

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, 2020
2. SEC Identification Number
ASO95002283
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) 88883000
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	960	

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:

The Philippine Stock Exchange Common Shares and Preferred Shares

12. Indicate by check mark whether the registrant:

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

☒ Yes ☐ No

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

☒ Yes ☐ No

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



DMCI Holdings, Inc. DMC

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

For the period ended	Mar 31, 2020
Currency (indicate units, if applicable)	Php Thousands

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Mar 31, 2020	Dec 31, 2019
Current Assets	114,727,337	108,850,800
Total Assets	207,996,936	200,787,001
Current Liabilities	63,657,236	49,874,263
Total Liabilities	112,694,331	97,948,927
Retained Earnings/(Deficit)	59,149,334	64,906,070
Stockholders' Equity	95,302,605	102,838,074
Stockholders' Equity - Parent	76,646,911	82,403,647
Book Value per Share	5.77	6.21

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	14,123,279	19,651,825	14,123,279	19,651,825
Gross Expense	13,749,409	16,121,836	13,749,409	16,121,836
Non-Operating Income	929,975	905,246	929,975	905,246
Non-Operating Expense	300,720	408,758	300,720	408,758

Income/(Loss) Before Tax	1,003,125	4,026,477	1,003,125	4,026,477
Income Tax Expense	-150,803	327,648	-150,803	327,648
Net Income/(Loss) After Tax	1,153,928	3,698,829	1,153,928	3,698,829
Net Income Attributable to Parent Equity Holder	616,450	2,738,850	616,450	2,738,850
Earnings/(Loss) Per Share (Basic)	0.05	0.21	0.05	0.21
Earnings/(Loss) Per Share (Diluted)	0.05	0.21	0.05	0.21

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.63	1.01
Earnings/(Loss) Per Share (Diluted)	0.63	1.01

Other Relevant Information
Attached is SEC Form 17-Q.

Filed on behalf by:

Name	Herbert Consunji
Designation	Executive Vice President & Chief 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
C H I N O R O C E S A V E . M A K A T I C I T Y

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

HERBERT M. CONSUNJI
Contact Person

8888-3000
Company Telephone Number

(2nd Tuesday of July)

1 2 3 1
Month Day
Fiscal Year

SEC Form 17-Q
First Quarter Interim Report 2020
FORM TYPE

0 7 1 4
Month Day
Annual Meeting

N.A.
Secondary License Type, If Applicable

C F D
Dept Requiring this Doc

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended March 31, 2020

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) 8888-3000 Fax : None

Issuer's telephone number, including area code

9. Not applicable

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

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

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

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

Yes ☒ No ☐

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

Philippine Stock Exchange

Class "A" Shares

Preferred Shares

12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements as of and for the period ended **March 31, 2020** 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, 2020

March 31, 2020 (Unaudited) vs March 31, 2019 (Unaudited)

I. RESULTS OF OPERATIONS

Below is a table on the net income contributions of the Company's businesses for 2020 and 2019:

CONSOLIDATED NET INCOME AFTER NON-CONTROLLING INTERESTS

<i>(in Php Millions)</i>	For the Period		Variance	
	2020	2019	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P623	P1,282	(P659)	-51%
DMCI HOMES	(197)	481	(678)	-141%
MAYNILAD	379	436	(57)	-13%
D.M. CONSUNJI, INC.	170	359	(189)	-53%
DMCI POWER (SPUG)	97	100	(3)	-3%
DMCI MINING	26	103	(77)	-75%
PARENT & OTHERS	(68)	69	(137)	-199%
CORE NET INCOME	1,030	2,830	(1,800)	-64%
NON-RECURRING ITEMS	(414)	(91)	(323)	-355%
REPORTED NET INCOME	P616	P2,739	(P2,123)	-78%

DMCI Holdings, Inc. (the "Company") recorded P616 million in consolidated net income for the first three months of 2020, 78% down from P2.7 billion last year as all of its businesses delivered weak performance for the period. Excluding non-recurring items, core net income slipped 64% to P1.0 billion from P2.8 billion last year. The consolidated results were weighted down by operational headwinds, low market prices and the initial effects of the Enhanced Community Quarantine (ECQ).

Non-recurring losses in 2020 amounted to P414 million which mainly pertains to the sales cancellation for a DMCI Homes project in Davao City. Meanwhile, the P91 million non-recurring loss in 2019 pertains to the share in the accelerated depreciation of SCPC following the rehabilitation of its Units 1 and 2 power plants.

For the first three months, core net income contributions from SMPC contracted 51% from P1.3 billion in 2019 to P623 million in 2020 owing to a 16% drop in average coal prices and a 27% drop in average electricity prices.

DMCI Homes fell into negative territory following a slowdown in revenue recognition due to timing of collections and lower construction accomplishments as a result of the ECQ, as well as the increase in construction costs related to the dress-up of units completed in prior years. From a net income of P481 million last year, it recorded a core net loss of P197 million in the first quarter of 2020.

Meanwhile, share in core net income from affiliate Maynilad fell 13% from P436 million to P379 million due to lower consumption among commercial and industrial customers and higher depreciation and amortization due to its capital expenditure program.

Lower margins for a number of projects, higher depreciation and productivity losses due to the ECQ resulted in a 53% reduction in net income contribution from D.M. Consunji, Inc., from P359 million to P170 million.

Off-grid energy business DMCI Power Corporation contributed P97 million, a 3% slide from P100 million because of lower electricity dispatch in favor of hydropower plants in Oriental Mindoro.

Earnings contribution from DMCI Mining dropped 75% from P103 million to P26 million due to the shipment of lower grade nickel which fetched lower prices in the market.

SEMIRARA MINING AND POWER CORPORATION

The coal and on-grid power businesses are reported under Semirara Mining and Power Corporation, a 56.65% owned subsidiary of DMCI Holdings, Inc.

COAL

Coal production during the first three months of 2020 stood at 3.2 million metric tons (MT), 22% down from 4.1 million MT last year as part of the mine capacity was diverted to South Molave while preparatory dewatering works still in progress at North Molave. Strip ratio for the quarter increased by 46% from 12.5:1 to 18.2:1. As a result, deferred strip asset of P952 million was recognized. Meanwhile, coal sales for the year slipped by 9% from 3.6 million MT in 2019 to 3.2 million MT in 2020. Export sales, which accounts for 50% of total sales volume, declined by 21% from 2.0 million MT to 1.6 million MT. The remaining which were sold to power and cement plant customers remained almost at the same level at 1.6 million MT. Drop in global coal prices translated to a 16% decrease in average selling price.

POWER

Power generation from 2x300 MW Units 1 and 2 and 2x150MW Units 3 and 4 totaled 793 GWh in the first three months of 2020, 56% improvement from 507 GWh last year. Unit 2 was still under maintenance since October 2019. But the higher availability and average capacity of Unit 1 which was fully operational during the period more than offset the decline in Unit 2. Meanwhile, Units 3 and 4 generation for the first quarter of 2020 remained almost at the same level as last year. Consequently, total volume sold for the first quarter of 2020 grew by 8% to 692 GWh from 639 GWh last year. However, average selling prices of the power segment fell by 17% during the first three months of 2020. This is due to softer global coal prices and the Coronavirus pandemic which pulled down spot market prices. Sales to WESM constitutes 50% of the energy sales mix

PROFITABILITY

Consolidated net income after tax for the first quarter of 2020 dropped 43% to P1.2 billion from P2.1 billion last year. Net of eliminations, the coal segment generated a net income of P1.2 billion while Sem-Calaca (Units 1 and 2) and Southwest Luzon Power and Generation (Units 3 and 4) generated P0.1 billion net income and P0.2 billion net loss, respectively, for the power segment. As a result, net income contribution to the Parent Company fell by 42% from P1.2 billion to P688 million in the first three months of 2020. Excluding non-recurring items, SMPC's core income attributable to DMCI Holdings declined by 51% from P1.3 billion to P623 million.

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

DMCI HOMES

Contribution of wholly owned subsidiary, DMCI Project Developer's Inc. (PDI) fell from P481 million net income for the first quarter of 2019 to a net loss of P682 million for the first quarter of 2020. Excluding the nonrecurring loss from the sales cancelations in its Davao property, core net loss amounted to P197 million for the first three months of 2020.

Revenues for the period amounted to P1.6 billion, a 63% dip from P4.4 billion last year following the reversal made due to sales cancelation. The timing of collections and lower accomplishment due to the ECQ also contributed to the slowdown in revenue recognition. Furthermore, the decline in revenues, primarily from the sales cancelation, coupled with the lower margins due to higher construction costs related to the dress-up of units completed in prior years resulted to a gross loss of P412 million for the first quarter of 2020 compared to the P1.3 billion gross profit last year.

Sales and reservations for the first three months of 2020 stood at P7.0 billion, 36% down from P11.1 billion last year due mainly to the timing of project launches. Project launches for the period were postponed due to the coronavirus pandemic.

On the other hand, capex disbursements grew by 68% to P6.2 billion from P3.7 billion last year. Of the amount spent in 2020, 54% went to development cost and the rest to land and asset acquisition.

MAYNILAD

Maynilad's water and sewer service revenue for the first three months of 2020 remained flat at P5.6 billion as the increase in residential demand at a lower average tariff offset the decline in commercial and industrial customers with the implementation of the Luzon-wide Enhanced Community Quarantine.

Average non-revenue water at district metered area (DMA) level improved from 27.98% in 2019 to 25.14% in 2020 as a result of the 1.7% decrease in water supply coupled with the 2.2% billed volume growth in the first quarter of 2020.

Cash operating expenses also remained flat at P1.7 billion during the first quarter of 2020. However, noncash operating expenses rose by 16% primarily driven by increases in amortization of intangible assets as a consequence of Maynilad's capital expenditure program.

As a result, Maynilad reported a net income of P1.6 billion in the first three months of 2020, 11% down from P1.8 billion last year. After adjustments at the consortium company level, the Company's equity in net earnings reported a 12% decline from P438 million in 2019 to P385 million in 2020. Excluding the share in non-recurring items, equity in net earnings contracted by 13% from P436 million to P379 million.

The review of the water concession contract is ongoing with the Asian Development Bank assisting the Government on the economic and financial aspects of the agreement.

D.M. CONSUNJI, INC.

Earnings from construction business for the first three months of 2020 amounted to P170 million, 53% down from P359 million last year.

Construction revenue from January to March slipped by 5% from P3.9 billion to P3.7 billion in 2020 as a result of the productivity loss due to the ECQ imposed by the Government. Furthermore, lower margins on certain projects and higher depreciation resulted to the 45% drop in gross profit to P347 million in the first quarter of 2020.

Order book (balance of work) at the end of March 2020 stood at P66.9 billion, 2% down from P68.2 billion at the close of 2019 following the realization of construction revenue for the period. Newly awarded project for the first quarter of 2020 pertains to the Candaba Viaduct of NLEX Corporation.

DMCI POWER (SPUG)

DMCI Power Corporation (DPC), a wholly-owned subsidiary, provides off-grid power to missionary areas through long-term power supply agreements with local electric cooperatives.

As of March 31, 2020, installed rated capacity in Masbate, Palawan and Mindoro totaled 91.61MW. The 15MW thermal plant in Masbate is expected to be operational during the year.

Sales volume for the first three months of 2020 in Masbate (28.54 GWh), Palawan (34.80 GWh) and Mindoro (11.98 GWh) totaled 75.32 GWh, a slight decline from last year's 75.73 GWh. The lower electricity dispatch in favor of hydropower plants in Oriental Mindoro during the first quarter offset the increase in power demand in Masbate and Palawan. On the other hand, average selling prices remained flat at P12.97/kWh. As a result, total off-grid generation revenue amounted to P977 million, nearly unchanged from P982 million last year. Meanwhile, higher income taxes during the period is due to the increase in profitability in Masbate and Palawan brought by higher power demand.

Consequently, net income contribution of the off-grid power segment for the first three months of 2020 amounted to P97 million, a 3% slide from P100 million last year.

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 net income contribution of P26 million for the first quarter of 2020, a 75% decline from P103 million last year.

Revenues for the first three months of 2020 rose by 5% to P527 million due to higher shipment. Nickel shipments for the year stood at 430 thousand wet metric tons (WMT), 27% up from last year's 338 thousand WMT due to the resumption of operations in Zambales Diversified Metals Corporation (ZDMC) by virtue of the Department of Environment and Natural Resources (DENR) Resolution dated September 2019. However, average selling price declined from P1,480 per WMT to P1,224 per WMT as a result of selling lower grade nickel during the period. Average ore grade of sold inventories stood at 1.32% in 2020 compared to 1.59% in 2019 as the Company took advantage of better market conditions to sell these low-grade nickel ore following Indonesian ore export ban.

Total company cash cost per WMT (under cost of sales and operating expenses) jumped to P832 per WMT in 2020 compared from P775 per WMT in 2019 due to higher taxes and licenses during the period.

The segment's total depletion, depreciation and amortization amounted to P93 million in the first three months of 2020, a 78% increase from P52 million in 2019 upon the resumption of mining operations in ZDMC.

Explanation of movement in consolidated income statement accounts:

Revenue

Consolidated revenue for the first three months of 2020 dropped by 28% from P19.7 billion to P14.1 billion following the reversal of revenues due to sales cancelation coupled with slower revenue recognition due to timing of collections and lower accomplishments in DMCI Homes. Lower coal and electricity prices also contributed to the decline in revenues for the period.

Cost of Sales and Services

Cost of sales and services for the first quarter of 2020 declined at a slower pace of 16% due to higher construction cost related to the dress-up of units completed in prior years in the real estate business.

Operating Expenses

Government royalties for the period amounted to P715 million, 31% down from P1.0 billion last year due to lower profitability of the coal business. Excluding government royalties, operating expenses incurred during the first three months of 2020 jumped by 6% to P2.0 billion due mainly to higher repairs and maintenance.

Equity in Net Earnings

Equity in net earnings of associates slipped by 12% as a result of lower income take up from Maynilad.

Finance Income

Consolidated finance income decreased by 18% due to lower interest rates on placements.

Finance Cost

Consolidated finance costs contracted by 26% due to lower borrowing rates.

Other Income-net

Other income increased by 50% due to realized gain on financial contract by SLPGC.

Provision for Income Tax

Net operating loss of DMCI Homes mainly accounted for the 146% drop in consolidated provision for income tax (both current and deferred) during the period.

II. CONSOLIDATED FINANCIAL CONDITION

March 31, 2020 (Unaudited) vs December 31, 2019 (Audited)

The Company's financial condition for the period improved as consolidated total assets amounted to P208 billion as of March 31, 2020, a 4% growth from December 31, 2019 balance. Meanwhile, consolidated total equity contracted by 7% to P95 billion after declaration of Parent dividends in March 2020.

Consolidated cash decreased by 3% from P21.6 billion in December 31, 2019 to P20.9 billion in March 31, 2020 due to lower operating cash flows and the capital expenditures which were partially offset by loan availment for the period.

Receivables rose by 15% from P16.3 billion to P18.7 billion in 2020 due mainly to the timing of collections in the real estate and construction businesses.

Contract assets (current and non-current) dropped by 15% due to the lower accomplishments in real estate and construction businesses.

Consolidated inventories jumped by 12% from P50.0 billion to P55.6 billion following the land acquisitions of the real estate business and higher spare parts inventory for the coal energy business.

Other current assets expanded by 21% to P8.8 billion due mainly to advances to suppliers for equipment and spare parts.

Investments in associates and joint ventures grew by 3% due mainly to income take-up from Maynilad.

Property, plant and equipment stood at P63.9 billion from P63.2 billion last year. The increase was attributed to capital expenditures which were offset by depreciation and depletion during the period.

Investment properties decreased by 2% due to depreciation for the period.

Right-of-use assets declined by 5% due to amortization for the period.

Other noncurrent assets slipped by 2% due to reclassification of cost to obtain contract of the real estate business to other current assets.

Accounts and other payables grew by 28% due mainly to the P6.4 billion Parent dividends declared in March 2020 and was paid in April 2020.

Contract liabilities (current and non-current) rose by 12% to P14.8 billion due mainly to excess of customer's deposit/billed accomplishments over progress of work.

From P46.9 billion, total debt (under short-term and long-term debt) jumped by 12% to P52.7 billion following net loan availments in the coal energy and real estate businesses during the period.

Liabilities for purchased land increased by 34% due to the acquisition of land for real estate development.

Deferred tax liabilities declined by 5% due to net operating loss carryover (NOLCO) of DMCI Homes during the period.

Consolidated retained earnings stood at P59.1 billion at the end of March 2020, 9% down from P64.9 billion at the close of 2019 after generation of P616 million net income and declaration of P6.4 billion Parent dividends.

Non-controlling interest slipped by 9% as a result of the non-controlling share in net income reduced by dividends to non-controlling interest of SMPC.

III. KEY PERFORMANCE INDICATORS

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

- a) Segment Revenues
- b) Segment Net Income (after Noncontrolling Interests)
- c) Earnings Per Share
- d) Return on Common Equity
- e) Net Debt to Equity Ratio

SEGMENT REVENUES

<i>(in Php Millions)</i>	For the Period		Variance	
	2020	2019	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P7,272	P9,738	(P2,466)	-25%
D.M. CONSUNJI, INC.	3,701	3,885	(184)	-5%
DMCI HOMES	1,646	4,438	(2,792)	-63%
DMCI POWER (SPUG)	977	982	(5)	0%
DMCI MINING	527	501	26	5%
PARENT & OTHERS	–	108	(108)	-100%
TOTAL REVENUE	P14,123	P19,652	(P5,529)	-28%

The initial indicator of the Company's gross business results is seen in the movements in the different business segment revenues. As shown above, consolidated revenue dropped by 28% mainly driven by the reversal of revenues due to sales cancelation coupled with slower revenue recognition in DMCI Homes, as well as lower coal and electricity prices for the period.

CONSOLIDATED NET INCOME AFTER NON-CONTROLLING INTERESTS

<i>(in Php Millions)</i>	For the Period		Variance	
	2020	2019	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P623	P1,282	(P659)	-51%
DMCI HOMES	(197)	481	(678)	-141%
MAYNILAD	379	436	(57)	-13%
D.M. CONSUNJI, INC.	170	359	(189)	-53%
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DMCI MINING	26	103	(77)	-75%
PARENT & OTHERS	(68)	69	(137)	-199%
CORE NET INCOME	1,030	2,830	(1,800)	-64%
NON-RECURRING ITEMS	(414)	(91)	(323)	-355%
REPORTED NET INCOME	P616	P2,739	(P2,123)	-78%

The net income (after non-controlling interest) of the Company have multiple drivers for growth from different business segments. For the first three months of 2020, weak performance of all its businesses resulted to the 78% decline in consolidated net income.

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 P0.05/share for the first three months ended March 31, 2020, a 78% drop from P0.21/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 1% and 3% for the first three months of 2020 and 2019, respectively.

NET DEBT TO EQUITY RATIO

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

Total borrowings stood at P52.7 billion from P46.9 billion last year, which resulted to a net debt to equity ratio of 0.33:1 as of March 31, 2020 and 0.25:1 as of December 31, 2019.

FINANCIAL SOUNDNESS RATIOS

	March 31, 2020	December 31, 2019
Current Ratio	1.80 times	2.18 times
Net Debt to Equity Ratio	0.33 times	0.25 times
Asset to Equity Ratio	2.18 times	1.95 times
	March 31, 2020	March 31, 2019
Return on Assets	1%	2%
Return on Common Equity	1%	3%
Interest Coverage Ratio	2 times	8 times
Gross Profit Margin	22%	33%
Net Profit Margin	8%	19%

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 and affected by weather conditions. Businesses not affected by known cycle, trends or uncertainties are power and water.
3. On March 5, 2020, the BOD of the Parent Company has declared cash dividends amounting P0.23 regular dividends per common share and P0.25 special dividends per common share for a total of P6.37 billion in favor of the stockholders of record as of March 23, 2020 and was paid on April 3, 2020.
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 15, 2020

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

(Amounts in Thousands)

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	₱20,885,018	₱21,597,823
Receivables - net (Note 9)	18,656,706	16,259,523
Current portion of contract assets	10,807,949	14,013,673
Inventories	55,550,471	49,666,453
Other current assets	8,827,193	7,313,328
Total Current Assets	114,727,337	108,850,800
Noncurrent Assets		
Contract asset - net of current portion	5,473,866	5,104,621
Investments in associates and joint ventures (Note 6)	15,678,326	15,214,358
Investment properties	138,452	141,927
Property, plant and equipment	63,862,921	63,216,452
Exploration and evaluation asset	226,319	226,319
Pension assets - net	726,754	726,754
Deferred tax assets - net	1,107,251	1,114,735
Right-of-use assets	252,259	266,415
Other noncurrent assets	5,803,451	5,924,620
Total Noncurrent Assets	93,269,599	91,936,201
	₱207,996,936	₱200,787,001

LIABILITIES AND EQUITY**Current Liabilities**

Short-term debt	₱5,640,247	₱2,492,122
Current portion of liabilities for purchased land	1,237,452	673,025
Accounts and other payables	31,523,766	24,558,551
Current portion of contract liabilities and other customers' advances and deposits	12,478,947	10,369,033
Current portion of long-term debt	12,434,252	11,438,712
Income tax payable	342,572	342,820
Total Current Liabilities	63,657,236	49,874,263

(Forward)

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Noncurrent Liabilities		
Contract liabilities - net of current portion	₱2,323,140	₱2,789,396
Long-term debt - net of current portion	34,631,439	32,974,892
Liabilities for purchased land - net of current portion	1,306,328	1,223,138
Deferred tax liabilities - net	4,926,739	5,211,488
Pension liabilities - net	502,661	502,661
Other noncurrent liabilities	5,346,788	5,373,089
Total Noncurrent Liabilities	49,037,095	48,074,664
Total Liabilities	112,694,331	97,948,927
Equity (Note 3)		
Equity attributable to equity holders of the Parent Company:		
Paid-in capital	17,949,868	17,949,868
Treasury shares - Preferred	(7,069)	(7,069)
Retained earnings	59,149,334	64,906,070
Premium on acquisition of non-controlling interests	(817,958)	(817,958)
Remeasurements on retirement plans - net of tax	344,568	344,568
Net accumulated unrealized gains on equity investments designated at FVOCI	91,459	91,459
Other equity	(63,291)	(63,291)
	76,646,911	82,403,647
Non-controlling interests	18,655,694	20,434,427
Total Equity	95,302,605	102,838,074
	₱207,996,936	₱200,787,001

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

For the Period and Quarter Ended March 31, 2020 and 2019

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

	For the period		For the quarter	
	Jan to Mar 2020	Jan to Mar 2019	Jan to Mar 2020	Jan to Mar 2019
REVENUE (Notes 4 and 8)				
Coal mining	P5,071,738	P6,986,275	P5,071,738	P6,986,275
Construction contracts	3,701,240	3,885,198	3,701,240	3,885,198
Electricity sales	3,177,595	3,733,774	3,177,595	3,733,774
Real estate sales	1,646,157	4,437,832	1,646,157	4,437,832
Nickel mining	526,549	501,119	526,549	501,119
Merchandise sales and others	—	107,627	—	107,627
	14,123,279	19,651,825	14,123,279	19,651,825
COSTS OF SALES AND SERVICES				
Coal mining	2,893,099	3,786,872	2,893,099	3,786,872
Construction contracts	3,354,016	3,250,286	3,354,016	3,250,286
Electricity sales	2,456,180	2,751,728	2,456,180	2,751,728
Real estate sales	2,058,526	3,129,632	2,058,526	3,129,632
Nickel mining	258,797	187,872	258,797	187,872
Merchandise sales and others	—	79,480	—	79,480
	11,020,618	13,185,870	11,020,618	13,185,870
GROSS PROFIT	3,102,661	6,465,955	3,102,661	6,465,955
OPERATING EXPENSES (Note 5)	2,728,791	2,935,966	2,728,791	2,935,966
	373,870	3,529,989	373,870	3,529,989
OTHER INCOME (EXPENSES)				
Equity in net earnings of associates (Note 6)	398,095	454,850	398,095	454,850
Finance income	172,601	210,735	172,601	210,735
Finance costs	(300,720)	(408,758)	(300,720)	(408,758)
Other income - net	359,279	239,661	359,279	239,661
INCOME BEFORE INCOME TAX	1,003,125	4,026,477	1,003,125	4,026,477
PROVISION FOR INCOME TAX	(150,803)	327,648	(150,803)	327,648
NET INCOME	P1,153,928	P3,698,829	P1,153,928	P3,698,829
NET INCOME ATTRIBUTABLE TO				
Equity holders of the Parent Company (Note 4)	P616,450	P2,738,850	P616,450	P2,738,850
Non-controlling interests	537,478	959,979	537,478	959,979
	P1,153,928	P3,698,829	P1,153,928	P3,698,829
EARNINGS PER SHARE				
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY-BASIC AND DILUTED (Note 7)	P0.05	P0.21	P0.05	P0.21

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

For the Period and Quarter Ended March 31, 2020 and 2019
(Amounts in Thousands)

	For the period		For the quarter	
	Jan to Mar 2020	Jan to Mar 2019	Jan to Mar 2020	Jan to Mar 2019
NET INCOME	₱1,153,928	₱3,698,829	₱1,153,928	₱3,698,829
OTHER COMPREHENSIVE INCOME (LOSS)				
Items to be reclassified subsequently to profit or loss				
Changes in fair values of investments in equity instruments designated at FVOCI	—	—	—	—
	—	—	—	—
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	₱1,153,928	₱3,698,829	₱1,153,928	₱3,698,829
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Equity holders of the Parent				
Company (Note 4)	₱616,450	₱2,738,850	₱616,450	₱2,738,850
Non-controlling interests	537,478	959,979	537,478	959,979
	₱1,153,928	₱3,698,829	₱1,153,928	₱3,698,829

DMCI HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Period Ended March 31, 2020 and 2019

(Amounts in Thousands)

Attributable to Equity Holders of the Parent Company												
	Capital Stock	Additional Paid-in Capital	Total Paid-in Capital	Treasury Shares - Preferred	Unappropriated Retained Earnings	Premium on Acquisition of Non-controlling Interest	Remeasurements on Retirement Plans	Net Accumulated Unrealized Gain (Loss) on equity investments designated at FVOCI	Other Equity	Parent Equity	Non controlling Interests	Total Equity
For the Period Ended March 31, 2020												
Balances as of January 1, 2020	P13,277,474	P4,672,394	P17,949,868	(P7,069)	P64,906,070	(P817,958)	P344,568	P91,459	(P63,291)	P82,403,647	P20,434,427	P102,838,074
Comprehensive income												
Net income	—	—	—	—	616,450	—	—	—	—	616,450	537,478	1,153,928
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	616,450	—	—	—	—	616,450	537,478	1,153,928
Cash dividends declared	—	—	—	—	(6,373,186)	—	—	—	—	(6,373,186)	(2,316,211)	(8,689,397)
Balances at March 31, 2020	P13,277,474	P4,672,394	P17,949,868	(P7,069)	P59,149,334	(P817,958)	P344,568	P91,459	(P63,291)	P76,646,911	P18,655,694	P95,302,605
For the Period Ended March 31, 2019												
Balances as of January 1, 2019	P13,277,474	P4,672,394	P17,949,868	(P7,069)	P60,746,125	(P817,958)	P636,260	P76,688	(P41,391)	P78,542,523	P18,536,936	P97,079,459
Comprehensive income												
Net income	—	—	—	—	2,738,850	—	—	—	—	2,738,850	959,979	3,698,829
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	2,738,850	—	—	—	—	2,738,850	959,979	3,698,829
Cash dividends declared	—	—	—	—	—	—	—	—	—	—	(2,321,622)	(2,321,622)
Balances at March 31, 2019	P13,277,474	P4,672,394	P17,949,868	(P7,069)	P63,484,975	(P817,958)	P636,260	P76,688	(P41,391)	P81,281,373	P17,175,293	P98,456,666

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Period Ended March 31, 2020 and 2019
(Amounts in Thousands)

	March 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱1,003,125	₱ 4,026,477
Adjustments for:		
Depreciation, depletion and amortization	2,038,390	2,129,082
Finance cost	300,720	408,758
Equity in net earnings of associates and joint ventures	(398,095)	(454,850)
Finance income	(172,601)	(210,735)
Net unrealized foreign exchange gain	(25,336)	(5,003)
Movement in net retirement asset	—	9,048
Operating income before changes in working capital	2,746,203	5,902,777
Decrease (increase) in:		
Receivables and contract assets	439,296	467,383
Inventories	(5,296,918)	(1,559,116)
Other current assets	(1,513,865)	(1,371,745)
Increase (decrease) in:		
Accounts and other payables	635,869	22,244
Contract liabilities and other customer advances and deposits	1,643,659	126,312
Liabilities for purchased land	647,618	246,823
Cash generated from operations	(698,138)	3,834,678
Interest received	172,601	210,735
Income taxes paid	(126,711)	(596,109)
Interest paid and capitalized as cost of inventory	(321,466)	(155,814)
Net cash provided by (used in) operating activities	(973,714)	3,293,490
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property, plant and equipment	(2,902,702)	(2,336,472)
Investments in associates and joint ventures	(69,572)	(500,000)
Dividends received	—	1,260,586
Interest paid and capitalized as part of property, plant and equipment	(17,791)	—
Decrease (increase) in other noncurrent assets	110,709	(54,784)
Net cash used in investing activities	(2,879,356)	(1,630,670)

(Forward)

	March 31	
	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Long-term debt	₱4,540,330	₱3,317,485
Short-term debt	3,380,000	4,474,680
Payments of:		
Dividends to non-controlling interests	(2,303,471)	—
Long-term debt	(1,892,801)	(1,360,864)
Interest	(350,952)	(401,732)
Short-term debt	(231,876)	(5,849,361)
Decrease in other noncurrent liabilities	(26,301)	(34,931)
Net cash provided by financing activities	3,114,929	145,277
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	25,336	1,465
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(712,805)	1,809,562
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	21,597,823	15,481,964
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱20,885,018	₱17,291,526

DMCI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

DMCI Holdings, Inc. (the Parent Company) was incorporated on March 8, 1995 with a corporate life of 50 years from and after the date of incorporation and is domiciled in the Philippines. The Parent Company's registered office address and principal place of business is at 3rd Floor, Dacon Building, 2281 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 14, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation

The interim unaudited condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2019.

The interim financial statements have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and at fair value through comprehensive income (FVOCI) financial assets that have been measured at fair value. The Group's functional and presentation currency is the Philippine Peso (₱). All amounts are rounded to the nearest thousand (₱000), unless otherwise indicated.

Statement of Compliance

The interim unaudited condensed consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include availment of the relief granted by the Securities and Exchange Commission (SEC) under Memorandum Circular No. 14, Series of 2018, Memorandum Circular No. 3, Series of 2019 and Memorandum Circular No. 4, Series of 2020. PFRS include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by Philippine Interpretations Committee (PIC).

Basis of Consolidation

The interim unaudited condensed consolidated financial statements comprise the financial statements of the Group as of March 31, 2020 and December 31, 2019.

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

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

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

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

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

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

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

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

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

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

Nature of Business	2020			2019			
	Direct	Indirect	Effective Interest	Direct	Indirect	Effective Interest	
							(In percentage)
<u>General Construction:</u>							
D.M. Consunji, Inc. (DMCI)	General Construction	100.00	–	100.00	100.00	–	100.00
Beta Electromechanical Corporation (Beta Electric) ¹	General Construction	–	53.95	53.95	–	53.95	53.95
Raco Haven Automation Philippines, Inc. (Raco) ¹	Non- operational	–	50.14	50.14	–	50.14	50.14
Oriken Dynamix Company, Inc. (Oriken) ¹	Non- operational	–	89.00	89.00	–	89.00	89.00
DMCI Technical Training Center (DMCI Training) ¹	Services	–	100.00	100.00	–	100.00	100.00
Bulakan North Gateway Holdings Inc. (Bulakan North) ¹	Services	–	100.00	100.00	–	100.00	100.00
<u>Real Estate:</u>							
DMCI Project Developers, Inc. (PDI)	Real Estate Developer	100.00	–	100.00	100.00	–	100.00
DMCI-PDI Hotels, Inc. (PDI Hotels) ²	Hotel Operator	–	100.00	100.00	–	100.00	100.00
DMCI Homes Property Management Corporation (DPMC) ²	Property Management Services	–	100.00	100.00	–	100.00	100.00
Zenith Mobility Solutions Services, Inc. ²	Real Estate Developer	–	51.00	51.00	–	51.00	51.00
Riviera Land Corporation (Riviera) ²	Real Estate Developer	–	100.00	100.00	–	100.00	100.00
Hampstead Gardens Corporation (Hampstead) ^{2*}	Real Estate Developer	–	100.00	100.00	–	100.00	100.00
DMCI Homes, Inc. (DMCI Homes) ^{2*}	Marketing Arm	–	100.00	100.00	–	100.00	100.00
<u>Coal Mining:</u>							
Semirara Mining and Power Corporation (SMPC)	Mining	56.65	–	56.65	56.65	–	56.65
<u>On-Grid Power:</u>							
Sem-Calaca Power Corporation (SCPC) ³	Power Generation	–	56.65	56.65	–	56.65	56.65
Southwest Luzon Power Generation Corporation (SLPGC) ³	Power Generation	–	56.65	56.65	–	56.65	56.65
Sem-Calaca RES Corporation (SCRC) ³	Retail	–	56.65	56.65	–	56.65	56.65
SEM-Cal Industrial Park Developers, Inc. (SIPDI) ³	Non-operational	–	56.65	56.65	–	56.65	56.65
Semirara Energy Utilities, Inc. (SEUI) ³	Non-operational	–	56.65	56.65	–	56.65	56.65
Southeast Luzon Power Generation Corporation (SeLPGC) ³	Non-operational	–	56.65	56.65	–	56.65	56.65
Semirara Claystone, Inc. (SCI) ³	Non-operational	–	56.65	56.65	–	56.65	56.65
<u>Off-Grid Power:</u>							
DMCI Power Corporation (DPC)	Power Generation	100.00	–	100.00	100.00	–	100.00
DMCI Masbate Power Corporation (DMCI Masbate) ⁴	Power Generation	–	100.00	100.00	–	100.00	100.00
<u>Nickel Mining:</u>							
DMCI Mining Corporation (DMC)	Mining	100.00	–	100.00	100.00	–	100.00
Berong Nickel Corporation (BNC) ⁵	Mining	–	74.80	74.80	–	74.80	74.80
Ulugan Resouces Holdings, Inc. (URHI) ⁵	Holding Company	–	30.00	30.00	–	30.00	30.00
Ulugan Nickel Corporation (UNC) ⁵	Holding Company	–	58.00	58.00	–	58.00	58.00
Nickeline Resources Holdings, Inc. (NRHI) ⁵	Holding Company	–	58.00	58.00	–	58.00	58.00
TMM Management, Inc. (TMM) ⁵	Services	–	40.00	40.00	–	40.00	40.00
Zambales Diversified Metals Corporation (ZDMC) ⁵	Mining	–	100.00	100.00	–	100.00	100.00
Zambales Chromite Mining Company Inc. (ZCMC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00
Fil-Asian Strategic Resources & Properties Corporation (FASRPC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00

(Forward)

		2020			2019		
		Direct	Indirect	Effective	Direct	Indirect	Effective
Nature of Business				Interest			Interest
(In percentage)							
Montague Resources Philippines Corporation (MRPC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00
Montemina Resources Corporation (MRC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00
Mt. Lanat Metals Corporation (MLMC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00
Fil-Euro Asia Nickel Corporation (FEANC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00
Heraan Holdings, Inc. (HHI) ⁵	Holding Company	–	100.00	100.00	–	100.00	100.00
Zambales Nickel Processing Corporation (ZNPC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00
Zamnorth Holdings Corporation (ZHC) ⁵	Holding Company	–	100.00	100.00	–	100.00	100.00
ZDMC Holdings Corporation (ZDMCHC) ⁵	Holding Company	–	100.00	100.00	–	100.00	100.00
Semirara Cement Corporation (SemCem)	Non-operational	100.00	–	100.00	100.00	–	100.00
Wire Rope Corporation of the Philippines (Wire Rope)	Manufacturing	45.68	16.02	61.70	45.68	16.02	61.70

*Liquidating as of December 31, 2019

¹ DMCI's subsidiaries. Bulakan North was incorporated on October 10, 2019 and has not yet started commercial operations.

² PDI's subsidiaries

³ SMPC's subsidiaries

⁴ DPC's subsidiaries

⁵ DMC'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.

	Percentage	
	2020	2019
Beta Electromechanical Corporation (Beta Electromechanical)	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)	43.35	43.35
Sem-Calaca Power Corporation (SCPC)	43.35	43.35
Southwest Luzon Power Generation Corporation (SLPGC)	43.35	43.35
Sem-Calaca RES Corporation (SCRC)	43.35	43.35
SEM-Cal Industrial Park Developers, Inc. (SIPDI)	43.35	43.35
Semirara Energy Utilities, Inc. (SEUI)	43.35	43.35
Southeast Luzon Power Generation Corporation (SeLPGC)	43.35	43.35
Semirara Claystone, Inc. (SCI)	43.35	43.35
Berong Nickel Corporation (BNC)	25.20	25.20

	Percentage	
	2020	2019
Ulugan Resources 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

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements which became effective January 1, 2019.

- *Amendments to PFRS 9, Prepayment Features with Negative Compensation*
Under PFRS 9, a debt instrument can be measured at amortized cost or FVOCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

These amendments have no impact to the consolidated financial statements of the Group.

- *PFRS 16, Leases*
PFRS 16 supersedes PAS 17, Leases, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the consolidated statement of financial position.

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 did not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases.

Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rates at the date of initial application.

- *Amendments to PAS 19, Employee Benefits, Plan Amendment, Curtailment or Settlement*
The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:
 - a. Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
 - b. Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- *Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures*
The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group currently does not have such long-term interests in its associate and joint venture, the amendments did not have an impact on the consolidated financial statements.

- 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; and,
- How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgment in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined that it is probable that its tax treatments will be accepted by the taxation authorities. The adoption of the Interpretation did not have a significant on the consolidated financial statements of the Group.

Annual Improvements to PFRSs 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The above amendments did not have an impact on the Group's consolidated financial statements.

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, 2020

- *Amendments to PFRS 3, Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments will apply on future business combinations of the Group.

- *Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. The Group does not expect the amendments to have significant impact to the consolidated financial statements.

Deferred effectivity

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

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

The Group is currently assessing the impact of adopting these amendments.

- *PIC updates on PFRS 15 implementation issues*

On August 27, 2019, the real estate industry sent a position paper to PIC requesting the latter to revisit its position on certain issues relating to the adoption of PFRS 15 and some other industry issues. In line with this, the PIC issued two (2) response letters to the industry dated September 13 and 27, 2019. While the PIC finalizes its position on the matters raised by the

industry, PIC has provided the following options for accounting treatment or financial statement presentation on the following:

- Conclusion of PIC Q&A 2018-12H, *Accounting for Common Usage Service Area (CUSA)*, recommends the industry to consider an alternative presentation wherein CUSA may be presented outside of topline revenues if these are not considered as main source of revenue and are not material. This is not applicable to the Group as the entity does not earn revenues from CUSA.
- *March 2019 IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost) for the Real Estate Industry*
In March 2019, the IFRIC issued an Agenda Decision clarifying the criteria for the capitalization of borrowing costs in relation to the construction of residential multi-unit real estate development which are sold to customers prior to the start of construction or completion of the development.

Paragraph 8 of PAS 23 allows the capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Paragraph 5 of PAS 23 defines a qualifying asset as an asset that takes a substantial period of time to get ready for its intended use or sale. The IFRIC Agenda Decision clarified that the related assets namely, installment contracts receivable, contract asset or inventory, are not considered qualifying assets and therefore the corresponding borrowing cost may not be capitalized.

On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the real estate industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, real estate companies shall adopt the IFRIC Agenda Decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

For real estate companies that avail of the deferral, the SEC requires disclosure in the notes to the consolidated financial statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the financial statements had the IFRIC agenda decision been adopted.

The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with preselling activities should have been expensed out in the period incurred. This adjustment should have been applied retrospectively and would have resulted to restatement of prior year financial statements. A restatement would have impacted interest expense, cost of real estate sales, provision for deferred income tax, real estate inventories, deferred tax liability and opening balance of retained earnings.

3. Equity

Capital Stock

As of March 31, 2020 and December 31, 2019, the Parent Company's capital stock consists of:

Authorized capital stock

	No. of shares
Common stock, ₱1 par value	19,900,000,000
Preferred stock - ₱1 par value	100,000,000

Outstanding capital stock

	No. of shares
Common shares	13,277,470,000
Preferred shares	3,780
Less: treasury shares	2,820
	960

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

On October 1, 2018, the Board authorized the Parent Company to make an offer (the "Redemption Offer") to the outstanding preferred shareholders for the Parent Company to acquire the remaining outstanding 3,780 preferred shares at the purchase price of ₱2,500 per preferred share from October 8 to November 29, 2018. The Redemption Offer is intended to provide the preferred shareholders a final chance to divest of their preferred shares in view of their previous inability to avail of the Exchange Offer in 2002. On November 29, 2018, the Parent Company has redeemed a total of 2,820 preferred shares for a total cost of ₱7.07 million.

On May 21, 2019, the Stockholders approved the amendment of Articles of Incorporation to increase the Par Value of Preferred Shares from ₱1.00 to ₱1,000 per Preferred Share.

Retained Earnings

On March 5, 2020, the BOD approved the declaration of (1) *regular cash dividends* in the amount of ₱0.23 per common share or a total of ₱3,053.82 million; and (2) *special cash dividends* of ₱0.25 per common share or a total of ₱3,319.37 million, or a grand total of ₱6,373.19 million out of the unrestricted retained earnings of the Parent Company as of February 29, 2020, in favor of the common stockholders of record as of March 23, 2020, and was paid on April 3, 2020.

On April 10, 2019, 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 March 5, 2019, in favor of the common stockholders of record as of April 29, 2019, and was paid on May 10, 2019.

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. There were no changes made in the Group's capital management objectives, policies or processes. The Group considers total equity attributable to equity holders of the Parent Company less net accumulated unrealized gain or loss on equity investments designated at FVOCI as capital.

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

4. Business Segments

The following tables present the net income of the specific business segments for the period ended March 31, 2020 and 2019:

Segment Revenues

(in PHP Millions)	For the period		Variance	
	March 2020	March 2019	Amount	%
Semirara Mining and Power Corporation	P7,272	P9,738	(P2,466)	-25%
D.M. Consunji, Inc.	3,701	3,885	(184)	-5%
DMCI Homes	1,646	4,438	(2,792)	-63%
DMCI Power (SPUG)	977	982	(5)	0%
DMCI Mining	527	501	26	5%
Parent and others	—	108	(108)	-100%
	P14,123	P19,652	(P5,529)	-28%

Net income after non-controlling interests

(in PHP Millions)	For the period		Variance	
	March 2020	March 2019	Amount	%
Semirara Mining and Power Corporation	P623	P1,282	(P659)	-51%
DMCI Homes	(197)	481	(678)	-141%
Maynilad	379	436	(57)	-13%
D.M. Consunji, Inc.	170	359	(189)	-53%
DMCI Power (SPUG)	97	100	(3)	-3%
DMCI Mining	26	103	(77)	-75%
Parent and others	(68)	69	(137)	-199%
Core net income	1,030	2,830	(1,800)	-64%
Non-recurring items	(414)	(91)	(323)	-355%
	P616	P2,739	(P2,123)	-78%

5. Operating Expenses

The following tables present the consolidated operating expenses for the period ended March 31, 2020 and 2019:

	2020	2019
Government share	₱715,266	₱1,041,029
Taxes and licenses	458,272	393,782
Salaries, wages and employee benefits	405,704	380,154
Repairs and maintenance	357,601	174,885
Outside services	178,647	209,786
Advertising and marketing	114,078	177,283
Depreciation, depletion and amortization	68,257	234,253
Insurance	58,182	70,884
Communication, light and water	30,582	34,528
Transportation and travel	29,082	33,306
Entertainment, amusement and recreation	24,231	34,959
Association dues	21,877	11,522
Rent	21,598	15,143
Supplies	24,383	49,479
Miscellaneous expense	221,031	74,973
	₱2,728,791	₱2,935,966

6. Summarized Financial Information of Interests in Related Entities

Financial information as of and for the period ended March 31, 2020 and December 31, 2019 on the Group's subsidiary with material non-controlling interest (NCI) follows:

Semirara Mining and Power Corporation and Subsidiaries (SMPC)

(in millions)	March 31, 2020	December 31, 2019
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Statements of Financial Position

Current assets	₱21,316	₱21,603
Noncurrent assets	50,638	50,606
Current liabilities	16,583	13,995
Noncurrent liabilities	15,257	13,978
Equity	40,114	44,236

(in millions)	March 31, 2020	March 31, 2019
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Statements of Comprehensive Income

Revenue	₱7,272	₱9,738
Net income	1,192	2,093
Other comprehensive income	—	—
Total comprehensive income	1,192	2,093

Financial information as of and for the period ended March 31, 2020 and December 31, 2019 on the Group's material interest in associate follows:

Maynilad Water Holdings Company, Inc. and Subsidiaries

(in millions)	March 31, 2020	December 31, 2019
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Statements of Financial Position

Current assets	₱17,236	₱16,175
Noncurrent assets	115,783	114,399
Current liabilities	21,448	20,672
Noncurrent liabilities	50,949	50,789
Equity	60,622	59,113

(in millions)	March 31, 2020	March 31, 2019
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Statements of Comprehensive Income

Revenue	₱5,712	₱5,686
Net income	1,415	1,612
Other comprehensive income	—	—
Total comprehensive income	1,415	1,612

Investment in Maynilad Water Holdings Company, Inc. (MWHCI) is accounted for using the equity method. For the period ended March 31, 2020 and 2019, the Company received dividends from MWHCI amounting to nil and ₱1,260.59 million, respectively. Equity in net earnings in the three months ended amounted to ₱384.70 million in 2020 and ₱438.32 million in 2019.

Financial information as of and for the period ended March 31, 2020 and December 31, 2019 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 ₱322.87 million and ₱309.48 million as of March 31, 2020 and December 31, 2019, respectively. The unaudited share in net earnings amounted to ₱13.39 million and ₱16.53 million for the period ended March 31, 2020 and 2019, respectively.

RLC DMCI Property Ventures Inc.

In March 2019, the RLC DMCI Property Ventures Inc., a joint venture agreement with Robinsons Land Corporation, was incorporated to purchase, acquire and develop into a residential condominium project a portion of the parcels of land situated in Las Pinas City with an area of fourteen thousand four hundred ninety-two (14,492) square meters or less. Initial capitalization to the joint venture from DMCI PDI amounted to ₱500 million. The carrying amount of the investment amounted to ₱498.64 million as of March 31, 2020 and December 31, 2019.

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 (2020)	For the period (2019)	For 1st Quarter (2020)	For 1 st Quarter (2019)
Net income attributable to equity holders of Parent Company	₱616,450	₱2,738,850	₱616,450	₱2,738,850
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	₱0.05	₱0.21	₱0.05	₱0.21

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:

- 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.
- 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.
- Engineering and construction works of the water business is contracted to the construction segment of the Group. These projects are bid out to various contractors and are awarded on arm's length transactions. Booked revenues from these contracts amounted to ₱114 million and ₱223 million for the period ended March 31, 2020 and 2019, respectively.
- An affiliate had transactions with the Group for services rendered relating to the Group's coal operations. These include services for the confirmatory drilling for coal reserve and evaluation of identified potential areas, exploratory drilling of other minerals within the Island, dewatering well drilling along the mine and fresh water well drilling for industrial and domestic supply under an

agreement.

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

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

9. Financial Risk Management Objectives and Policies

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

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

a. *Liquidity Risk*

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

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

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

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

b. *Market Risk*

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may

change as a result of changes in equity prices, market prices, interest rates and foreign currency exchange rates.

The sensitivity analyses have been prepared on the following bases:

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

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at March 31, 2020 and December 31, 2019.

Equity Price Risk

The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as Equity investment designated at FVOCI.

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

Commodity Price Risk

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

Coal

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

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

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

To mitigate this risk, the Group continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum

target average price of its coal sales across all its customers will still be achieved. Also, in order to mitigate any negative impact resulting from price changes, it is the Group's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin. The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract.

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

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

	March 31, 2020	December 31, 2019
Domestic market	50.75%	21.46%
Export market	49.25%	78.54%

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, 2020 and December 31, 2019 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 2020 and 2019.

	<u>Effect on income before income tax</u>	
	March 31, 2020	December 31, 2019
Change in coal price (in thousands)		
<i>Based on ending coal inventory</i>		
Increase by 39% in 2020 and 27% in 2019	₱1,574,045	₱302,989
Decrease by 39% in 2020 and 27% in 2019	(1,574,045)	(302,989)
<i>Based on coal sales volume</i>		
Increase by 39% in 2020 and 27% in 2019	2,446,106	3,422,916
Decrease by 39% in 2020 and 27% in 2019	(2,446,106)	(3,422,916)

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:

Basis points (in thousands)	Effect on income before income tax	
	March 31, 2020	December 31, 2019
+100	(P214,265)	(P10,438)
-100	214,265	10,438

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 2020 and 2019. 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, 2020				Equivalent in PHP
	U.S. Dollar	Japanese Yen	UK Pounds	Euro	
Financial assets					
Cash and cash equivalents	\$44,386	¥498,430	£15	€197	P2,492,714
Receivables	10,052	–	–	–	509,411
	54,438	498,430	15	197	3,002,125
Financial liabilities					
Accounts payable and accrued expenses	(18,748)	–	–	–	(950,128)
	\$35,690	¥498,430	£15	€197	P2,051,997

The following tables demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) as of March 31, 2020 (amounts in thousands):

	Exchange rate movement	Effect on profit before tax
In Peso per US Dollar		
Increase	P2	P71,379
Decrease	(2)	(71,379)
In Peso per Japanese Yen		
Increase	2	996,859
Decrease	(2)	(996,859)
In Peso per UK Pound		
Increase	2	30
Decrease	(2)	(30)
In Peso per Euro		
Increase	2	395
Decrease	(2)	(395)

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, 2020 and December 31, 2019 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, 2020 and December 31, 2019, receivables that are doubtful of collection had been provided with allowance.

Real estate contracts

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (using incurred loss model prior to adoption of PFRS 9). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another CTS to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default (i.e., recovery rate is more than 100%). The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Electricity sales

The Group earns substantially all of its revenue from bilateral contracts, WESM and from various electric companies. WESM and the various electric companies are committed to pay for the

energy generated by the power plant facilities.

Under the current regulatory regime, the generation rate charged by the Group to WESM is determined in accordance with the WESM Price Determination Methodology (PDM) approved by the ERC and are complete pass-through charges to WESM. PDM is intended to provide the specific computational formula that will enable the market participants to verify the correctness of the charges being imposed. Likewise, the generation rate charged by the Group to various electric companies is not subject to regulations and are complete pass-through charges to various electric companies.

Mining

The Group evaluates the financial condition of the local customers before deliveries are made to them. On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject to the Group's approval, hence, mitigating the risk on collection.

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

Construction contracts

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

Generally, trade receivables are writtenoff when deemed unrecoverable and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

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

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

Cash and Cash Equivalents

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

Equity investment designated at FVOCI

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

Receivables

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

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

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

Impairment analysis (using incurred loss model prior to adoption of PFRS 9) is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customer segments with similar loss patterns (i.e., by geographical region, payment scheme, type of customers, etc.). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Security and Refundable Deposits

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

As of March 31, 2020, the aging analysis of the Group's receivables presented per class follows:

	Neither past nor impaired	March 31, 2020					Impaired assets	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days		
Receivables								
Trade								
General								
construction	P3,309,728	P336,316	P237,326	P3,010,729	P—	P—	P24,417	P6,918,516
Electricity sales	2,303,255	308,215	270,960	524,198	12,686	363,365	1,541,036	5,323,715
Real estate	2,376,756	1,247,314	244,172	27,518	28,365	317,867	—	4,241,992
Coal mining	948,415	229,957	—	—	—	—	236,159	1,414,531
Nickel mining	86,382	—	—	—	—	—	—	86,382
Merchandising and others	114,491	—	—	—	—	—	4,437	118,928
Receivables from related parties	312,632	—	—	—	—	—	—	312,632
Other receivables	1,983,826	—	—	3,712	1,894	56,627	172,137	2,218,196
	P11,435,485	P2,121,802	P752,458	P3,566,157	P42,945	P737,859	P1,978,186	P20,634,892

Financial assets

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

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

Refundable deposits are carried at cost since these are mostly deposits to a utility company as a consequence of its subscription to the electricity services of the said utility company needed for the Group's residential units.

Financial assets

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

Financial liabilities

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

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

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

There has been no reclassification from Level 1 to Level 2 or 3 category as of March 31, 2020 and December 31, 2019.