COVER SHEET

A S O 9 5 0 0 2 2 8 3

SEC Registration Number

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

(Company's Full Name)

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

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

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

HERBERT M. CONSUNJI

Contact Person

888-3000

Company Telephone Number

(Last Wednesday of July)

1 2	3 1	SEC Form 17-Q 2nd Quarter Interim Report 2005	0 7	2 7
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

N.A.

Secondary License Type, If Applicable

C F D

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended June 30, 2005

2. SEC Identification No. AS095-002283   3. BIR Tax Identification No. 004-703-376

DMCI Holdings, Inc.
4. Exact name of issuer as specified in its charter

5. Philippines   6. [ ] (SEC Use Only)

Province, Country or other jurisdiction of incorporation or organization   Industry Classification Code:

7. 3rd Floor, Dacon Building, 2281 Pasong Tamo Ext., Makati city   1231
Address of principal office   Postal Code

8. Tel. (632) 888-3000   Fax (632) 816-7362
Issuer's telephone number, including area code

9. Not applicable
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares, Php 1.00 Par	1,127,747,000
Preferred Shares, Php 1.00 Par	17,490
Common Shares, Php 1.00 Par	150,000,000

(1,127,747,000 Common shares are exempt under Section 6 (a) (4) of the RSA, and 74,719,200 underlying Common shares exempt under Section 6 (a)-7 of the RSA.)

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

Yes [X]   No [ ]

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

Philippine Stock Exchange   Class "A" Shares
Preferred Shares

12. Indicate by check mark whether the registrant:

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

Yes [X] No [ ]

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

Yes [X] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements for the quarter and period ended June 30, 2005 are contained herein.

Item No. 2 MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

I. RESULTS OF OPERATIONS

DMCI Holdings, Inc. (the "Company") reported a consolidated income of P2.4 billion and P234 million for the 1st half and 2nd quarter of 2005 respectively. Compared to last year, 1st half income increased ten-fold and 2nd quarter profit went up double. During the period, the Company sold its shares in its coal mining subsidiary to the public for P2 billion, explaining the sharp increase in net income. However, the sustained performance in the coal mining business and the emerging real estate business still provided the much needed boost in consolidated operations. Below is a detailed discussion of the results of operations of the Company's business segments.

COAL MINING

The Company's coal mining business, operated by now 60%-owned (formerly 95%) publicly listed Semirara Mining Corp (SMC), continued to show signs of superior performance with a 380% and 290% jump in net income for the period and quarter this year from last year. This in turn, despite the reduction in the Company's shareholdings in SMC, presented significant growth in net contributions from P132 million in 2004 to P409 million this year. Below are excerpts lifted from SMC's 2nd quarter report discussing results of operations for the first half and 2nd quarter of 2005:

"Coal yield during the current quarter was recorded at 602,569MT of product coal out of 642,844 MTs ROM coal. This is 13.3% higher than the first quarter figures of 531,778 MTs of product coal (from 584,436 MTs ROM). In terms of ROM production, this quarter's production is 2.7% lower than the same period last year due to controlled coal production in consideration of the low demand from the Company's major market, NPC, brought about by the prolonged annual preventive maintenance shutdown of its Calaca Plant No. 2. Similarly, first half ROM production of 1,227,280MT is 3.8% lower than the same period last year of 1,275,560 MTs. However, due to advance stripping, Total Materials moved during the first half of 2005 amounting to 13,068,684 bank cubic meters (bcm) outstripped last year's first half performance of 9,969,651 bcm by 31%.

Looking forward, mining activities will be concentrated at the east wall of Panian mine on the second half of 2005. Upper coal seam (seam 10) will be exposed by August. With the continuous stripping and coal production at upper intermediate levels, the large lower seam (Seams 32/33) will be tapped again for production by September or October with alternating upper coal source until the end of the year 2005.

Waste stripping for the second quarter of 6,028,380 bcm is 61% higher than the same period last year's volume of only 3,737,552 bcm. The higher volume of waste stripped was accounted for by the large amount of materials that resulted from the northeast wall slope movement which were handled at a lower level. Stripping activities conducted to prevent further slope movement was made easier because of the augmented mining equipment especially complemented by large capacity equipment. Heavier rainfall during the second quarter last year which registered at 1,057.4 mm also contributed to the lower waste stripped. This is more than twice the amount of rainfall in the same period in 2005 of 479.5 mm.

High material movement with low coal production translated to higher strip ratio for the second quarter this year at 9.38:1 compared to 5.59:1 during the same period last year. This quarter's strip ratio is an improvement from the 10.55:1 Strip Ratio during the first quarter. Year-to-date, first half 2005 Strip Ratio registered higher at 9.93:1 vis-à-vis same period last year's ratio of 7.1:1.

The unforeseen decline in volume of coal sales during the first half of 2005 (comared to 2004) was attributed to the extended preventive maintenance shutdown of Calaca Plant No. 2 that exceeded the normal period of 45-60 days. The plant was shut down on January 14 and extended virtually throughout the first half of this year. Intermittent shutdowns were experienced as technical failures were incurred during start-ups, lessening productive operating time of the plant thus curtailing coal consumption. This resulted into a decrease in average monthly coal deliveries to NPC from 108,460 MTs/month in the first half of 2004 to 90,000 MTs/month in the current period. Coal sold to Calaca only accounted for 432,096 MT, 42.9% of the total volume sold of 1,007,764 MTs for the first half 2005. Sales to NPC were however augmented by coal deliveries to Sual Power Plant consisting of 97,845 MTs and Pagbilao consisting of 10,038 MTs. Hence, total NPC purchases reached 539,979 MT's, 17.1% lower than the previous year's (same period) tonnage of 650,762 MT's constituting 53.6% of total sales volume during the first half of 2005. Comparatively, sales to NPC during the second quarter was higher than the first quarter by 38.9%, manifesting Calaca 2's intermittent return to operation in June.

Adding to the lower sales this year vis-à-vis last year is the lower purchases of Philippine National Oil Corp – EC (PNOC) and Toledo Power Corp. (TPC), by 30.0% and 19.4%, respectively. The drop in coal sales to PNOC was owed to the high inventory of clinker among the cement plants during the first quarter thus, weakening the demand for coal during that period. In the second quarter, sales to PNOC picked up to 134,575 MT's posting a 75% increase over the first quarter volume of 76,747 MTs bringing first half sales volume to 211,322 MTs. Toledo Power (TPC) deliveries dipped lower in the second quarter, from 81,953 MTs sold in the first quarter to only 35,385 MTs sold in the second quarter or 56.8% decrease.

Total deliveries to power plants were recorded at 722,733 MTs, 71.7% of total sales, while cement and other industrial plants comprised 28.3%. Out of total deliveries to PNOC of 211,322 MTs, only 46,514 MTs were for power plants, while the rest of the liftings went to cement and other industrial plants. APO Cement increased its average monthly volume from 10,000 MTs in the first quarter to 21,680 MT's in the second quarter. Deliveries to Paper Industries Corp. of the Philippines (PICOP) has now reached 13,146 MTs from the initial delivery made in March of 1,322 MT's. A fresh entrant from the cement industry is Solid Cement, with initial delivery (direct sales) made in June amounting to 3,445 MTs.

The decline in volume sold during the first half 2005 to the top three customers, namely, NPC, PNOC and TPC largely caused the decline in Total Sales Volume by 191,706 MT's or 16%% compared to the first half of last year.

NPC base FOB price slid slightly from the first quarter price of P2,455.81 to P2,440.02 per MT in the second quarter largely as an effect of the appreciation of the Peso vis-a-vis the US dollar. The net composite average price at the close of the first half was P2,256.70, slightly lower than first quarter price of P2,263.77 per MT or lower by P7.07/MT. Compared with last quarter 2004 average of P 2,395.84 /MT, first half 2005 average FOB price per MT is lower by P139/MT largely due to lower NPC sales percentage to total sales.

Despite the downturn in coal sales, higher prices managed to raise the bar for total revenues as it reached P2.31 billion during the first half. Compared to the same period last year, revenues from coal registered higher by 23%, while coal handling revenue dropped by 35.4% owing to the prolonged shutdown of Calaca Power Plant No. 2 which extended virtually until the second quarter as the plant beset with technical problems operated intermittently. As per records, second quarter revenues improved by 30% from the P1.0 billion generated in the first quarter, as deliveries to NPC and PNOC started to pick up.

Gross profit margin for for the first half amounted to P830.12 million, 59.72% higher than the P519.73 million realized in the same period last year (excluding margins from coal handling services which was reflected as Other Income in the 2004 report amounting to P20 million). Gross profit this quarter amounted to P432.78 million, 8.9% higher than the P397.34 million in the first quarter. The lower Gross Profit margin improvement relative to the 30% increase in revenue in the second quarter came about due to higher cost of sales in the second quarter. In spite of the lower sales volume in the first half, profitability level remained historically high owing to the higher composite price of P2,256.70/MT, higher by P715.00/MT or 46% compared to same period last year. Compared to the close of the first quarter, composite price slid down by 0.3% or P7.3/MT. Consequently, Gross profit ratio at the end of the first half was also higher at 36%, an 8% improvement over the 28% registered during the same period last year, but 4% lower than the 40% registered in the first quarter.

Higher cost of sales in the first half was brought about by higher production cost as coal production was curtailed in consideration of the lower sales volume and increasing cost of production particularly fuel and materials in the second quarter. Accelerated depreciation, being an option provided for under the Coal Operating Contract with the Department of Energy, was also adapted by the Company in 2005. Cost of coal sold jumped to P1,344.89/MT at the end of the semester from P1,048.85/MT in the end of first half of 2004 or a 28% increase. Actually, second quarter Cost of Coal Sold registered higher at P1,405.79/MT, compared to the first quarter figure of P1,264.82/MT or an increase of 11%. However, net profit after taxes earned for the first half still enjoyed a hefty increase to P677.6 million, four times higher than the first half net profit after tax last year of P140.4 million. Profitability was augmented by the lower interest and financing charges which dropped by 83% from the first half of 2004 figure. Apart from the lower interest bearing debts during the first half of 2005 vis-à-vis 2004, Accrued Interest on unpaid royalties earlier booked for conservatism have been reversed in the month of March consistent with the provisions of the Coal Operating Contract with the Department of Energy (DOE). This was offset by additional interest charges paid in accordance with the Repayment Schedule of the old equipment loan with TEREX Equipment Ltd. (which among others provided for a balloon payment of interest charges towards the latter years), which was prepaid on 7 March 2005. Net profit ratio increased to 29.38% of revenues in the first half of 2005 from 7.5% profitability for the same period last year; although 4.47% lower than the 33.85% achieved in the first quarter this year due to higher cost of coal sold in the second quarter."

Amidst some minor hiccups, the Company still is confident that the coal mining business will continue to be a major contributor of recurring income for consolidated operations and can be a source of opportunities for other business. In this regard, the Company is still committed to provide its best services as the single largest supplier of coal in the Philippines.

CONSTRUCTION

D.M. Consunji, Inc. (DMCI), the Company's wholly owned flagship construction company, reported marginal contributions and decreased operations for the 1st half of 2005 with net income shrinking from P32 million to P19 million.

Construction revenues declined by 12% as "milestone" projects required specific work percentage to be attained prior to billing acceptance. Costs from these milestones projects were not deferred for conservatism and effected in a drop in gross margins. The continuing trend of retail and competitive construction is rapidly paving the way for diminishing margins evident by the clear decline of gross profit rates through the years.

DMCI operating expenses decreased evident of the continuing streamlining activities being adopted by the Company for its construction business. Financing charges (which is included in General and Administrative Expenses), specifically from the obligations incurred by DMCI for the redemption of the Company's preferred shares, significantly fell during the period as these obligations were fully paid early this year. Real estate activities that are currently included in DMCI also provided positive contributions to the construction bottom line (see Real Estate discussion below).

Moving forward, the Company sees that the stiff competition and the retail feature prevalent in the local construction industry today may not be the most favorable environment where DMCI will be able to optimize its reputable services as engineers and contractors. Hence, the Company is on the look out for superior opportunities that will provide recurring construction income for DMCI. In this light, DMCI is supplying manpower services to a joint-venture project with the principals San Juan Construction and John Laing International located at a US Naval base in Diego Garcia Island of the British Indian Ocean Territory. It is also expected this year that engineers will be sent to the United Kingdom for a railway project.

As the construction business becomes challenging, the Company, thru DMCI, is still committed to impart its expertise and heritage as proud Filipino contractors to the local and global community.

REAL ESTATE

The Company's real estate business, headed by wholly owned DMCI Project Developers Inc. (PDI), reported improved operations for the 1st half of 2005 with respect to 2004. The encouraging market response for the Company's housing projects allowed for the significant increase in contributions from the real estate segment.

The Company reported a 100% in real estate sales for the 1st half from P307 million in 2004 to P616 million in 2005. Significant growth in sales from leading project East Ortigas Mansions, located in Pasig, continued with majority of units offered sold with 3 years from release. Vista De Lago reported exceptional increase in sales with the progress of the Taguig-Pasig diversion road reaching its location and giving better access. Some pocket developments: Spring Lanes Homes and Rainbow Ridge Condominium recorded marginal sales. Mayfield Park Residences, the newest mid-rise housing development located in Cainta Rizal, registered significant sales for the period. Sales from these existing and new projects more than made up for the decrease in sales of finished and almost fully sold projects: Lakeview Manors, Hampstead Gardens, and Morning Sun.

The Company launched its Housing International Division that targets prospective buyers, mainly OFWs in London, Milan, New York. The venture proved advantageous as international sales turned up exceptional number. It is evident that the overseas Filipino market can be a respectable source of clients, and with this the Company is looking at establishing other overseas offices.

Costs remained at expected levels as the Company used its expertise as world-class contractors for construction efficiency. Operating expenses have increased due mainly from increased selling and marketing activities being done.

With the hopeful outcome in the Company's housing development, the Company remains committed to propel its Real Estate business to new heights and to continue providing quality affordable houses to Filipinos. With the competency as reputable builders, the Company's is eyeing itself as a major player in the Real Estate sector.

II. FINANCIAL CONDITION

The Company's financial condition for the period improved as total assets increased by 32%. The Company re-released its publicly listed coal mining subsidiary, SMC, to the public early (thru new issuance and secondary sale) providing cash proceeds worth P3.6 billion. The current slowdown in coal deliveries allowed for an inventory build up explaining the increase in the Company's consolidated inventory. Continuing development in the Real Estate Industry also prompted an increase in real estate inventory to cater to the now growing real estate market. Property plant & equipment increased due to equipment purchases made by SMC to enhance coal mining operations. Receivables slightly decreased due to collections recorded for the period.

Long-term debt (including current portion) and payables to affiliates decreased due to payments made by the Company and its subsidiaries, most significantly with prepayment of loans obtained for the redemption of the Company's preferred shares. However, additional obligations were incurred on the coal mining business with orders of new equipment that were purchased through supplier's credit accounting for the increase in Accounts Payable. Minority Interest went up due to the increase of the public's share in SMC.

An update on the Company's redemption of its preferred shares indicates that only 156,740 shares out of 2.4 million shares (6.5%) remains to be redeemed as of June 30, 2005 and the Company expects to finalize the redemption of 150,210 of these shares.

The Company's offer to the public of SMC furnished significant cash proceeds and this helped improve the Company's liquidity with its current ratio going up from 1.55 to 2.05. This clearly notes the Company's improved financial position in servicing its current obligations. Debt to equity ratio slightly decreased from 1.34 to 1.06 indicating a better position for the Company's stockholders vs. creditors. The debt to equity ratio (DE ratio) was well below industry averages (average DE ratio for the Construction Industry is 2.7 and Mining/Quarrying Industry is 1.7 based on Phil Business Profiles & Perspectives Inc. Top 7000 Corporations for 2003-2004).

TOP FIVE (5) KEY INDICATORS

The Company and its Subsidiaries (the "Group") has the following as its top five (5) key performance indicators:

a) Change in Construction Revenue
b) Change in Coal Sales
c) Change in Net Income
d) Change in Current Ratio
e) Change in Debt to Equity Ratio

CHANGE IN CONSTRUCTION REVENUE

The Company, for the past years of its existence, has always been known as the listed vessel for its construction business. In this regard, it is prudent that the Company note operational performance in its construction business. The initial performance indicator of the Company's construction business is any increment in its Construction Revenues. Any change will indicate an improvement or deterioration in the Company's construction business for the period (*see Part I. Results of Operations-Construction for a detailed discussion on current interim period*).

CHANGE IN COAL SALES

With the emergence of coal mining as a significant business of the Company, it is imperative that the Company discuss thoroughly its coal business through its 60% owned coal mining subsidiary, SMC. A clear indicator of performance in the coal mining business is any change in Coal Sales. This will show how this period's coal mining business fared with respect to the same period in the previous year/s (*see Part I. Results of Operations-Coal Mining for a detailed discussion on current interim period*).

CHANGE IN NET INCOME

The results of consolidated operations of the Company can be seen with the increment in net income for the period compared to the same period of the previous year/s. Bottom line analysis takes into consideration all business that the Company is engaged in. The Company calculates any decrease and increase in net income and studies the results of its operational business segments and provides discussions as a general on the main reasons why the change in net income (*see Part I. Results of Operations-1st paragraph for a detailed discussion on current interim period*).

CURRENT RATIO

Liquidity is an essential character of any organization, and the Company, including the Group as a whole, should indicate acceptable levels of liquidity. The initial test of liquidity is the current ratio, which will display a company's ability to satisfy current obligations with current resources. The Company uses this test and compares it with industry balances to determine its ability to satisfy current obligations with respect to its competitors (*see Part II. Financial Condition for a detailed discussion on current interim period*).

DEBT TO EQUITY RATIO

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

PART II--OTHER INFORMATION

1. This interim financial report is in compliance with generally accepted accounting principles;
2. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements;
3. The company's operation is a continuous process. It is not dependent on any cycle or season;
4. There were no dividends declared and paid of whatever nature;
5. There were no subsequent events that have not been reflected in the financial statements for the period that the company have knowledge of;
6. There are no contingent accounts in the balance sheet of the corporation;
7. Except for interest payments on loans, which the Company can fully service, the only 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 Company recognizes that the continuing slump in the property sector would keep both real estate sales and construction revenues moderate. Nonetheless, the Group's venture into middle-income housing development is expected to significantly contribute to revenues and income.

SIGNATURES

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

Issuer	DMCI Holdings, Inc.
Signature and Title	**Herbert M. Consunji** Vice President & Chief Finance Officer
Signature and Title	**Ma. Luisa C. Austria** Accounting Officer
Date	August 15, 2005

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
For the period ended June 30, 2005 and December 31, 2004
(Amounts in Thousands of Philippine Pesos,
Except Par Value and Number of Shares)

		AUDITED
	2005	**2004**
ASSETS		
Current Assets		
Cash and cash equivalents	2,359,132	217,125
Receivables - net	3,003,325	2,556,172
Costs and estimated earnings in excess of billings on uncompleted contra	0	112,260
Inventories - net	1,126,240	630,834
Real Estate Held for Sale and Development	3,676,442	3,568,147
Prepaid expenses and other current assets	396,521	129,644
Total Current Assets	10,561,661	7,214,182
Noncurrent Assets		
Noncurrent receivables - net	1,006,376	1,095,275
Investments in associates, jointly controlled entities and others - net	764,897	414,255
Investment properties - net	1,008,902	984,309
Property, Plant and Equipment - net	3,095,529	2,563,481
Deferred Charges and Other Assets	453,663	457,262
Total Noncurrent Assets	6,329,368	5,514,582
	16,891,029	12,728,764

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes Payable	739,596	403,885
Accounts and other payables	4,096,886	3,029,622
Current portion of long-term debt	324,475	1,048,212
Estimated liability for property development	0	38,005
Billings in Excess of Costs on Uncompleted Contracts	127,589	144,501
Total Current Liabilities	5,288,545	4,664,225
Noncurrent Liabilities		
Long-Term Debt - net of current portion	1,735,783	1,272,665
Payables to related parties	124,395	851,923
Other Noncurrent Liabilities	341,133	319,599
Total Noncurrent Liabilities	2,201,312	2,444,187
Total Liabilities	7,489,857	7,108,412
Minority Interest in Consolidated Subsidiaries	1,499,019	173,088
Stockholders' Equity		
Redeemable Preferred stock - ₱1 par value		
Authorized -100,000,000 shares	157	342
Common stock - ₱1 par value		
Authorized -5,900,000,000 shares		
Issued - 2,255,494,000 shares	2,255,494	2,255,494
Additional paid-in capital:	2,608,897	2,827,839
Retained earnings	3,038,015	602,685
Treasury stocks	(410)	(239,096)
Total Stockholders' Equity	7,902,153	5,447,264
	16,891,029	12,728,764
	0	0

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
For the period ended June 30, 2005 and 2004 and for the quarter ended
June 30, 2005 and 2004
(Amounts in Thousands of Philippine Pesos)

	For the period		For the quarter	
	2005	**2004**	**2005**	**2004**
SALES & SERVICES				
Construction Contracts	1,088,931	1,239,736	673,397	634,373
Coal Sales	2,306,546	1,849,634	1,305,149	1,200,901
Real Estate Sales	616,131	307,542	381,513	119,238
Merchandise sales	37,477	28,635	22,842	18,924
Gain on Sale of Investment	2,006,231	0	0	0
	6,055,316	**3,425,547**	**2,382,901**	**1,973,436**
COSTS OF SALES & SERVICES				
Construction costs and expenses	1,054,518	1,126,832	671,282	597,389
Cost of Coal Sales	1,476,423	1,258,066	872,367	797,769
Cost of Real Estate Sold	417,764	211,166	253,496	65,021
Cost of merchandise sales	30,054	21,427	19,900	13,966
	2,978,759	**2,617,491**	**1,817,045**	**1,474,145**
GROSS PROFIT	**3,076,557**	**808,056**	**565,856**	**499,291**
OTHER INCOME AND COSTS				
Equity in net earnings of unconsolidated affiliates	(3,927)	(3,640)	(1,681)	(2,290)
General and administrative	(327,307)	(368,986)	(164,169)	(214,536)
Interest and others - net	(359)	(188,602)	(3,817)	(119,139)
	(331,593)	(561,228)	(169,667)	(335,965)
INCOME/(LOSS) BEFORE INCOME TAX	**2,744,964**	**246,828**	**396,189**	**163,326**
PROVISION FOR INCOME TAX	**43,458**	**65,144**	**28,877**	**55,396**
INCOME BEFORE MINORITY INTEREST	**2,701,506**	**181,684**	**367,312**	**107,930**
MINORITY INTEREST	**266,176**	**13,279**	**133,115**	**(2,922)**
NET INCOME (LOSS)	**2,435,330**	**168,405**	**234,197**	**110,852**
RETAINED EARNINGS/(DEFICIT), BEG.	**602,685**	**(723,586)**	**2,803,818**	**(666,033)**
DIVIDENDS	**0**	**0**	**0**	**0**
RETAINED EARNINGS/(DEFICIT), END	**3,038,015**	**(555,181)**	**3,038,015**	**(555,181)**
Earnings per Common share				
Basic*	1.08	0.07	0.10	0.05
Diluted	0.00	-	-	-

*Net Income less dividends divided by the total outstanding shares of 2,255,494,000

DMCI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIOD ENDED JUNE 30, 2005 AND 2004

	JUNE 2005	JUNE 2004
CAPITAL STOCK		
Cumulative and convertible		
Preferred stock - P1 par value		
Authorized - 100,000,000 shares		
Issued - 2,400,000 shares	2,400,000	2,400,000
Retirement of preferred shares	(2,243,260)	(1,994,310)
	156,740	405,690
Common stock - P1 par value		
Authorized - 5,900,000,000 shares		
Issued - 2,255,494,000 shares	2,255,494,000	2,255,494,000
	2,255,650,740	2,255,899,690
ADDITIONAL PAID-IN CAPITAL		
Balance at the beginning	2,827,839,006	2,929,845,102
Retirement of Preferred Shares	(218,941,600)	(38,331,880)
	2,608,897,406	2,891,513,222
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of the period	602,685,131	(723,585,843)
Net income(loss) for the period	2,435,329,442	168,404,716
Accrued dividends declared	-	-
Balance at end of the period	3,038,014,573	(555,181,127)
PREFERRED SHARES HELD IN TREASURY		
Balance at beginning of the period	(239,096,300)	(237,287,967)
Acquisitions for the period	-	-
Redemption/Retirement of preferred shares	238,686,200	13,433,946
Balance at end of the period	(410,100)	(223,854,021)
TOTAL STOCKHOLDERS' EQUITY	**7,902,152,619**	**4,368,377,764**

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended June 30, 2005 and 2004

(Amounts in Thousands of Philippine Pesos)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss)/ Income	2,435,330	168,405
Adjustments to reconcile net income (loss) to net cash:		
Equity in net losses (earnings) of affiliates	3,927	3,640
Depreciation, depletion and amortization	262,247	9,592
Income (Loss) applicable to Minority Interest	(266,176)	(13,279)
Changes in assets and liabilities:		
Decrease / (Increase) in :		
Receivables- net	(358,254)	(433,747)
Inventories - net	(495,406)	24,914
Prepaid expenses and other current assets	(266,877)	1,791
Increase/ (Decrease) in :		
Accounts payable and accrued expenses	1,029,259	1,238,998
Current portion of long-term debt	(723,737)	0
Non current liabilities	(242,876)	(47,684)
Billings in excess of cost of uncompleted contracts	95,348	(84,007)
Net cash provided by operating activities	1,472,785	868,623
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Investments - net	(375,235)	628,376
Real estate held for sale and development	(108,295)	(1,326,128)
Property, plant and equipment - net	(532,048)	70,953
Deferred charges and other assets - net	3,599	17,706
Net cash provided by investing activities	(1,011,979)	(609,093)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:		
Notes payable	335,711	(212,501)
Redemption of preferred shares		
Capital Stock at P1.00 par value	(185)	0
Additional paid-in capital	(218,942)	(38,332)
Acquisition of preferred shares to treasury	0	0
Redemption of preferred shares from treasury	238,686	13,434
Accrual of Dividends paid:		
Preferred Shares	0	0
Net increase (decrease) in minority interest	1,325,931	(85,424)
Net cash provided by financing activities	1,681,201	(322,823)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,142,007	(63,293)
CASH AND CASH EQUIVALENTS, BEGINNING	217,125	247,591
CASH AND CASH EQUIVALENTS, ENDING	2,359,132	184,298

1. Summary of Significant Accounting Policies

Basis of Financial Statement Preparation
The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines (Philippine GAAP) using the historical cost basis except for certain property, plant and equipment, which are carried at adjusted cost (see Note 12).

Use of Estimates
The preparation of consolidated financial statements in conformity with Philippine GAAP requires the Company to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of date of the consolidated financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any change in estimates will be recorded in the consolidated financial statements as they become reasonably determinable.

Adoption of New Accounting Standards
On January 1, 2004, the Group adopted the following Statements of Financial Accounting Standards (SFAS)/International Accounting Standards (IAS):

- SFAS 12/IAS 12, *Income Taxes*, prescribes the accounting treatment for current and deferred income taxes. The standard requires the use of the balance sheet liability method in accounting for deferred income taxes. As a result of the adoption of SFAS 12/IAS 12, the deferred tax assets on temporary deductible differences previously covered with valuation allowance are no longer recognized as deferred tax assets (see Note 24). Also, a certain subsidiary derecognized deferred tax assets not covered with valuation allowance in prior years to conform to the standard. This resulted in a retroactive upward adjustment to beginning balance of deficit as of December 31, 2003, 2002 and 2001 amounting to ₱27 million, ₱30 million and ₱31 million, respectively. Net income increased by ₱2 million and ₱1 million in 2003 and 2002, respectively. Additional disclosures required by the new standard were included in the consolidated financial statements.

- SFAS 17/IAS 17, *Leases*, which prescribes the accounting policies and disclosures applicable to finance and operating leases. The new standard also requires the recognition of lease payments under operating leases on a straight-line basis unless another systematic basis is more representative of the time pattern of the user's benefit. The adoption of SFAS 17/IAS 17 did not have a material impact on the consolidated financial statements.

Basis of Consolidation
Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The consolidated financial statements include the financial statements of the Company and the following subsidiaries (which were all incorporated in the Philippines) as of December 31:

	Effective Percentages of Ownership	
	2004	2003
General Construction:		
D.M. Consunji, Inc. (DMCI)	**100.00**	100.00
DMCI International, Inc. (DMCII)	**100.00**	100.00
OHKI-DMCI Corporation (OHKI)	**100.00**	60.00
DMCI-Laing Construction, Inc. (DMCI-Laing)	**60.00**	60.00
Beta Electric Corporation (Beta Electric)	**56.57**	50.10
Infrastructure and Real Estate Development:		
DMCI Project Developers, Inc. (PDI)	**100.00**	100.00
Contech Products Corporation (Contech)	**100.00**	100.00
Constress Philippines, Inc. (Constress)	**100.00**	50.71
Hampstead Gardens Corporation (Hampstead)	**60.00**	60.00
Riviera Land Corporation (Riviera)	**51.00**	51.00
Coal Mining:		
Semirara Mining Corporation (Semirara)	**94.53**	74.40
Manufacturing:		
Semirara Cement Corporation (SemCem)*	**100.00**	100.00
Wire Rope Corporation of the Philippines (Wire Rope)	**61.70**	61.70
Contech Products South Corporation (Contech South)	**52.00**	52.00

* Organized on January 29, 1998 and has not yet started commercial operations.

DMCI's subsidiaries include DMCII, DMCI-Laing, OHKI, Beta Electric, Constress and Contech South.

PDI's subsidiaries include Contech and Hampstead.

Except as stated otherwise, consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated in consolidation.

Minority interest represents the interest in a subsidiary, which is not owned, directly or indirectly through subsidiaries, by the Company. The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest's equity in the subsidiary. The excess and any further losses applicable to the minority are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profit until the minority's share of losses previously absorbed by the majority has been recovered.

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of changes in value.

<u>Receivables</u>
Receivables are recognized and carried at the original contract price or invoice amount, less allowance for any uncollectible amount. An estimate for doubtful accounts is made when collection of

the full amount is no longer probable or when the amounts anticipated to be received in settlement of such receivables are less than the amounts due. The allowance for doubtful accounts is maintained at a level considered adequate to provide for potential losses on receivables and is determined after a study of the estimated collectibility of receivable balances and evaluation of such factors as aging of the accounts, collection experience in relation to the particular receivables, past and expected loss experiences and specifically identified doubtful accounts.

Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). NRV is the estimated replacement cost or the selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The cost of coal inventory is determined by the weighted average production cost method. The cost of equipment parts, materials and supplies is determined substantially by the average cost methods (either by moving average or weighted average production cost). The cost of equipment parts, materials and supplies determined by the first-in, first-out method accounts for about 7% of total inventories.

Real Estate for Sale and Development

Real estate for sale and development are carried at the lower of cost or NRV. Real estate costs include those costs that relate to the acquisition, development, improvement and construction of the real estate projects. Borrowing costs are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future. NRV is the selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Investments in Associates, Jointly Controlled Entities and Others

Investments in associates and jointly controlled entities are accounted for under the equity method. Under this method, such investments are carried in the consolidated balance sheets at cost plus post-acquisition changes in the Group's share in the net assets of the investees, less any impairment in value. The consolidated statements of income reflect the Group's share of the results of operations of these investees. Unrealized gains arising from intercompany transactions are eliminated to the extent of the Group's interest thereon. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction in the carrying value of the investment.

If the Group's share in the losses of an investee equals or exceeds the carrying amount of its investment, the Group ordinarily discontinues recognizing its share of further losses and the investment is reported at nil value. Additional losses are provided for to the extent that the Group has incurred obligations or made payments on behalf of the investee to satisfy obligations of the investee that the Group has guaranteed or otherwise committed. If the investee subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of net losses not recognized.

Investments in shares of stock of companies in which the Group does not exercise significant influence are carried at cost. An allowance is set up for any substantial and presumably permanent decline in the carrying value of these investments.

<u>Investment Properties</u>
Investment properties consist of land, condominium units, and buildings and improvements in excess of the Group's requirements and that are leased to others and for investment purposes. These are carried at cost less any accumulated depreciation and any impairment in value, except for land which are carried at cost less any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the condominium units and buildings and improvements ranging from 5 to 10 years.

<u>Property, Plant and Equipment</u>
Property, plant and equipment, except land, are stated at cost less accumulated depreciation, depletion and amortization and any impairment in value. Land is stated at cost, less any impairment in value.

Certain land and land improvements, buildings and building improvements and conventional and continuous mining equipment of Semirara acquired up to April 30, 1997 are stated at adjusted cost (as a result of Semirara's quasi-reorganization as of December 31, 1997) (see Note 12) as determined by an independent firm of appraisers as of that date less accumulated depreciation and amortization and any impairment in value. Subsequent additions are stated at cost, less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property, plant and equipment.

Depreciation and amortization of property, plant and equipment, except for mining properties, mine exploration and development costs, are calculated on the straight-line basis over the following estimated useful lives of the respective assets:

Land improvements	5 to 17 years
Buildings and building improvements	5 to 25 years
Construction equipment, machinery and tools	5 to 10 years
Office furniture, fixtures and equipment	3 to 5 years
Transportation equipment	4 to 5 years
Conventional and continuous mining equipment	2 to 13 years
Leasehold improvements	5 to 7 years or remaining lease term, whichever is shorter

Depletion of mining properties, mine exploration and development costs are calculated based on the units-of-production method.

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

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

Mine Exploration and Development Costs

Expenditures for mine exploration and development activities on mining properties are deferred as incurred. These deferred costs are charged to expense when the results of the exploration activities are determined to be negative or not commercially viable. When exploration results are positive or commercially viable, the exploration expenses and subsequent development expenses are capitalized and presented under the "Other noncurrent assets" account in the consolidated balance sheets. Upon the start of commercial production, such capitalized costs are accordingly transferred to the "Property, plant and equipment" account in the consolidated balance sheets and amortized using the units-of-production method.

Stripping Costs

Stripping costs are deferred based on the difference between the actual stripping ratio (ratio of waste moved to coal mined) and the estimated stripping ratio established in accordance with the survey conducted on the mine. These costs, included under the "Other noncurrent assets" account in the consolidated balance sheets, are amortized using the units-of-production method.

Impairment of Assets

An assessment is made at balance sheet date to determine whether there is any indication of impairment of any long-lived assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the period in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, development, improvement and construction of housing and condominium units are capitalized as part of the "Real estate for sale and development" account in the consolidated balance sheets. Other borrowing costs are recognized as expense in the year in which these costs are incurred.

The capitalization of borrowing costs as part of the cost of housing and condominium units:
(a) commences when the expenditures and borrowing costs for the housing and condominium units are being incurred and activities that are necessary to prepare the housing and condominium units for its intended use or sale are in progress; (b) is suspended during extended periods in which active development, improvement and construction of the housing and condominium units are interrupted; and (c) ceases when substantially all the activities necessary to prepare the housing and condominium units for its intended use or sale are complete. If the carrying amount of the assets exceeds its recoverable amount, an impairment loss is recorded.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Construction Contracts

Revenue from construction contracts is recognized under the percentage of completion method of accounting and is measured principally on the basis of the estimated completion of a physical proportion of the contract work. Contracts to manage, supervise, or coordinate the construction activity of others and those contracts wherein the materials and services are supplied by contract owners are recognized only to the extent of the contracted fee revenue. Revenue from cost plus contracts is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

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

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts", represents total costs incurred and estimated earnings recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts", represents billings in excess of total costs incurred and estimated earnings recognized. Contract retentions are included as part of "Trade receivables - construction" under the "Receivables" account in the consolidated balance sheets.

Real Estate Sales
Revenue from real estate sales, which consists primarily of the sale of housing and condominium units, with material obligations under the sales contracts to provide improvements after the property is sold, is accounted for under the percentage of completion method. Under this method, the revenue is deferred and presented as "Deferred revenue on real estate sales" under the "Other noncurrent liabilities" account in the consolidated balance sheets and realized as the related obligations are fulfilled. If any of the criteria under the percentage of completion method is not met, the deposit method is applied until such criterion is met. Under the deposit method, revenue recognition is deferred until the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented as "Customers' deposits," included in the "Accounts and other payables" account in the liabilities section of the consolidated balance sheets. Cancellations of prior year sales and related deferred gross profit are deducted from current year revenue and costs.

The costs of related housing and condominium units sold before completion of the projects are determined based on the actual costs incurred and project cost estimates as determined by the contractors and technical staff of the Group. The estimated future expenditures for the completion of sold residential and condominium units are presented as "Estimated liability for property development" account in the consolidated balance sheets.

Coal Sales
Revenue from coal sales is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Merchandise Sales
Revenue from merchandise sales is recognized upon delivery of the goods to and acceptance by the buyer and when the risks and rewards are passed on to the buyers.

Rental Income
Rental income from investment properties is accounted for on a straight-line basis over the lease term.

Interest Income
Interest income is recognized as it accrues.

Leases
Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term.

Retirement Costs
Most of the Group's retirement costs are actuarially determined using either the projected unit credit method or the attained age cost method. The projected unit credit method reflects the services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement costs include current service costs plus amortization of past service costs, experience adjustments and changes in actuarial assumptions over the expected remaining working lives of the covered employees. Certain subsidiaries determined their retirement costs using the attained age cost method. Under the attained age cost method, past

service costs, experience adjustments and the effects of changes in actuarial assumptions are amortized over the expected remaining working lives of the covered employees. Of the consolidated retirement costs, 53% was determined using the projected unit credit method and 43% using the attained age cost method.

Income Taxes

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

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, and the carryforward benefits of the excess of minimum corporate income tax (MCIT) over regular corporate income tax, and net operating loss carryover (NOLCO) to the extent that it is probable that taxable income will be available against which the deferred tax asset can be used or when there are sufficient taxable temporary differences which are expected to reverse in the same period as the expected reversal of the deductible temporary differences.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the rates that are expected to apply in the year when the asset is realized or the liability is settled based on the tax rates (and tax laws) that have been substantially enacted at the balance sheet date.

Under the provisions of Republic Act No. 7227, DMCII, being a Subic Bay Free Port Zone enterprise, is subject to a tax of 5% on gross income in lieu of all other taxes.

Foreign Currency Transactions

Transactions denominated in foreign currency are recorded using the exchange rate prevailing as of the date of the transactions. Outstanding foreign currency-denominated assets and liabilities at year-end are translated to Philippine Pesos at prevailing Philippine Dealing System rates at balance sheet dates. Exchange gains or losses resulting from rate fluctuations upon actual settlement and from restatement at year-end are credited to or charged against current operations.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

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

Earnings (Loss) Per Share
Basic earnings (loss) per share is calculated by dividing the net income (loss) for the year attributable to common shareholders [net income (loss) for the period less dividends on convertible redeemable preferred shares] by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted earnings per share is calculated by dividing the net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. The net income (loss) attributable to common shareholders is increased by the dividends on convertible redeemable preferred shares. The weighted average number of common shares is increased by the weighted average number of additional common shares which would be issued assuming the conversion of all dilutive potential common shares.

Diluted earnings (loss) per share assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted earnings per share is presented.

Segments
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 26 to the consolidated financial statements.

New and Revised Accounting Standards Effective in 2005

New and revised accounting standards based on revised IAS and new International Financial Reporting Standards (IFRS) referred to as Philippine Accounting Standards (PAS) and Philippine Financial Reporting Standards (PFRSs), respectively, will become effective in 2005.

Beginning January 1, 2005, the Company will adopt the following relevant new accounting standards:

- PAS 19, *Employee Benefits*, prescribes the accounting and disclosures by employers for employee benefits, including short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits. For post-employment benefits classified as defined benefit retirement plans, the standard will require the use of the projected unit credit method in measuring the retirement benefit expense and will result in change in the manner of computing benefit expense relating to past service cost and actuarial gains and losses. The Company's subsidiaries using an actuarial valuation method other than the projected unit credit method are in the process of having their actuarial valuation made using the projected unit credit method to determine the net impact of adopting PAS 19. The Group will engage a qualified actuary to perform an actuarial valuation of the retirement benefit obligations in accordance with PAS 19, and to determine the amount of transitional liability or asset that will be adjusted against January 1, 2005 retained earnings.

- PAS 21, *The Effects of Changes in Foreign Exchange Rates*, eliminates the capitalization of foreign exchange losses. The standard also requires a company to determine its functional currency and measure its results and financial position in that currency. The adoption of PAS 21 will not have an impact on the consolidated financial statements.

- PAS 32, *Financial Instruments: Disclosure and Presentation*, covers the disclosure and presentation of all financial instruments. This standard requires more comprehensive disclosures about a company's financial instruments, whether recognized or unrecognized in the financial statements. New disclosure requirements include terms and conditions of financial instruments used by the company, types of risks associated with both recognized and unrecognized financial instruments (market risk, price risk, credit risk, liquidity risk, and cash flow risk), fair value information of both recognized and unrecognized financial assets and financial liabilities, and the company's financial risk management policies and objectives. The standard also requires financial instruments to be classified as either liabilities or equity in accordance with its substance and not its legal form. Disclosures required by PAS 32 will be included upon adoption in 2005.

- PAS 39, *Financial Instruments: Recognition and Measurement*, establishes the accounting and reporting standards for recognizing and measuring a company's financial assets and financial liabilities. The standard requires a financial asset or financial liability to be recognized initially at fair value. Subsequent to initial recognition, a company should continue to measure financial assets at their fair values, except for loans and receivables and held-to-maturity investments, which are to be measured at cost or amortized cost using the effective interest rate method. Financial liabilities are subsequently measured at cost or amortized cost, except for liabilities classified as "at fair value through profit and loss" and derivatives, which are subsequently to be measured at fair value.

PAS 39 also covers the accounting for derivative instruments. This standard has expanded the definition of a derivative instrument to include derivatives (and derivative-like provisions) embedded in non-derivative contracts. Under the standard, every derivative instrument is recorded in the balance sheet as either an asset or liability measured at its fair value. Derivatives that do not qualify as hedges are adjusted to fair value through income. If a derivative is designated and qualifies as a hedge, depending on the nature of the hedging relationship, changes in the fair value of the derivative are either offset against the changes in fair value of the hedged assets, liabilities, and firm commitments through earnings, or recognized in stockholders' equity until the hedged item is recognized in earnings. The Company must formally document, designate and assess the hedge effectiveness of derivative transactions that receive hedge accounting treatment.

Given the complexities of PAS 39, the Group will undertake certain detailed procedures to quantify the potential financial statements impact of this standard in 2005.

- PAS 40, *Investment Property*, prescribes the accounting treatment for investment property and related disclosure requirements. This standard permits the company to use either the fair value model or cost model in accounting for investment property. The fair value model requires an investment property to be measured at fair value with fair value changes recognized directly in the statements of income. The cost model requires that an investment property should be measured at depreciated cost less any accumulated impairment losses. Upon effectivity of PAS 40, the Group will adopt the cost model and will continue to carry their investment properties at depreciated cost less any accumulated impairment losses. Additional disclosures required by the standard will be included in the 2005 consolidated financial statements.

- PFRS 3, *Business Combination*, which will result in the cessation of the amortization of goodwill and a requirement for an annual test for goodwill impairment. Any resulting negative goodwill after performing a reassessment will be credited to income. Moreover, pooling of interests in accounting for business combination will no longer be permitted. The Group does not expect that the effect of adopting PFRS 3 will be material.

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations. It requires assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell, and the depreciation on such assets to cease. Furthermore, assets that meet the criteria to be classified as held for sale should be presented separately on the face of the balance sheet and the results of discontinued operations to be presented separately in the statements of income. The adoption of PFRS 5 will not have a material impact on the consolidated financial statements.

The group will also adopt in 2005 the following relevant revised accounting standards:

- PAS 1, *Presentation of Financial Statements*, provides a framework within which an entity assesses how to present fairly the effects of transactions and other events; provides the base criteria for classifying liabilities as current or noncurrent; prohibits the presentation of income from operating activities and extraordinary items as separate line items in statement of income; and specifies the disclosures about key sources of estimation, uncertainty and judgments that management has made in the process of applying the entity's accounting policies. It also requires changes in the presentation of minority interest in the consolidated balance sheets and consolidated statements of income.

- PAS 2, *Inventories*, reduces the alternatives for measurement of inventories by disallowing the use of the last in, first out (LIFO) formula. Moreover, the revised standard does not permit foreign exchange differences arising directly on the recent acquisition of inventories invoiced in a foreign currency to be included in the cost of purchase of inventories.

- PAS 8, *Accounting Policies*, *Changes in Accounting Estimates and Errors*, removes the concept of fundamental error and the allowed alternative to retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period errors. It defines material omission or misstatements, and describes how to apply the concept of materiality when applying accounting policies and correcting errors.

- PAS 10, *Events After the Balance Sheet Date*, provides a limited clarification of the accounting for dividends declared after the balance sheet date.

- PAS 16, *Property, Plant and Equipment*, provides additional guidance and clarification on recognition and measurement of items of property, plant and equipment. It also provides that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

- PAS 17, *Leases*, provides a limited revision to clarify the classification of a lease of land and buildings and prohibits expensing of initial direct costs in the financial statements of the lessors.

- PAS 24, *Related Party Disclosures*, provides additional guidance and clarity in the scope of the standard, the definitions and disclosures for related parties. It also requires disclosure of the total compensation of key management personnel and by benefit types.

- PAS 27, *Consolidated and Separate Financial Statements*, reduces alternatives in accounting for subsidiaries in the separate financial statements of a parent, venturer or investor. Investments in subsidiaries will be accounted for either at cost or in accordance with PAS 39 in the separate financial statements. Equity method of accounting will no longer be allowed in the separate financial statements. This standard also requires strict compliance with adoption of uniform accounting policies and requires the parent to make appropriate adjustments to the subsidiary's financial statements to conform them to the parent's accounting policies for reporting like transactions and other events in similar circumstances.

- PAS 28, *Investments in Associates*, reduces alternatives in accounting for associates in the separate financial statements of an investor. Investments in associates will be accounted for either at cost or in accordance with PAS 39 in the separate financial statements. Equity method of accounting will no longer be allowed in the separate financial statements. This standard also requires strict compliance with adoption of uniform accounting policies and requires the investor to make appropriate adjustments to the associate's financial statements to conform them to the investor's accounting policies for reporting like transactions and other events in similar circumstances.

- PAS 31, *Interests in Joint Ventures*, reduces the alternatives in accounting for interests in joint ventures in the separate financial statements of a venturer. Interests in joint ventures will be accounted for either at cost or in accordance with PAS 39 in the separate financial statements. Equity method of accounting will no longer be allowed in the separate financial statements.

- PAS 33, *Earnings Per Share*, prescribes principles for the determination and presentation of earnings per share for entities with publicly traded shares, entities in the process of issuing ordinary shares to the public, and any entities that calculate and disclose earnings per share. The standard also provides additional guidance in computing earnings per share including the effects of mandatorily convertible instruments and contingently issuable shares, among others.

- PAS 36, *Impairment of Assets*, establishes frequency of impairment testing for certain intangibles and provides additional guidance on the measurement of an asset's value in use.

- PAS 38, *Intangible Assets*, provides additional clarification on the definition and recognition of certain intangibles. Moreover, this revised standard requires that an intangible asset with an indefinite useful life should not be amortized but will be tested for impairment by comparing its recoverable amount with its carrying amount annually and whenever there is an indication that the intangible asset may be impaired.

The adoption of the above revised accounting standards is not expected to have a material impact on the consolidated financial statements. Additional disclosures and presentation changes required by the revised accounting standards will be included in the 2005 consolidated financial statements.

2. Capital Stock

The changes in the number of shares follow:

	As of June 30, 2005	Audited as of December 31, 2004
Preferred stock - ₱1 par value cumulative and convertible to common stock		
Authorized	**100,000,000**	100,000,000
Issued		
Balance at beginning of the period	**342,240**	451,690
Retirement of preferred shares	**(185,500)**	(109,450)
Balance at end of the period	**156,740**	342,240

Common stock - ₱1 par value		
Authorized	**5,900,000,000**	5,900,000,000
Issued	**2,255,494,000**	2,255,494,000
Preferred shares held in treasury		
Balance at beginning of year	**(185,500)**	(183,700)
Redemption of preferred shares	**(300)**	(111,250)
Retirement of preferred shares	**185,500**	109,450
Balance at end of year	**(300)**	(185,500)

The preferred shareholders' right of converting the preferred shares to common shares expired in March 2002.

On April 1, 2002, the Company's BOD approved the Exchange Offer involving the redemption of all of the Company's outstanding preferred shares totaling 1,670,584 shares as of December 31, 2001, which were due for redemption on April 7, 2002 (Final Redemption Date). Such Exchange Offer, which was formally presented to the preferred shareholders on April 5, 2002, consisted of any one or more of the following Options:

Option A - Secured 5-Year Term Loan
Redemption of preferred shares through the issuance of PNs by the Company, DMCI or PDI at a valuation of ₱1,000 per share, equivalent to the original issue price of the preferred shares. The PNs, which are value dated April 7, 2002, shall be subject to a floating interest rate based on prevailing 91-day T-bill rate plus a 2% spread; and shall be secured by a mortgage on certain real estate properties owned by the Group and related parties.

As of December 31, 2004 and June 30, 2005, the Group's issued and outstanding PNs or loans amounted to ₱139 million ₱0 respectively for the redemption of a total of 310,700 preferred shares.

Option B - Secured 7-Year Term Loan
Redemption of preferred shares through the issuance of PNs by the Company, DMCI or PDI at a valuation of ₱1,367 per share, equivalent to the original issue price of the preferred shares plus accumulated and nonconversion premium. The PNs, which are also value dated April 7, 2002, shall be subject to either of the following interest rates at the option of the preferred shareholders: (a) floating interest rate based on prevailing 91-day T-bill rate plus a 3% spread; (b) fixed interest at 13% for the first 5 years of the loan and floating for the remaining 2 years at a rate equivalent to that contemplated in letter (a); and (c) fixed interest at 13% for the entire 7-year term; and shall be secured by a participation in a mortgage trust indenture covering various accounts receivables, inventory and equipment owned by the Company and/or its subsidiaries and related parties; and/or a mortgage on certain provincial real estate properties.

As of December 31, 2004 and June 30, 2005, the Group's issued and outstanding PNs or loans amounted to ₱106 million and ₱0 respectively for the redemption of 201,855 and 233,265 preferred shares.

Option C - Asset for Share Exchange
Redemption of preferred shares in exchange for residential and office units, equipment and/or accounts receivable at a valuation of ₱1,112 per share (purchase price), equivalent to the original issue price of the preferred shares plus accumulated and current dividends. The exchange shall be carried out with the subject assets valued at their selling price or fair market value. In the event that the total value of the assets elected by the preferred shareholders exceeds the total

purchase price of the preferred shares, the resulting residual amount shall be paid by such shareholders to the Company in cash. Conversely, should the total purchase price exceeds the asset value, the residual amount shall be paid by the Company to the shareholders through either of Options A, B or D.

As of December 31, 2004 and June 30, 2005, the Group redeemed 659,279 preferred shares under Option C in exchange for Asian Hospital, Inc. (AHI) shares, certain construction equipment amounting to ₱50 million and other assets amounting to ₱586 million in favor of Dacon Corporation (Dacon), a major stockholder; proceeds from sale of various condominium units owned by Constress and PDI totaling ₱56 million in favor of a preferred shareholder; and condominium units owned by PDI with an aggregate value of ₱6 million in favor of a preferred shareholder.

<u>Option D - Cash Payment</u>
Redemption of preferred shares for cash at a price of ₱775 per share, equivalent to the closing market price of such preferred shares on April 1, 2002 up to a maximum of P72 million (cap). Should the total amount of all the preferred shares of the holders electing this option exceed the cap, the ₱72 million shall be allocated among all accepting shareholders on a pari passu basis; with the remaining preferred shares to be purchased under any of Options A, B or C.

As of December 31, 2004 and June 30,2005, the Group redeemed 341,510 and 402,381 preferred shares, respectively, under Option D.

As of December 31, 2004, and June 30, 2005, dividends in arrears for preferred shares amounted to ₱25 million.

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3. Business Segments

The following tables present sales and services, cost of sales and services, and gross profit information regarding business segments for the period and quarter ended June 30, 2005 and 2004 (amounts in thousand):

Sales & Services

	For the Period		For the Quarter	
	2005	2004	2005	2004
General Construction	1,088,931	1,239736	673,397	634,373
Coal Mining	2,306,546	1,849,634	1,305,149	1,200,901
Infrastructure and Real Estate Development	616,131	307,542	381,513	119,238
Manufacturing and Parent Company	2,043,708	28,635	22,842	18,924
	6,055,316	3,425,547	2,382,901	1,973,436

Cost of Sales & Services

	For the period		For the Quarter	
	2005	2004	2005	2003
General Construction	1,054,518	1,126,832	671,282	597,389
Coal Mining	1,476,423	1,258,066	872,367	797,769

Infrastructure and Real Estate Development	417,764	211,166	253,496	65,021
Manufacturing and Parent Company	30,054	21,427	19,900	13,966
	2,978,759	2,617,491	1,817,045	1,474,145

	Gross Profit			
	For the period		For the Quarter	
	2005	2004	2005	2004
General Construction	34,413	112,904	2,115	36,984
Coal Mining	830,123	591,568	432,782	403,132
Infrastructure and Real Estate Development	198,367	96,376	128,017	54,217
Manufacturing and Parent Company	2,013,654	7,208	2,942	4,958
	3,076,557	808,056	565,856	499,291

4. Related Party Transactions

In the regular course of business, the Group's significant transactions with related parties consisted primarily of the following:

(a) Comprehensive surety, corporate and letters of guarantee issued by the Company and DMCI for various credit facilities granted to and for full performance of certain obligations by certain related parties.
(b) Certain assets of the Group, associates and other related parties were placed under accommodation mortgages to secure the indebtedness of the Group, its associates and other relatd parties
(c) Interest and noninterest-bearing cash and operating advances made by the Group to and from various associates and other related parties.

DMCI HOLDINGS, INC.
AGING OF ACCOUNTS RECEIVABLE
AS OF MARCH 31, 2005

TYPE OF ACCOUNTS RECEIVABLE	T O T A L	1 MONTH	2 -3 MONTHS	4 - 6 MONTHS	7 MONTHS TO 1 YEAR	1 - 2 YEARS	3 - 5 YEARS	5 YEARS - ABOVE	Past Due Accts & Items for Litigation
A. TRADE RECEIVABLE - CONTRACT									
D.M. Consunji, Inc.	554,339,051.24	288,770,273.48	8,273,252.78	28,225,780.00	5,801,795.47	120,447,015.73	102,790,933.78	-	-
DMCI International, Inc.	27,263,162.00						27,263,162.00		
OHKI-DMCI Corporation	2,966,841.00	2,966,841.00	-	-	-				
Constress Philippines, Inc.	3,311,616.00	3,311,616.00							
Contech Products South Corporation	3,023,144.39					3,023,144.39			
Beta Electric Corporation	39,599,326.92	7,960,714.81	1,413,921.37	1,768,896.24	1,160,093.46	-	27,295,701.04		
Sub-total	630,473,141.55	303,009,445.29	9,687,174.15	29,994,676.24	6,961,888.93	123,470,160.12	157,349,796.82	-	-
DMCI Project Developers, Inc.	590,040,706.49	93,202,929.52	36,020,192.88	73,798,740.13	125,121,926.70	102,164,420.17	159,732,497.09		-
Semirara Mining Corporation	928,885,208.51	497,420,191.44	264,389,729.12	2,415,313.28	27,145,657.07	16,088,618.15	19,464,739.46	101,960,959.99	
Wire Rope Corporation of the Philippines	27,160,090.00	5,057,944.00	9,960,325.00	2,909,950.00	2,045,629.00	4,383,933.00	1,907,676.00		894,633.00
Sub-total	1,546,086,005.00	595,681,064.96	310,370,247.00	79,124,003.41	154,313,212.77	122,636,971.32	181,104,912.55	101,960,959.99	894,633.00
RETENTION RECEIVABLE - TRADE									
D.M. Consunji, Inc.	291,114,169.45	291,114,169.45							-
Beta Electric Corporation	21,954,202.41	21,954,202.41							
Sub-total	313,068,371.86	313,068,371.86	-	-	-	-	-	-	-
Total Contract/Retention Receivable - Trade	2,489,627,518.41	1,211,758,882.11	320,057,421.15	109,118,679.65	161,275,101.70	246,107,131.44	338,454,709.37	101,960,959.99	894,633.00
Less: Allowance for Doubtful Accounts	(199,757,942.29)								
Net Trade Receivable	**2,289,869,576.12**								
B. NON-TRADE RECEIVABLES									
ADVANCES -									
D.M. Consunji, Inc.	378,074,797.45								
Beta Electric Corporation	4,073,025.86								
	382,147,823.31								
DMCI Holdings, Inc.	404,721.79								
DMCI Project Developers, Inc.	135,147,205.81								
	135,551,927.60								
Sub-total	517,699,750.91								
AFFILIATES -									
D.M. Consunji, Inc.	955,210,395.40								
DMCI-Laing Construction, Inc.	25,864,574.40								
Beta Electric Corporation	6,248,085.17								
Constress Philippines, Inc.	25,959.92								
	987,349,014.89								
DMCI Project Developers, Inc.	19,026,911.90								
Sub-total	1,006,375,926.79								

OTHER RECEIVABLES -	
D.M. Consunji, Inc.	18,577,943.00
DMCI International, Inc.	4,087,388.00
DMCI-Laing Construction, Inc.	261,193.37
Beta Electric Corporation	15,769,522.25
	38,696,046.62
DMCI Holdings, Inc.	2,585,590.11
DMCI Project Developers, Inc.	33,773,306.74
Semirara Mining Corporation	24,054,995.11
Riviera	96,538,730.00
Wire Rope Corporation of the Philippines	935,205.00
Sub-total	196,583,873.58
Total Non-trade Receivables	1,720,659,551.28
Less: Allowance for Doubtful Accounts	(858,217.02)
Net Non-trade Receivables	**1,719,801,334.26**
TOTAL RECEIVABLES	**4,009,670,910.38**

DMCI HOLDINGS, INC.
ACCOUNTS RECEIVABLE DESCRIPTION
30-Jun-05

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

Normal Operating Cycle

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