and 2) resulted to the drop in income tax payable by 39% from last year balance.

Liabilities for purchased land jumped by 9% to P2.4 billion in 2018 due to acquisition of land for real estate development.

From P40.0 billion, total debt (under short-term and long-term debt) rose by 4% to P41.0 billion upon loan drawdown of the coal and off-grid power businesses during the period for capital expenditures.

Deferred tax liabilities grew by 3% mainly due to excess of book over tax income in real estate sales.

Other noncurrent liabilities slightly increased by 1% due to advances from contract owners which are not due to be settled within twelve months after the end of the reporting period.

Consolidated retained earnings stood at P56.2 billion at the end of March 2018, 4% down from P58.3 billion at the close of 2017 after P4.3 billion of net income and declaration of P6.4 billion Parent dividends.

Non-controlling interest fell by 2% 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 Noncontrolling Interests)
c) Earnings Per Share
d) Return on Common Equity
e) Net Debt to Equity Ratio

SEGMENT REVENUES

(in Php Millions)	For the Period		Variance	
	2018	2017 Restated[1]	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P11,430	P10,350	P1,080	10%
DMCI HOMES[1]	4,552	4,793	(241)	-5%
D.M. CONSUNJI, INC.	3,176	2,640	536	20%
DMCI POWER (SPUG)	749	615	134	22%
DMCI MINING	308	299	9	3%
PARENT & OTHERS	97	70	27	38%
TOTAL REVENUE	**P20,312**	**P18,767**	**P1,545**	**8%**

[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 8% mainly driven by improved average coal prices and higher construction revenues. Meanwhile, slowdown in revenue recognition caused the 5% drop in real estate revenues.

CONSOLIDATED NET INCOME AFTER NON-CONTROLLING INTERESTS

	For the Year		Variance	
(in Php Millions)	2018	2017 Restated[1]	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P2,594	P2,510	P84	3%
DMCI HOMES[1]	848	950	(102)	-11%
D.M. CONSUNJI, INC.	336	182	154	85%
MAYNILAD	315	282	33	12%
DMCI POWER (SPUG)	76	87	(11)	-12%
DMCI MINING	45	32	13	41%
PARENT & OTHERS	37	11	26	224%
NET INCOME	**P4,251**	**P4,054**	**P197**	**5%**

[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 quarter of 2018, the Company reported a 5% growth in consolidated net income due to the strong performance of its coal, construction, water and nickel mining businesses.

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 P0.32/share for the three months ended March 2018, a 5% improvement from P0.31/share EPS year-on-year.

RETURN ON COMMON EQUITY

Return on common equity is defined as the amount of net income a company earns per amount of shareholders equity. It is one of the common metrics used by investor to determine how effectively their capital is being reinvested. It is arrived at by dividing the net income share of the parent company over the average parent equity. The Company's return on common equity stood at 6% in the first quarter of 2018 and 2017.

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 P41.0 billion from P40.0 billion last year, which resulted to a net debt to equity ratio of 0.15:1 as of March 31, 2018 and December 31, 2017.

FINANCIAL SOUNDNESS RATIOS

	March 31, 2018	December 31, 2017
Current Ratio	220%	260%
Net Debt to Equity Ratio	15%	15%
Asset to Equity Ratio	193%	184%
	March 31, 2018	**March 31, 2017, as restated**[1]
Return on Assets	3.8%	3.9%
Return on Common Equity	5.6%	5.8%
Interest Coverage Ratio	13.9 times	23.9 times
Gross Profit Margin (%)	50.0%	49.5%
Net Profit Margin (%)	30.9%	31.8%

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

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 March 8, 2018, the BOD of the Parent Company has declared cash dividends amounting P0.28 regular dividends and P0.20 special cash dividends for a total of P6.37 billion in favor of the stockholders of record as of March 23, 2018 and was paid on April 6, 2018.
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 May 14, 2018

DMCI HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	**₱27,781,883**	₱25,323,774
Receivables - net	**17,991,285**	21,984,999
Costs and estimated earnings in excess of billings on uncompleted contracts	**1,763,183**	1,201,589
Inventories	**36,521,103**	34,698,636
Other current assets	**8,623,832**	8,290,495
Total Current Assets	**92,681,286**	91,499,493
Noncurrent Assets		
Noncurrent receivables	**7,657,081**	6,434,989
Investments in associates, joint ventures and others	**13,014,044**	13,460,601
Investment properties	**190,866**	194,241
Property, plant and equipment	**56,657,526**	55,701,022
Exploration and evaluation asset	**225,512**	225,535
Goodwill	**1,637,430**	1,637,430
Deferred tax assets - net	**427,961**	427,961
Pension assets – net	**1,015,590**	1,019,687
Other noncurrent assets	**2,175,620**	1,213,617
Total Noncurrent Assets	**83,001,630**	80,315,083
	₱175,682,916	₱171,814,576

LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt	**₱3,334,139**	₱1,071,101
Current portion of liabilities for purchased land	**328,769**	24,356
Accounts and other payables	**23,845,419**	18,757,346
Billings in excess of costs and estimated earnings on uncompleted contracts	**2,168,831**	2,604,954
Customers' advances and deposits	**7,837,014**	7,918,434
Current portion of long-term debt	**4,519,247**	4,626,407
Income tax payable	**93,116**	152,968
Total Current Liabilities	**42,126,535**	35,155,566

(Forward)

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Noncurrent Liabilities		
Long-term debt - net of current portion	**₱33,155,396**	₱33,811,174
Liabilities for purchased land - net of current portion	**2,085,714**	2,195,790
Deferred tax liabilities - net	**4,557,036**	4,444,307
Pension liabilities - net	**324,999**	315,561
Other noncurrent liabilities	**2,318,292**	2,285,624
Total Noncurrent Liabilities	**42,441,437**	43,052,456
Total Liabilities	**84,567,972**	78,208,022
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-in capital	**17,949,868**	17,949,868
Retained earnings	**56,187,329**	58,308,942
Premium on acquisition of non-controlling interests	**(675,326)**	(599,082)
Remeasurements on retirement plans - net of tax	**708,374**	708,374
Net accumulated unrealized gains on AFS financial assets	**35,699**	35,699
Other equity	**(41,391)**	(41,391)
	74,164,553	76,362,410
Non-controlling interests	**16,950,391**	17,244,144
Total Equity	**91,114,944**	93,606,554
	₱175,682,916	₱171,814,576

DMCI HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

For the Period and Quarter Ended March 31, 2018 and 2017 and
Quarter Ended March 31, 2018 and 2017
(Amounts in Thousands, except for Earnings Per Share figures)

	For the period		For the quarter	
	Jan to Mar 2018	Jan to Mar 2017 (Restated-Note 2)	**Jan to Mar 2018**	Jan to Mar 2017 (Restated-Note 2)
REVENUE				
Coal mining	**₱8,354,104**	₱6,778,368	**₱8,354,104**	₱6,778,368
Electricity sales	**3,825,091**	4,186,946	**3,825,091**	4,186,946
Real estate sales	**4,551,492**	4,792,761	**4,551,492**	4,792,761
Construction contracts	**3,175,797**	2,639,921	**3,175,797**	2,639,921
Nickel mining	**308,067**	298,748	**308,067**	298,748
Merchandise sales and others	**97,406**	70,577	**97,406**	70,577
	20,311,957	18,767,321	**20,311,957**	18,767,321
COSTS OF SALES AND SERVICES				
Coal mining	**2,953,670**	2,654,289	**2,953,670**	2,654,289
Electricity sales	**1,672,698**	1,516,737	**1,672,698**	1,516,737
Real estate sales	**2,753,319**	2,806,500	**2,753,319**	2,806,500
Construction contracts	**2,598,674**	2,328,876	**2,598,674**	2,328,876
Nickel mining	**94,716**	112,330	**94,716**	112,330
Merchandise sales and others	**75,063**	49,954	**75,063**	49,954
	10,148,140	9,468,686	**10,148,140**	9,468,686
GROSS PROFIT	**10,163,817**	9,298,635	**10,163,817**	9,298,635
OPERATING EXPENSES	**3,595,086**	2,751,044	**3,595,086**	2,751,044
	6,568,731	6,547,591	**6,568,731**	6,547,591
OTHER INCOME (EXPENSES)				
Equity in net earnings of associates	**328,468**	293,530	**328,468**	293,530
Finance income	**173,471**	106,972	**173,471**	106,972
Finance costs	**(305,518)**	(263,218)	**(305,518)**	(263,218)
Other income - net	**72,509**	109,842	**72,509**	109,842
INCOME BEFORE INCOME TAX	**6,837,661**	6,794,717	**6,837,661**	6,794,717
PROVISION FOR INCOME TAX	**569,394**	824,716	**569,394**	824,716
NET INCOME	**₱6,268,267**	₱5,970,001	**₱6,268,267**	₱5,970,001
NET INCOME ATTRIBUTABLE TO				
Equity holders of the Parent Company	**₱4,251,573**	₱4,054,174	**₱4,251,573**	₱4,054,174
Non-controlling interests	**2,016,694**	1,915,827	**2,016,694**	1,915,827
	₱6,268,267	₱5,970,001	**₱6,268,267**	₱5,970,001
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY-BASIC AND DILUTED	**₱0.32**	₱0.31	**₱0.32**	₱0.31

DMCI HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Period and Quarter Ended March 31, 2018 and 2017 and Quarter Ended March 31, 2018 and 2017
(Amounts in Thousands)

	For the period		For the quarter	
	Jan to Mar 2018	Jan to Mar 2017 (Restated-Note 2)	**Jan to Mar 2018**	Jan to Mar 2017 (Restated-Note 2)
NET INCOME	**₱6,268,267**	₱5,970,001	**₱6,268,267**	₱5,970,001
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	**₱6,268,267**	₱5,970,001	**₱6,268,267**	₱5,970,001
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**₱4,251,573**	₱4,054,174	**₱4,251,573**	₱4,054,174
Non-controlling interests	**2,016,694**	1,915,827	**2,016,694**	1,915,827
	₱6,268,267	₱5,970,001	**₱6,268,267**	₱5,970,001

DMCI HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Period Ended March 31, 2018 and 2017

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company										
	Capital Stock	Additional Paid-in Capital	Total Paid-in Capital	Unppropriated Retained Earnings	Premium on Acquisition of Non-controlling Interest	Remeasurements on Retirement Plans	Net Accumulated Gain (Loss) on Available-for-Sale Financial Assets	Other Equity	Total	Non-controlling Interests	Total Equity
	For the Period Ended March 31, 2018										
Balances as of January 1, 2018,	**₱13,277,474**	**₱4,672,394**	**₱17,949,868**	**₱58,308,942**	**(₱599,082)**	**₱708,374**	**₱35,699**	**(₱41,391)**	**₱76,362,410**	**₱17,244,144**	**₱93,606,554**
Comprehensive income											
Net income	**–**	**–**	**–**	**4,251,573**	**–**	**–**	**–**	**–**	**4,251,573**	**2,016,694**	**6,268,267**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**–**	**4,251,573**	**–**	**–**	**–**	**–**	**4,251,573**	**2,016,694**	**6,268,267**
Acquisition of noncontrolling interest	**–**	**–**	**–**	**–**	**(76,244)**	**–**	**–**	**–**	**(76,244)**	**(9,370)**	**(85,614)**
Cash dividends declared	**–**	**–**	**–**	**(6,373,186)**	**–**	**–**	**–**	**–**	**(6,373,186)**	**(2,301,078)**	**(8,674,264)**
Balances at March 31, 2018	**₱13,277,474**	**₱4,672,394**	**₱17,949,868**	**₱56,187,329**	**(₱675,326)**	**₱708,374**	**₱35,699**	**(₱41,391)**	**₱74,164,553**	**₱16,950,391**	**₱91,114,944**
	For the Period Ended March 31, 2017										
Balances as of January 1, 2017, as previously reported	₱13,277,474	₱4,672,394	₱17,949,868	₱49,521,603	(₱522,903)	₱621,851	₱27,211	₱2,279	₱67,599,909	₱15,748,721	₱83,348,630
Effect of change in accounting policy (Note 2)	–	–	–	395,967	–	–	–	–	395,967	–	395,967
Balances as of January 1, 2017, as restated	₱13,277,474	₱4,672,394	₱17,949,868	₱49,917,570	(₱522,903)	₱621,851	₱27,211	₱2,279	₱67,995,876	₱15,748,721	₱83,744,597
Comprehensive income											
Net income	–	–	–	4,054,174	–	–	–	–	4,054,174	1,915,827	5,970,001
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	4,054,174	–	–	–	–	4,054,174	1,915,827	5,970,001
Cash dividends declared	–	–	–	–	–	–	–	–	–	(2,316,719)	(2,316,719)
Balances at March 31, 2017	₱13,277,474	₱4,672,394	₱17,949,868	₱53,971,744	(₱522,903)	₱621,851	₱27,211	₱2,279	₱72,050,050	₱15,347,829	₱87,397,879

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Period Ended March 31, 2018 and 2017
(Amounts in Thousands)

	March 31	
	2018	2017 Restated - Note 2
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱6,837,661**	₱6,794,717
Adjustments for:		
Depreciation, depletion and amortization	**2,115,393**	1,678,707
Finance cost	**305,518**	263,218
Net unrealized foreign exchange loss	**166,927**	136,896
Equity in net earnings of associates and joint ventures	**(328,468)**	(293,530)
Finance income	**(173,471)**	(106,972)
Other noncash adjustments	**13,378**	(8,147)
Operating income before changes in working capital	**8,936,938**	8,464,889
Decrease (increase) in:		
Receivables	**2,788,175**	447,016
Cost and estimated earnings in excess of billings	**(561,594)**	(10,047)
Inventories	**(1,621,382)**	592,632
Other current assets	**(333,337)**	(410,158)
Increase (decrease) in:		
Accounts and other payables	**(1,285,113)**	(2,157,851)
Billings in excess of costs and estimated earnings	**(436,123)**	721,227
Customer advances and deposits	**(81,419)**	(2,056,254)
Liabilities for purchased land	**194,337**	(77,044)
Cash generated from operations	**7,600,482**	5,514,410
Interest received	**173,471**	96,568
Income taxes paid	**(516,517)**	(731,632)
Interest paid and capitalized as cost of inventory	**(206,852)**	(31,860)
Net cash provided by operating activities	**7,050,584**	4,847,486
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property, plant and equipment	**(3,060,915)**	(2,570,593)
Investment properties	**–**	(33)
Proceeds from disposals of:		
Property, plant and equipment	**256**	30
Dividends received	**758,472**	758,472
Interest paid and capitalized as part of property, plant and equipment	**(1,938)**	–
Increase in other noncurrent assets	**(961,980)**	(21,434)
Net cash used in investing activities	**(3,266,105)**	(1,833,558)

(Forward)

	March 31	
	2018	2017 Restated - Note 2
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term debt	**₱2,311,499**	₱200,802
Long-term debt	**–**	4,392,480
Payments of:		
Long-term debt	**(921,860)**	(875,972)
Short-term debt	**(48,461)**	(192,876)
Interest	**(305,518)**	(263,218)
Dividends to non-controlling interests	**(2,301,078)**	–
Repurchase of noncontrolling shares of a subsidiary	**(85,614)**	–
Increase (Decrease) in other noncurrent liabilities	**32,668**	(247,989)
Net cash provided by (used in) financing activities	**(1,318,364)**	3,013,227
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(8,005)**	(102,844)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,458,110**	5,924,311
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**25,323,774**	18,738,106
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱27,781,884**	₱24,662,417

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 power generation, real estate development, water concession, nickel mining and manufacturing.

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

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on May 11, 2018.

2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
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, 2017.

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.

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

<u>Change in Accounting Policy</u>
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.

Basis of Consolidation

The interim unaudited condensed consolidated financial statements comprise the financial statements of the Group as of March 31, 2018 and December 31, 2017.

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.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries (which are all incorporated in the Philippines). The voting rights held by the Group in these subsidiaries are in proportion of their ownership interest.

	2018			2017		
	Direct	**Indirect**	**Effective Interest**	Direct	Indirect	Effective Interest
			(In percentage)			
General Construction:						
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
Manufacturing and others:						
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
Real Estate Development:						
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
Marketing Arm:						
DMCI Homes, Inc. (DMCI Homes) [2]	**–**	**100.00**	**100.00**	–	100.00	100.00
Coal Mining						
Semirara Mining and Power Corporation (SMPC)	**56.57**	**–**	**56.57**	56.54	–	56.54
On-Grid Power						
Sem-Calaca Power Corporation (SCPC) [3]	**–**	**56.57**	**56.57**	–	56.54	56.54
Southwest Luzon Power Generation Corporation (SLPGC) [3]	**–**	**56.57**	**56.57**	–	56.54	56.54
Sem-Calaca RES Corporation (SCRC) [3]*	**–**	**56.57**	**56.57**	–	56.54	56.54
SEM-Cal Industrial Park Developers, Inc. (SIPDI) [3]*	**–**	**56.57**	**56.57**	–	56.54	56.54
Semirara Energy Utilities, Inc. (SEUI) [3]*	**–**	**56.57**	**56.57**	–	56.54	56.54
Southeast Luzon Power Generation Corporation (SeLPGC) [3]**	**–**	**56.57**	**56.57**	–	56.54	56.54
Manufacturing	**–**	**56.57**	**56.57**			
Semirara Claystone, Inc. (SCI) [3]*	**–**	**56.57**	**56.57**	–	56.54	56.54
Off-Grid Power						
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
Nickel Mining:						
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 Resouces 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

(Forward)

	2018			2017		
	Direct	**Indirect**	**Effective Interest**	Direct	Indirect	Effective Interest
			(In percentage)			
Manufacturing:						
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 March 31, 2018 and December 31, 2017

** Previously named SEM-Balayan Power Generation Corporation (SBPGC), was changed to Southeast Luzon Power Generation Corporation (SeLPGC) effective July 12, 2016

[1] DMCI's subsidiaries

[2] PDI's subsidiaries

[3] SMPC's subsidiaries

[4] DPC's subsidiaries

[5] DMC's subsidiaries

Noncontrolling Interests

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

Noncontrolling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interest having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

The proportion of ownership interest held by noncontrolling interests on the consolidated subsidiaries are presented below. The voting rights held by the Group in these subsidiaries are in proportion of their ownership interest.

	2018	2017
Beta Electric Corporation (Beta Electric)	**46.05**	46.05
Raco Haven Automation Philippines, Inc. (Raco)	**49.86**	49.86
Oriken Dynamix Company, Inc. (Oriken)	**11.00**	11.00
Zenith Mobility Solutions Services, Inc.	**49.00**	49.00
Semirara Mining and Power Corporation (SMPC)	**43.43**	43.46
Sem-Calaca Power Corporation (SCPC)	**43.43**	43.46
Southwest Luzon Power Generation Corporation (SLPGC)	**43.43**	43.46
Sem-Calaca RES Corporation (SCRC)	**43.43**	43.46
SEM-Cal Industrial Park Developers, Inc. (SIPDI)	**43.43**	43.46
Semirara Energy Utilities, Inc. (SEUI)	**43.43**	43.46
Southeast Luzon Power Generation Corporation (SeLPGC)	**43.43**	43.46
Semirara Claystone, Inc. (SCI)	**43.43**	43.46
Berong Nickel Corporation (BNC)	**25.20**	25.20
Ulugan Resouces Holdings, Inc. (URHI)	**70.00**	70.00
Ulugan Nickel Corporation (UNC)	**42.00**	42.00
Nickeline Resources Holdings, Inc. (NRHI)	**42.00**	42.00
TMM Management, Inc. (TMM)	**60.00**	60.00
Wire Rope Corporation of the Philippines (Wire Rope)	**38.30**	38.30

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. Orikens's primary purpose is to manufacture, buy and sell ready mix concrete of every class and description. As of December 31, 2017 and 2016, 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 – property management
e) DMCI-PDI Hotels, Inc. – hotel operator
f) Zenith Mobility Solution Services, Inc. – mobility services provider of the Group.

As of March 31, 2018, HGC and DMCI Homes have ceased operations and are in the process of liquidation.

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 and 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.

<u>On-Grid Power</u>
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.

Below are the other subsidiaries of SMPC, which are still under pre-operating stage as of December 31, 2017 and the nature of their principal activities:
a) Sem-Calaca RES Corporation (SCRC) – retail electricity supplier
b) Sem-Cal Industrial Park Developers Inc. (SIPDI) – economic zone developer
c) Semirara Energy Utilities Inc. (SEUI) – electricity provider authorized to serve remote and unviable areas
d) Southeast Luzon Power Generation Corporation (SeLPGC) – power generation
e) Semirara Claystone Inc. (SCI) – manufacturing of commodities such as bricks, tiles and other merchandise produce from clay

<u>Off-Grid Power</u>
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

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.

<u>Nickel Mining</u>
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. Its operations is lodged under its two subsidiaries namely Berong Nickel Corporation and Zambales Diversified Metals Corporation.

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.

On February 8, 2017, BNC received an order from DENR maintaining the indefinite suspension order of its mining operations issued on June 2016.

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.

On February 8, 2017, DENR issued an order cancelling the ZDMC's MPSA, based among others, on the suspension imposed on the ZDMC on July 7, 2016.

Other nickel mining entities:
The following are nickel mining entities under DMCI Mining Corporation which are non-operational or under exploration phases as of the reporting date:
a. Ulugan Resources Holdings, Inc. (URHI) – holding company
b. Ulugan Nickel Corporation (UNC) – nickel mining
c. Nickeline Resources Holdings, Inc. (NRHI) – holding company
d. TMM Management, Inc. (TMM) – provider of management, investment and technical services
e. Zambales Chromite Mining Company, Inc. (ZCMC) – nickel mining
f. Fil-Asian Strategic Resources & Properties Corporation (FASRPC) – nickel mining
g. Montague Resources Philippines Corporation (MRPC) – nickel mining
h. Montemina Resources Corporation (MRC) – nickel mining
i. Mt. Lanat Metals Corporation (MLMC) – nickel mining
j. Fil-Euro Asia Nickel Corporation (FEANC) – nickel mining
k. Heraan Holdings, Inc. (HHI) – holding company
l. Zambales Nickel Processing Corporation (ZNPC) – nickel processing
m. Zamnorth Holdings Corporation (ZHC) – holding company
n. ZDMC Holdings Corporation (ZDMCHC) – holding company

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.

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, 2017.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, 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.

  Adoption of these amendments did not have any impact on the Group's consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Group has provided the required information in Note 39 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the years ended December 31, 2016 and January 1, 2016.

- 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 upon the reversal of the deductible temporary difference related to unrealized losses. 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.

  The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Standards Issued But Not Yet Effective

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

Effective beginning on or after January 1, 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.

- 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. 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 Group plans to adopt the new standard on the mandatory effective date.

  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.

- 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 retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective method.

  Based on its initial assessment, the requirements of PFRS 15 on the following may have significant impact on the Group's consolidated financial position, performance and disclosures:

  - Measurement of transaction price for construction contracts particularly from variation orders
  - Significant financing component in relation to advance payments received from customers or advance proportion of work performed for the customers of real estate and construction agreements

- Determination if existing documentation would meet the definition of contracts for real estate agreements
- Accounting for costs in obtaining the contract for real estate agreements
- Measurement of progress for real estate and construction contracts

The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business.

- 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. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income.

An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees – leases of ’low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today’s accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs. The Group expects the standard to impact its operating lease arrangements for land, buildings and mining and construction equipments which will require recognition of right of use asset in the books and its related lease liability. The Group does not expect significant impact of the standards to its arrangements as a lessor.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

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 deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. **Equity**

Capital Stock
As of March 31, 2018 and December 31, 2017, the Parent Company's capital stock consists of:

	2018	
In PHP thousands	**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**

	2017	
In PHP thousands	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.

<u>Retained Earnings</u>
On March 8, 2018, the BOD approved the declaration of (1) *regular cash dividends* in the amount of ₱0.28 per common share or a total of ₱3,717.69 million; and (2) *special cash dividends* of ₱0.20 per common share or a total of ₱2,655.49 million, or a grand total of ₱6,373.19 million out of the unrestricted retained earnings of the Parent Company as of December 31, 2017, in favor of the common stockholders of record as of March 23, 2018, and was paid on April 6, 2018.

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.

<u>Capital Management</u>
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.

The Group is not subject to any externally imposed capital requirements.

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4. Business Segments

The following tables present the net income of the specific business segments for the period ended March 31, 2018 and 2017:

Segment Revenues

(in PHP Millions)	For the period **March 2018**	March 2017	Variance Amount	%
Semirara Mining and Power Corporation	**₱11,430**	₱10,350	₱1,080	10%
DMCI Homes	**4,552**	4,793	(241)	-5%
D.M. Consunji, Inc.	**3,176**	2,640	536	20%
DMCI Power (SPUG)	**749**	615	134	22%
DMCI Mining	**308**	299	9	3%
Parent and others	**97**	70	27	38%
	₱20,312	₱18,767	₱1,545	8%

Net income after non-controlling interests

(in PHP Millions)	For the period **March 2018**	March 2017	Variance Amount	%
Semirara Mining and Power Corporation	**₱2,594**	₱2,510	₱84	3%
DMCI Homes	**848**	950	(102)	-11%
D.M. Consunji, Inc.	**336**	182	154	85%
Maynilad	**315**	282	33	12%
DMCI Power (SPUG)	**76**	87	(11)	-12%
DMCI Mining	**45**	32	13	41%
Parent and others	**37**	11	26	224%
	₱4,251	₱4,054	₱197	5%

5. Operating Expenses

The following tables present the consolidated operating expenses for the period ended March 31, 2018 and 2017:

	2018	2017
Government share	**₱1,509,769**	₱1,274,491
Depreciation, depletion and amortization	**438,584**	144,888
Salaries, wages and employee benefits	**316,595**	275,163
Taxes and licenses	**299,627**	154,238
Repairs and maintenance	**267,035**	95,220
Outside services	**200,508**	152,594
Commission	**141,513**	231,523
Advertising and marketing	**135,956**	137,747
Communication, light and water	**41,089**	32,315
Entertainment, amusement and recreation	**37,829**	21,269
Supplies	**34,868**	35,277
Insurance	**33,578**	41,418
Transportation and travel	**32,704**	26,179
Association dues	**22,531**	13,503
Rent	**20,307**	16,645
Miscellaneous expense	**62,593**	98,574
	₱3,595,086	₱2,751,044

6. Summarized Financial Information of Interests in Related Entities

Financial information as of and for the period ended March 31, 2018 and December 31, 2017 on the Group's subsidiary with material non-controlling interest (NCI) follows:

Semirara Mining and Power Corporation and Subsidiaries (SMPC)

	March 31, 2018	December 31, 2017
Statements of Financial Position		
Current assets	**₱23,439,347**	₱24,333,646
Noncurrent assets	**45,422,806**	44,262,759
Current liabilities	**16,092,215**	14,407,272
Noncurrent liabilities	**15,921,890**	16,509,754
Equity	**36,848,048**	37,679,379

	March 31, 2018	March 31, 2017
Statements of Comprehensive Income		
Revenue	**₱11,429,902**	₱10,350,610
Net income	**4,574,445**	4,422,703
Other comprehensive income	**–**	–
Total comprehensive income	**4,574,445**	4,422,703

Financial information as of and for the period ended March 31, 2018 and December 31, 2017 on the Group's material interest in associate follows:

Maynilad Water Holdings Company, Inc. and Subsidiaries

	March 31, 2018	December 31, 2017
Statements of Financial Position		
Current assets	**₱10,041,419**	₱11,711,493
Noncurrent assets	**95,583,916**	93,030,619
Current liabilities	**15,943,021**	16,383,029
Noncurrent liabilities	**38,216,816**	35,136,744
Equity	**51,465,498**	53,222,339

	March 31, 2018	March 31, 2017
Statements of Comprehensive Income		
Revenue	**₱5,245,556**	₱4,788,454
Net income	**1,158,562**	1,036,027
Other comprehensive income	**–**	–
Total comprehensive income	**1,158,562**	1,036,027

Investment in Maynilad Water Holdings Company, Inc. (MWHCI) is accounted for using the equity method. For the period ended March 31, 2018 and 2017, the Company received dividends from MWHCI amounting to ₱758.47 million and ₱758.47 million, respectively. Equity in net earnings in the three months ended amounted to ₱315.01 million in 2018 and ₱281.70 million in 2017.

Financial information as of and for the period ended March 31, 2018 and December 31, 2017 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).

The Group owns a total of 30% of Subic Water's outstanding capital stock after the sale of 10% share to the City of Olongapo on March 23, 2016.

The investment in Subic Water is accounted for as an investment in an associate using the equity method. The carrying amount of the investment in associate amounted to ₱270.37 million and ₱256.91 million as of March 31, 2018 and December 31, 2017, respectively. The unaudited share in net earnings amounted to ₱13.45 million and ₱11.83 million for the period ended March 31, 2018 and 2017, 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 (2018)	For the period (2017)	**For 1st Quarter (2018)**	For 1st Quarter (2017)
Net income attributable to equity holders of Parent Company	**₱4,251,573**	₱4,054,174	**₱4,251,573**	₱4,054,174
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	**₱0.32**	₱0.31	**₱0.32**	₱0.31

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 ₱6,328 million and ₱4,687 million as of March 31, 2018 and 2017, respectively, while booked revenues from these contracts amounted to ₱351 million and ₱459 million for the period ended March 31, 2018 and 2017, 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 the mine and fresh water well drilling for industrial and domestic supply under an agreement.

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

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.

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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 March 31, 2018 and December 31, 2017.

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.

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):

	March 31, 2018	December 31, 2017
Domestic market	**52.18%**	33.51%
Export market	**47.82%**	66.49%

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

	Effect on income before income tax	
Change in coal price (in thousands)	**March 31, 2018**	December 31, 2017
Based on ending coal inventory		
Increase by 46% in 2018 and 19% in 2017	**₱2,730,464**	₱182,729
Decrease by 46% in 2018 and 19% in 2017	**(2,730,464)**	(182,729)
Based on coal sales volume		
Increase by 52% in 2018 and 19% in 2017	**3,775,333**	2,814,557
Decrease by 52% in 2018 and 19% in 2017	**(3,775,333)**	(2,814,557)

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:

	Effect on income before income tax	
Basis points (in thousands)	**March 31, 2018**	December 31, 2017
+100	**(₱193,243)**	(₱180,245)
-100	**193,243**	180,245

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 2018 and 2017. 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):

	March 31, 2018			
	U.S. Dollar	**Japanese Yen**	**UK Pounds**	**Equivalent in PHP**
Financial assets				
Cash and cash equivalents	**$28,071**	**¥2,548**	**£111**	**₱1,473,133**
Receivables	**5,044**	**–**	**–**	**256,317**
	33,115	**2,548**	**111**	**1,729,450**
Financial liabilities				
Accounts payable and accrued expenses	**(19,140)**	**–**	**–**	**(998,354)**
Long-term loans	**(70,960)**	**–**	**–**	**(3,701,268)**
	(90,100)	**–**	**–**	**(4,699,622)**
	($56,985)	**¥2,548**	**£111**	**(₱2,970,172)**

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 March 31, 2018:

	Exchange rate movement	**Effect on profit before tax**
In Peso per US Dollar		
Increase	**₱2**	**(₱113,970)**
Decrease	**(2)**	**113,970**
In Peso per Japanese Yen		
Increase	**2**	**5,095**
Decrease	**(2)**	**(5,095)**
In Peso per UK Pound		
Increase	**2**	**222**
Decrease	**(2)**	**(222)**

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 March 31, 2018 and December 31, 2017 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 March 31, 2018 and December 31, 2017, 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 March 31, 2018, the aging analysis of the Group's receivables presented per class follows:

	March 31, 2018							
	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	₱13,433,380	₱141,770	₱190,570	₱129,502	₱24,831	₱109,563	₱–	₱14,029,616
Electricity sales	2,668,632	167,618	475,930	20,798	39,287	559,009	840,639	4,771,913
General construction	2,916,122	1,196,234	20,647	–	–	–	30,347	4,163,350
Coal mining	1,284,691	–	903,313	–	2,347	4,696	36,113	2,231,160
Nickel mining	127,266	–	–	–	–	–	66,947	194,213
Merchandising and others	32,176	21,012	8,799	5,238	1,864	17,340	–	86,429
Receivables from related parties	211,243	–	–	–	–	–	–	211,243
Other receivables	878,019	51,799	553	96	1,003	3,017	679,819	1,614,306
	₱21,551,529	₱1,578,433	₱1,599,812	₱155,634	₱69,332	₱693,625	₱1,653,865	₱27,302,230

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.