

COVER SHEET

A S O 9 5 0 0 2 2 8 3
SEC Registration Number

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

(Company's Full Name)

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

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

HERBERT M. CONSUNJI
Contact Person

888-3000
Company Telephone Number

(Last Wednesday of July)

1 2
Month

3 1
Day

Fiscal Year

SEC Form 17-Q
Third Quarter Interim Report 2012
FORM TYPE

1 1
Month

0 7
Day

h
Annual Meeting

N.A.

Secondary License Type, If Applicable

C F D
Dept Requiring this Doc

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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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 September 30, 2012
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

| <u>Title of Each Class</u> | <u>No. of Shares Outstanding</u> | <u>Amount</u> |
|----------------------------|----------------------------------|---------------------|
| Common Shares | 2,655,494,000 | Php2,655,494,000.00 |
| Preferred Shares | 3,780 | 3,780.00 |
| TOTAL | 2,655,497,780 | Php2,655,497,780.00 |

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

Yes [X] No []

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

Philippine Stock Exchange

Class "A" Shares
Preferred Shares

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements for the quarter and period ended **September 30, 2012** are contained herein.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF CONSOLIDATED OPERATIONS AND CONSOLIDATED FINANCIAL CONDITION FOR THE QUARTER AND PERIOD ENDED SEPTEMBER 30, 2012.

September 30, 2012 vs September 30, 2011

I. RESULTS OF OPERATIONS

DMCI Holdings, Inc. (the "Company") posted a net profit after non-controlling interests of P7.9 billion, up 12% from P7.0 billion it earned in 2011 year-on-year. Despite a significant decline in coal segment's bottom line driven down by lower coal prices and the power segment's lower net contributions due to the reduced capacity from the rehabilitation of its Unit 1, significant growth displayed by the construction and real estate segments along with sustained improvements in the water and nickel businesses resulted in an increase in consolidated net income after non-controlling interests.

Below is a table of the segmented nine months net income contributions of the Company's businesses for 2012 and 2011:

NET INCOME (after Non-controlling interests)

| <i>(in Php Millions)</i> | For 9-month period | | Variance | % |
|--------------------------|--------------------|--------------|------------|------------|
| | 2012 | 2011 | | |
| COAL MINING | P 1,800 | P 2,103 | (303) | -14% |
| NICKEL MINING | 449 | 361 | 88 | 25% |
| CONSTRUCTION | 962 | 756 | 206 | 27% |
| REAL ESTATE | 1,832 | 1,245 | 587 | 47% |
| ELECTRICITY | 944 | 1,009 | (65) | -6% |
| WATER | 1,867 | 1,549 | 318 | 21% |
| PARENT & OTHERS | 50 | 13 | 37 | 278% |
| TOTAL | 7,904 | 7,036 | 868 | 12% |

WATER

The Company's investment in the water sector is recognized mainly through its equity investment in the partnership with Metro Pacific Investments Corp. (MPIC) with the actual operations under Maynilad Water Services, Inc. (Maynilad). The Company owns 44.59% of the consortium company which in turn

owns 91.90% of Maynilad. Maynilad handles the water distribution and sewer services for the western side of Metro Manila
Equity in net earnings

Equity in net earnings for the nine-month period reached P1.9 billion, 22% higher than year-ago levels. Maynilad's net income grew by 19.0% to P5.09 billion from P4.28 billion in the prior year, due to the recognition of higher deferred tax assets arising from the temporary difference in tax and financial reporting. Combined revenues from water and sewer services for the first nine months of the year grew 15.1% to P11.31 billion from P9.83 billion last year. The increase in revenues was due to the combined effect of the increase in billed volume coupled with an increase in average effective tariff. For the first nine months of the year, Maynilad grew its billed volume by 7.7% to 320.06 MCM versus the 297.10 MCM billed in the prior year. With billed volume continuing to grow despite an effective 2.0% reduction in supply, average NRW year-to-date improved to 44.14% from 49.19% in the prior year.

Total non-cash operating expenses increased by P253 million or 20.7% to P1.48 billion from P1.22 billion last year. Meanwhile, Total cash opex increased by 6.3% to P3.37 billion versus P3.17 billion last year.

As part of its strategic business expansion, Maynilad and Philippine Hydro Inc. (PhilHydro) signed a Share Purchase Agreement (SPA) on August 3, 2012 for the acquisition of 100% shares of PhilHydro by Maynilad. PhilHydro owns and operates three plants that supply treated bulk water to the Legazpi City Water District in Albay, Norzagaray Water District and Santa Maria Water District in Bulacan, and municipal waterworks of Bambang, Nueva Vizcaya. The company also owns and operates the treated water supply and distribution system of Rizal, Nueva Ecija.

CONSTRUCTION

The Group's construction business, reported under D.M. Consunji, Inc. (DMCI), posted better operations as nine-months segment net income after non-controlling interests reached P962 million this year compared to P756 million last year, an increase of 27% year-on-year. Revenues significantly grew by 64% year-on-year in the first nine months from P7.3 billion last year to P12.0 billion this year. This was due mainly to billable works done for the building projects. Notable accomplishments in the Entertainment City and the Raffles Suites and Residences provided most of the boost in revenues. Construction activity from the Tarlac-Pangasinan-LaUnion Expressway (TPLEX) also helped contribute notable revenues for DMCI.

Moving forward, newly started power plant-civil works projects in Calaca and Balayan, Batangas are expected to contribute not just construction revenues but higher margins as well. DMCI's orderbook (balance of work) as of September, 2012 reached P14.3 billion. Bulk of the balance of work is coming from the power plant contracts in Batangas and the Entertainment City project. However, the orderbook does not include the MRT-7 railway project, which was already awarded to DMCI but still pending financial closing. The Department of Finance (DOF) is targeting to issue the performance undertaking and secure the approval of the National Economic and Development Authority-Investment Coordination Committee (NEDA-ICC) by the end of the year.

Although delayed, the Group believes the infrastructure development programs of the current Philippine government will inevitably materialize. As such, the Group, thru DMCI, is very much interested in the construction of these initiatives. The Group believes it is well positioned to be a driver and a beneficiary of the country's infrastructure progress.

REAL ESTATE

The Group's real estate business is focused on residential development. It is led by the Company's wholly owned subsidiary DMCI Project Developer's Inc. Real estate segment sustained its

high growth with net income up 47% year-on-year to P1.8 billion which can be attributed to higher recognized revenues year-on-year by 45% to P7.4 billion compared to P5.1 billion last year. Despite an increase in operating expenses by 12% due to increase in recognized expense for commissions to brokers, increase in salaries and wages expense, and increase in other cost of utilities, revenue growth outpaced the increase in expenses, resulting in net margin improvements brought about by continued cost containment efforts. Recently completed units in the Accolade Place, Maricielo Villas, Royal Palm-Rawai, Sienna Park, and Tivoli Gardens-Iris projects significantly accounted for the growth in realized revenues.

Sales and reservations take up for the first nine months of the year reached P13.7 billion, equivalent to an average monthly take up of 1.5 billion. This was 6% higher than the P1.4 billion average monthly sales take up achieved for the whole of 2011. It is worth to note that the company recognizes real estate revenues using the full accrual method, where sales are booked when the unit is fully complete and the downpayment of 15% has already been paid.

With the current increase of VAT-free housing price threshold to around P3.2 million, the Company has leveraged on the tax advantage to become more price competitive in the market. Note that most of the Company's housing units have a selling price around P3 million per unit.

In October 2012, the Company recently signed a facility agreement with a group of primary institutional lenders for DMCI PDI's issuance of Php 10.0 billion in 7-year Fixed Rate Corporate Notes (Notes). The proceeds from the Notes issue shall be used to finance project development and construction costs, acquire real estate properties, and fund other general corporate purposes.

MINING AND POWER

Coal Mining and Power (Calaca)

The Company's coal mining business which owns the major power generating asset, Calaca are both lodged under the 56%-owned and publicly listed Semirara Mining Corp (SMC). SMC reported a dip in first half results due to lower coal prices and the reduced power generating capacity from the rehabilitation of Calaca unit 1.

Below is SMC's management discussion and analysis of results of operations and financial condition for the period ending and as of September 30, 2012 as lifted from its 17Q financial report:

I. PRODUCTION – COMPARATIVE REPORT AS OF Q3 2012 vs. 2011

Coal

The drop in total material movement this year as against last year is primarily caused by two factors: longer hauling cycle and higher rainfall. Mining operations this year were concentrated at the lowest level of the pit, resulting to longer hauling distance. Meanwhile, total rainfall this year of 2,438 mm is 10% higher than year-to-date last year. As a result of the foregoing, YoY material movement dropped by 12% at 57.24 million bank cubic meters (bcm) from 65.26 million bcm last year.

Meanwhile, with more focus on coal production, rather than pre-stripping, strip ratio is 10% lower at 9.22:1 versus 10.25:1 last year. Hence, despite the higher drop in material movement, run-of-mine (ROM) coal production only posted a slight 3% decrease at 5.76 million metric tons (MTs) from 5.95 million MTs year-on year. With the use of unwashed coal for Unit 2 by Sem-Calaca (power segment), coal recovery slightly improved as reflected by the lower 2% decrease in net

total product coal at 5.32 million MTs in the current period as compared to 5.44 million MTs last year.

Export sales were tempered in Q3 this year as coal prices continued to drop. As a result, coal sales decreased, ramping up ending inventory to 1.28 million MTs from beginning level of 992 thousand. Current coal inventory level is more than 5 times of Q3 2011 ending inventory of 237 thousand tons as sales volume was significantly higher last year.

The table below shows the quarterly comparative production data for as of Q3 2012 and Q3 2011.

| COMPARATIVE PRODUCTION DATA | | | | | | | | | |
|--------------------------------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|----------------|-------------------|
| <i>(in '000, except Strip Ratio)</i> | | | | | | | | | |
| | Q1 '12 | Q2 '12 | Q3 '12 | YTD '12 | Q1 '11 | Q2 '11 | Q3 '11 | YTD '11 | %Inc (Dec) |
| Total Materials (bcm) | 22,303 | 19,273 | 15,666 | 57,242 | 26,850 | 22,294 | 16,120 | 65,264 | -12% |
| ROM Coal (MT) | 1,805 | 2,220 | 1,739 | 5,764 | 1,822 | 2,296 | 1,837 | 5,954 | -3% |
| Strip Ratio | 11.64:1 | 7.97:1 | 8.30:1 | 9.22:1 | 14.03:1 | 9.00:1 | 8.06:1 | 10.25:1 | -10% |
| Net TPC (MT) | 1,651 | 2,089 | 1,579 | 5,319 | 1,642 | 2,149 | 1,646 | 5,437 | -2% |
| COAL WASHING | | | | | | | | | |
| Washable Coal (MTs) | 344 | 334 | 358 | 1,036 | 408 | 313 | 434 | 1,155 | -10% |
| Washed Coal (MTs) | 206 | 200 | 215 | 622 | 245 | 188 | 261 | 693 | -10% |
| %recovery | 60% | 60% | 60% | 60% | 60% | 60% | 60% | 60% | |
| Beg. Inventory (MTs) | 992 | 950 | 963 | 992 | 491 | 469 | 74 | 491 | 102% |
| End Inventory (MTs) | 950 | 963 | 1,276 | 1,276 | 469 | 74 | 237 | 237 | 439% |

Power

Energy generation registered at 1,588 GWh during the 9-month period, registering a 6% increase YoY. Unit 2 generated 1,459 GWh against last year's 766 GWh, thus showing significant improvement at 91% as the plant was already fully operational for the entire 9-month period versus last year where it was only operating normally post-rehab starting Q2. Unit 1 on the other hand, was commissioned last week of July 2012 and was successfully synchronized to the grid first week of August. It was able to generate 128 GWh as of Q3 2012 or 82% lower YoY as it was on shutdown since September 2011. Average load capacity of Unit 2 is 248 MW while that of Unit 1 was 163 MWh during the first month of its commissioning. Unit 2 availability is at 89%, registering 59% improvement from 56% in 2011 YoY. Meanwhile, Unit 1 availability dropped by 83% YoY at 12% only as it is still on its first two months of commissioning compared to 72% last year. Meanwhile, total plant availability is only at 51% compared to 64% same period last year. Registered capacity factor of Unit 2 is 74% from 39% during the same period last year, posting an 90% improvement YoY; meanwhile Unit 1's capacity factor is down by 82% YoY at 6% from 37% last year.

The table below shows the quarterly comparative plant performance for as of Q3 2012 and Q3 2011.

| COMPARATIVE PLANT PERFORMANCE DATA | | | | | | | | | |
|------------------------------------|------------|------------|------------|--------------|------------|------------|------------|--------------|-------------|
| As of Q3'12 vs As of Q3'11 | | | | | | | | | |
| | Q1 '12 | Q2 '12 | Q3 '12 | AO Q3 '12 | Q1 '11 | Q2'11 | Q3'11 | AO Q3 '11 | %Inc (Dec) |
| Gross Generation, Gwh | | | | | | | | | |
| Unit 1 | - | - | 128 | 128 | 243 | 245 | 239 | 727 | -82% |
| Unit 2 | 473 | 478 | 508 | 1,459 | 189 | 395 | 181 | 766 | 91% |
| Total Plant | 473 | 478 | 636 | 1,588 | 432 | 641 | 420 | 1,493 | 6% |
| | | | | - | | | | - | |
| % Availability | | | | | | | | | |
| Unit 1 | 0% | 0% | 36% | 12% | 70% | 74% | 70% | 72% | -83% |
| Unit 2 | 88% | 88% | 92% | 89% | 49% | 83% | 37% | 56% | 59% |
| Total Plant | 44% | 44% | 64% | 51% | 59% | 78% | 54% | 64% | -21% |
| | | | | | | | | | |
| Capacity Factor | | | | | | | | | |
| Unit 1 | 0% | 0% | 20% | 6% | 0% | 0% | 36% | 37% | -82% |
| Unit 2 | 82% | 72% | 77% | 74% | 29% | 60% | 27% | 39% | 90% |
| Total Plant | 36% | 36% | 48% | 40% | 17% | 24% | 16% | 38% | 6% |

I. MARKETING – COMPARATIVE REPORT As of Q3 2012 vs. 2011

Coal

Total coal sold as of Q3 2012 of 4.97 million MTs dropped by 11% compared to YTD 2011 sales of 5.62 million MTs. Q1 2012 sales of 1.67 million MTs was 2% higher than 1.64 million MTs in Q1 2011, however, Q2 2012 sales volume of 2.06 million MTs was 18% lower as against 2.52 million MTs in Q2 2011, while Q3 sales continued to drop by 15% at 1.25 million MTs this year from 1.46 million MTs in 2011.

The table below shows the quarterly comparative coal sales volume data as of Q3 2012 and Q3 2011.

| COMPARATIVE SALES VOLUME DATA | | | | | | | | | | | |
|-------------------------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|-------------|-------------|
| (in '000 MTs) | | | | | | | | | | | |
| CUSTOMER | Q1 '12 | Q2 '12 | Q3 '12 | YTD '12 | % | Q1 '11 | Q2 '11 | Q3 '11 | YTD '11 | % | %Inc (Dec) |
| Power Plants | | | | | | | | | | | |
| Calaca | 205 | 285 | 545 | 1,035 | 21% | 412 | 320 | 420 | 1,152 | 21% | -10% |
| Other PPs | 325 | 382 | 203 | 911 | 18% | 384 | 325 | 569 | 1,277 | 23% | -29% |
| TOTAL PPs | 531 | 667 | 748 | 1,946 | 63% | 795 | 645 | 988 | 2,429 | 74% | -20% |
| Other Industries | | | | | | | | | | | |
| Cement | 271 | 338 | 224 | 832 | 17% | 186 | 127 | 146 | 460 | 8% | 81% |
| Others | 99 | 105 | 128 | 332 | 7% | 199 | 77 | 107 | 383 | 7% | -13% |
| Total Others | 370 | 443 | 352 | 1,165 | 23% | 384 | 205 | 254 | 843 | 15% | 38% |
| TOTAL LOCAL | 901 | 1,110 | 1,100 | 3,111 | 63% | 1,180 | 850 | 1,242 | 3,272 | 58% | -5% |
| EXPORT | 771 | 946 | 146 | 1,862 | 37% | 462 | 1,665 | 218 | 2,345 | 42% | -21% |
| GRAND TOTAL | 1,672 | 2,056 | 1,245 | 4,973 | 100% | 1,641 | 2,516 | 1,460 | 5,617 | 100% | -11% |

Power plants' sales of 1.96 million MTs this year decreased by 20% from 2.43 million MTs last year. Rehabilitation of Unit 1 was only finished in Q3, thus Q1 and Q2 offtake of the power segment were lower this year as compared to last year. As a result, year-to-date deliveries to the power segment dropped by 10%. In addition, sales to other power plants were more than double in Q3 2011 as compared to the current quarter, mainly as a result to higher than usual offtake of the Global group last year.

On the other hand, with three new customers this year, sales to cement plants increased by 81% at 832 thousand MTs from 460 thousand MTs last year.

Slower offtake by some small traders in Q1 2012 resulted to a 13% drop in sales to other industries at 332 thousand MTs from 383 thousand MTs last year. However, it is important to note that deliveries to these traders started to pick-up in Q2 and Q3.

Total deliveries to domestic customers registered a 5% drop at 3.11 million MTs from 3.27 million MTs last year. The lower offtake of the power industry was slightly offset by the increase in offtake for the cement plants.

Meanwhile, export sales dropped more significantly by 21% at 1.86 million MTs this year from 2.35 million MTs last year. With the softening in export prices, exports in Q2 and Q3 2012 was tempered by the Company.

The drop in global coal prices resulted to a corresponding 12% decrease in composite average FOB price per MT at PHP2,671 from PHP3,046 last year.

POWER

From the total energy generation of 1,588GW during the 9-month period, 1,534GWh was sold and the balance was utilized for station use. There was very minimal spot purchase of 22GW, which was mainly for station use. Likewise, volume sold to spot market is at 80GW. Hence, almost the entire energy sales was sold to bilateral contracts (BCQ). Sales as of Q3 2012 is 3% lower YoY. There was enough energy generated to serve contracted energy with Meralco and others.

Of the total energy sold, 77% went to Meralco. Meralco share was 75% higher compared to last year after the power supply contract was successfully negotiated last December 2011. The remaining 23% share of the pie went to other customers. This is much lower than last year due to the expiration of the direct power supply to Cavite Economic Zone, which now forms part of the Meralco contract. Market share of the other offtakers are as follows: 11% for BATELEC, 6% for Trans-Asia, 1% for others and 5% to the spot market. Spot sales significantly dropped or down by 79% due almost 100% of capacity is contracted already.

Average sales price per kWh registered at P4.00 against P4.70YoY.

The table below shows the comparative power sales volume data as of Q3 2012 and Q3 2011.

| COMPARATIVE SALES VOLUME DATA | | | | | | | | | |
|-------------------------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|--------------|-------------|
| (in GWh) | | | | | | | | | |
| CUSTOMER | Q1 '12 | Q2 '12 | Q3 '12 | AO Q3 '12 | Q1 '11 | Q2'11 | Q3'11 | AO Q3 '11 | %Inc (Dec) |
| Bilateral Contracts | 486 | 427 | 540 | 1,454 | 352 | 448 | 389 | 1,190 | 22% |
| Spot Sales | 1 | 1 | 79 | 80 | 94 | 215 | 75 | 384 | -79% |
| GRAND TOTAL | 487 | 428 | 619 | 1,534 | 446 | 663 | 465 | 1,573 | -3% |
| Composit Ave Price | 4.19 | 4.31 | 3.73 | 4.00 | 5.39 | 5.35 | 4.84 | 4.70 | -15% |

III. FINANCE

A. Sales and Profitability

Consolidated Revenues, net of eliminating entries, reduced by 20% YoY at PHP17.13billion as of end of Q3 as against PHP21.45 billion last year. As a result of lower sales volume and lower composite average price per MT, coal Revenues, before elimination decreased by 22% at PHP13.28billion this year from PHP17.11 billion last year. After eliminations, Coal Revenues likewise dropped by 22% YoY at PHP11.00 billion from PHP14.05 billion last year. Meanwhile, with lower average price per kwhr resulting from the decrease in international coal price index, energy Revenues dropped by 17% at PHP6.13 billion from PHP7.13 billion YTD last year.

Consolidated Cost of Sales decreased by 20% at PHP10.33 billion from PHP12.90 billion last year. Before elimination, Cost of Coal Sold dropped by 21% at PHP9.04 billion from PHP11.43 billion last year, as a result of lower volume sold. Net of elimination, Cost of Coal Sold dropped by 22% YoY at PHP6.58 billion from PHP8.09 billion due to lower volume sold. The decline in Revenues was partially offset by the lower cost of production due to lower strip ratio and lower oil prices, such that Cost of Coal Sold per MT dropped by 11% at PHP1,818 from PHP 2,035 last year.

Similarly, before elimination, power Cost of Sales decreased by 25% at PHP3.63 billion from PHP4.82 billion last year; and 22% after elimination at PHP2.38 billion from PHP4.81 billion last year. The decrease is a result of two factors: minimal spot purchases for replacement power this year compared to last year and lower coal fuel average cost.

The resulting consolidated Gross Profit amounted to PHP6.80 billion, with the coal and power segments each contributing PHP4.42 billion and PHP2.38 billion, respectively. This decreased by 21% compared to last year's YTD consolidated Gross profit of PHP8.56 billion, PHP5.96 billion from coal and PHP2.59 billion from power. Gross profit margin was maintained at 40%.

Consolidated Operating Expenses decreased by 31% at PHP2.18billion from PHP3.14 billion last year. After consolidation, the coal segment's Operating Expenses this year of PHP1.49billion decreased by 34% from last year's PHP2.26billion as lower Revenues during the period brought down Government Share by 32% at PHP1.19 billion from PHP1.77 billion last year. The power segment also recorded a decrease of 24% at PHP669.30 million from PHP884.83 million last year as a result of downward adjustment in O&M fee and reduced depreciation cost due to extended life of Unit 2. The pre-operating Southwest Luzon Power Generation Corp. (SLPGC), a wholly-owned subsidiary of the Company incorporated to expand its power capacity with the construction of 2 x 150 MW power plants, incurred PHP19.02 million pre-operating expenses, representing taxes, licenses and fees incurred during the period.

Consolidated Finance Costs increased by 10% at PHP404.81 million from PHP369.43 million last year. The coal segment's interest-bearing loans increased by 37% at PHP6.31 billion from

PHP4.62 billion as of end of Q3 last year. Interest rates are lower this year, such that Finance Costs only increased by 21% at PHP73.46 million from PHP60.95 million last year. Meanwhile, the PHP9.6 billion long-term project financing debt of the power segment dropped to PHP7.68 billion, after it started servicing the loan; availment of short-term working capital loans with ending balance of PHP1.25 billion, increased its Finance Costs by 11% at PHP309.02 million from PHP278.80 million last year.

Consolidated Finance Revenues dropped by 49% at PHP40.40 million from PHP78.48 million last year. The drop is a combined effect of lower cash and lower placement interest rates. The coal segment's investible funds reduced after its additional equity infusion of PHP3.2 billion to SLPGC, thus its Finance Revenues decreased by 73% at PHP12.69 million from PHP46.40 million last year. The power segment's Finance Revenues also dropped by 14% at PHP27.71 million from PHP32.08 million last year after using most of its cash this year for debt service and payment of dividends.

Consolidated Forex Gains improved by 2,176% at PHP232.95 million from a loss of PHP11.22 million last year. This is due to the continuous strengthening of the peso against the dollar. The coal segment recognized PHP232.45 million of Forex Gains this year as compared to PHP14.02 million in losses last year, since most of its loans are USD-denominated. Meanwhile, with minimal Forex exposure, the power segment's Forex Gains registered at PHP0.50 million from PHP2.80 million last year.

Consolidated Other Income increased by 150% at PHP227.98 million from PHP91.19 million generated by the coal segment last year from gain on sale of retired assets. The coal segment's Other Income this year which increased by 94% at PHP141.81 million included gain on sale of retired assets, sale of electricity and insurance claims. Meanwhile, the power segment's Other Income of PHP86.17 million is mainly composed of sale of fly ash.

The resulting consolidated Income Before Tax stood at PHP4.72 billion, with the coal and power segments contributing PHP3.22 billion and PHP1.52 billion, respectively; meanwhile SLPGC registered a loss of 19.02 million. This year's consolidated Income Before Tax is 9% lower than last year's PHP5.20 billion, with coal and power segments contributing PHP3.74 billion and PHP1.46 billion, respectively.

Income Tax Holidays (ITH) are enjoyed by both operating business units as Board of Investments (BOI)-registered companies. On 20 September, the coal segment received the approval for BOI registration for the next mine site that it will develop, Bobog Mine. The ITH benefit will start time for the expiration of its current registration for Panian Mine in 2014. SLPGC's application for BOI registration was also approved during the year. Consolidated Income Tax Provision remained minimal at PHP3.95 million this year representing final tax, lower by 55% than last year's PHP8.84 million. The coal and power segments' tax provision in the current period was at PHP1.99 million and PHP1.96 million, respectively.

The resulting Net Income After Tax dropped by 9% at PHP4.71 billion from PHP5.20 billion last year. Coal and power respectively generated PHP3.22 billion and PHP1.51 billion this year, while SLPGC recorded a net loss of PHP19.02 million. Earnings per Share (EPS) correspondingly decreased by 9% at PHP13.23 from PHP14.58 last year.

B. Solvency and Liquidity

Consolidated cash generated from operations in the nine-month period totalled to PHP3.54 billion. Consolidated loan availments amounted to PHP4.41 billion. Meanwhile, sale of assets

generated PHP114.58 million. With Beginning Cash of PHP5.01 billion, total consolidated Cash available for the period stood at PHP12.21 billion.

Of the available cash, Php 5.370 billion went to fund major CAPEX, P3.29 billion for the power plant expansion under construction in progress and P1.7 billion for mining equipment and balance P374.0 million.

The Company also paid cash dividends of PHP12 per share or a total of PHP4.27 billion. Of this amount, PHP1.5 billion was contributed by the power segment in form of dividend declaration to the parent company.

Finally, PHP2.08 billion was used for debt repayments, PHP1.15 billion for the maturing obligations of power, while the balance is attributed to the coal segment.

The resulting Ending Cash closed at PHP1.77 billion. Year-on-year, current period's Cash level is 72% lower than Cash End Q3 2011 of PHP4.51 billion.

Current ratio is also lower this year at 1.30x as compared to 1.70x as at the end of Q32011.

C. Financial Condition

Consolidated Total Assets closed at PHP36.43 billion, posting a 2% growth from beginning balance level of PHP35.62 billion. Net of eliminations, the coal and power segments' Total Assets stood at PHP10.75 billion and PHP21.87 billion, respectively. SLPGC and Sem-Cal Industrial Park Developers, Inc. (SIPDI), another wholly-owned subsidiary, incorporated to develop the Calaca property into an economic zone, recorded Total Assets of PHP3.80 billion and PHP2.50 million, respectively.

Consolidated Current Assets decreased by 17% at PHP11.68 billion from PHP14.12 billion last year. Coal, power, SLPGC, and SIPDI accounted for PHP6.92 billion and PHP4.34 billion, PHP420.88 million, and PHP2.50 million, respectively.

The 65% decrease in consolidated Cash and Cash Equivalents at PHP1.77 billion from PHP5.01 billion beginning balance mainly accounted for the decrease in consolidated Current Assets. The substantial decrease in Cash is attributable to payment of dividends and payment of Trade and Other Payables, particularly the down payment for the 2 x 150MW power plant expansion.

Net Receivables likewise registered a 24% drop at PHP2.44 billion from PHP3.22 billion as a result of collection of coal sales. The coal and power segments Receivables of PHP883.88 million and PHP1.56 billion, respectively, are mainly trade related.

Consolidated Net Inventories increased by 26% at PHP5.78 billion from PHP4.59 billion as at the start of the year. The coal segment's ending Inventory of PHP4.49 billion is mainly comprised of cost of ending coal inventory and materials and supplies, while the power segment's Inventory of PHP1.29 billion is mainly comprised of coal inventory and spare parts inventory for corrective, preventive and predictive maintenance program.

During the period, the Company accounted for Due from Affiliated Companies of PHP88.32 million for the coal business. These receivables from affiliates are accrued in the normal and ordinary course of business.

Consolidated Other Current Assets also increased by 23% at PHP1.61 billion from PHP1.31 billion beginning balance. The coal segment's Other Current Assets of PHP1.28 billion is mainly

comprised of creditable withholding taxes, advances to suppliers, and pre-paid insurance. Meanwhile, the power segment's Other Current Assets amounting of PHP323.79 million mainly accounted for advances to suppliers and pre-paid insurance.

Consolidated Non-Current Assets increased by 15% at PHP24.74 billion from PHP21.50 billion beginning balance. Coal, power, and SLPGC accounted for PHP3.84 billion, PHP17.53 billion, and PHP3.38 billion, respectively.

The increase in consolidated non-current assets came mainly from the 16% increase in consolidated net PPE at PHP23.98 billion from PHP20.74 billion beginning balance. Down payments were made to suppliers for the expansion of power capacity under SLPGC, while the coal segment also purchased additional mining equipment to replace its retired assets. Coal, power, and SLPGC accounted for net PPE of PHP3.67 billion and PHP16.93 billion, and PHP3.38 billion, respectively.

Consolidated Investments and Advances posted a minimal 1% growth at PHP495.96 million from PHP490.79 million beginning balance. The whole amount is attributed to the power segment for this period.

SLPGC accounted for Deferred Tax Assets of PHP6.07 million which was recognized in 2011 for future tax deductibility of recorded losses. In 2011, consolidated Deferred Tax Assets closed at PHP17.41, thus current balance reflected a 65% reduction.

Consolidated Other Non-Current Assets slightly increased by 3% at PHP264.24 million from PHP258.4 million as at the start of the year. Coal and power segments accounted for PHP164.80 million and PHP99.45 million, respectively.

Meanwhile Consolidated Total Liabilities decreased by 3% at PHP21.18 billion from PHP20.82 billion beginning balance. Coal, power, SLPGC and SIPDI accounted for PHP10.41 billion, PHP10.21 billion, PHP561.36 million and PHP0.05 million, respectively.

Consolidated Total Current Liabilities decreased by 21% at PHP8.98 billion from PHP11.3 billion beginning balance. Coal, power, SLPGC and SIPDI accounted for PHP5.60 billion, PHP3.36 billion, PHP11.47 million and PHP0.05 million, respectively.

Consolidated Trade and Other Payables decreased by 21% at PHP5.79 billion from PHP7.30 billion beginning balance after payment of the balance of the coal segment's government share for prior year of P905.0 million and settlement of other trade accounts for both coal and power segments. Coal, power, SLPGC and SIPDI respectively accounted for PHP4.05 billion, PHP1.73 billion, PHP11.47 million and PHP0.05 million of Trade and Other Payables. These are inclusive of Due to Affiliated Companies amounting to PHP195.53 million and PHP179.59 million for coal segment and power segment, respectively. These payables were accrued in the normal and ordinary course of business.

Consolidated Current Portion of Long-Term Debt decreased by 63% at PHP384 million from beginning balance of PHP1.01 billion which accounted for the power segment's loan related to the acquisition of the plants.

Consolidated Short-term Loans increased by 110% at PHP2.12 billion from PHP1.01 billion as at beginning of the year. This is due to availment of bridge working capital loans both by coal and power segments which recorded a closing balance of PHP1.00 billion and PHP1.12 billion, respectively.

Settlement of Letters of Credits and Acceptances resulted to a 77% drop at consolidated balance of PHP685.47 million from beginning level of PHP2.99 billion. Coal and power accounted for PHP551.57 million and PHP133.90 million, respectively.

Consolidated Total Non-Current Liabilities increased by 28% at PHP12.21 billion, from PHP9.52 billion beginning balance. Coal, power, and SLPGC accounted for PHP4.80 billion, PHP6.85 billion and PHP550million, respectively.

The Increase in consolidated Total Non-Current Liabilities is mainly due to the coal segment's availment of medium-term loans to finance its Capex during the period and the initial drawdown of SLPGC's project finance facility. Consolidated Long-Term Debt increased by 28% at PHP12.16 billion from PHP9.47 billion beginning balance, of which coal, power, and SLPGC accounted for PHP4.76 billion, PHP6.85 billion, and PHP550million, respectively.

There were no movements in other Non-Current Liabilities accounts during the period.

After payment of dividends amounting to PHP4.28 billion and accounting of income generation of PHP4.71 billion, consolidated Stockholders' Equity increased by 3% at PHP15.25 billion from PHP14.81 billion as at the start of the year. Stockholders' Equity of coal, power, SLPGC and SIPDI closed at PHP13.06 billion, PHP2.22 billion, (PHP24.74) million and (PHP0.05) million, respectively.

Debt-to-Equity ratio posted a slight 1% decrease at 1.39:1 from 1.41:1 as at the start of the year.

IV. PERFORMANCE INDICATORS:

1. **Earnings per Share** – Although EPS dropped by 9% YoY, PHP13.23 is still an impressive figure, considering the unfavorable market conditions for coal and the limited capacity of the power segment.
2. **Debt-to-Equity Ratio** – With the expansion of another 2 x 150 MW in Calaca, SLPGC had its first loan drawdown amounting to PHP 550 million in May. Despite the additional debt, DE just posted a slight 1% drop from beginning of year level. What is more important to note is the fact that the Company's strong financial condition enables it to enjoy the best commercial terms for the project financing for this expansion.
3. **Business Expansion** – Recognizing that coal is a finite resource, the Company decided to expand to the power segment to create a multiplier effect for the value of its coal reserves. Putting up another 2 x 150 MW plants further promises to give more value to the coal assets as these plants are designed to use unwashed coal, thereby improving coal recovery.
4. **Expanded Market** – The export market has been the main driver in expanding the coal segment's market since 2007. Since then, more local plants started to use Semirara coal. Moreover, new plants were built that were designed to burn Semirara coal. Having successfully developed the local market, the thrust of the Company is to gradually displace export sales with local markets. This is because the Company enjoys higher price for its local deliveries as its nearest significant competitors are mines in Kalimantan, Indonesia.

Meanwhile, the power segment's supply contract with Meralco is the ideal solution for a base load plant as it offers a reliable and stable market for power. Pricing mechanism for the bilateral contracts provide cushion to the highly volatile spot prices.

5. ***Improved coal quality*** – The coal segment has been consistently implementing measures to improve or enhance coal quality. This positively resulted to increased acceptance both in the international and domestic markets. On the other hand, to improve coal recovery and save on washing costs, the power plants experimented on burning unwashed coal. This can be done with proper planning and timing.

NICKEL

DMCI Mining, Corp., the Company's nickel and metals (non-coal) mining company, continued to mine and sell nickel ore (1.5% and up nickel content) from the Benguet and Acoje mines in Zambales.

DMCI Mining reported continuous improvement for 2012 as net income for the nine-month period grew by 24% from P361 million last year to P449 million this year despite a drop in revenues from P2.0 billion last year compared to P1.7 billion this year. Nickel ore shipments for the first nine-months this year increased by 5% to 1.15 million wet metric tons (WMT) from last year's first nine months of 1.10 million WMT. The year-on-year ore shipments from Benguet mines were reported at 620 thousand WMT in 2012 compared to 996 thousand WMT in 2011. While the Acoje mine year-on-year shipments stands at 532 thousand WMT in 2012 compared to 104 thousand WMT in 2011. Shipments from the Acoje mine are from stockpiles previously mined. Nickel grade shipments were more on the low grade ore causing much of the drop in nickel prices which affected revenues. Despite this, net income still grew due to improved mining operations and conservative costing being adopted by DMCI Mining as its current mine contracts in the Benguet Nickel and Acoje mines have either been stopped or will be stopped within the year.

Acquisitions

With the decision of Benguet to operate its own nickel reserves and the Acoje mining operations with European Nickel ceasing the mine contract operations with DMCI Mining last May 2012, the Group has initiated to acquire its own nickel and other metal resource assets. Recently, the Group has acquired 60% of the outstanding shares of ENK PLC for GBP 49 million. ENK has major beneficial ownership in the Acoje mine previously being operated by DMCI Mining. However, as of end of third quarter, the Group has yet to complete the acquisition of 60% nor gain control because it has not yet taken over the Board of ENK and still in the process of replacing the management team to run day-to-day operations. Another acquisition of the Group is a 17% stake of Daintree Resources Limited in Toledo Mining Corporation PLC for GBP 3.4 million.

As the Philippine Government is also looking to revamp and improve revenue generation and policy implementation in the mining industry, the Company sees opportunities to possibly acquire more mining assets for the Group.

II. FINANCIAL CONDITION

September 30, 2012 (Unaudited) vs December 31, 2011 (Audited)

The Company's financial condition for the period improved as consolidated total assets and net assets amounted to P98.1 billion and P45.4 billion as of September 30, 2012, posting an increase of 17% and 12%, respectively.

Consolidated cash decreased from P15 billion in December 31, 2011 vs. P12.0 billion in September 30, 2012 due mainly to investment acquisitions and capital expenditures. Moreover, the Parent Company and its subsidiary Semirara paid higher cash dividends in 2012.

Total receivables (current and non-current) went up by 87% due mainly to normal trade in the businesses mostly coming from the milestone billings from the construction segment and recognized receivable from newly completed project from real estate segment.

Consolidated inventories continued to grow by 18% coming mainly from the continuing work in progress at the real estate segment.

Other current assets decreased by 38% due to prepaid taxes applied in the first nine months of the year and recoupment of advances to suppliers.

Investments were up 15% as a result of the Company's share in net operations of the water business and other equity investments of the group.

Property plant & equipment grew 13% as the rehabilitation of Calaca unit 1 was underway in the first nine months of the year.

Accounts & other payables marginally increased mostly as a result of normal trade operations and accruals.

Customers deposits doubled with the payments from customers at the real estate and construction segments the revenue of which has yet to be realized.

Long-term debt grew slightly due to withdrawals from loans in the power plant expansion and the receivable discounting at real estate segment. This was offsetted with regular debt payments being made mostly at the real estate, coal and power sectors.

Retained earnings grew by 18% primarily due to the increase in income.

III. KEY PERFORMANCE INDICATORS

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

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

SEGMENT REVENUES

REVENUES

| <i>(in Php Millions)</i> | For 9-month period | | Variance | % |
|--------------------------|--------------------|---------------|--------------|-----------|
| | 2012 | 2011 | | |
| COAL MINING | 10,996 | 14,051 | (3,055) | (22) |
| NICKEL MINING | 1,694 | 2,042 | (348) | (17) |
| CONSTRUCTION | 12,019 | 7,324 | 4,695 | 64 |
| REAL ESTATE | 7,384 | 5,098 | 2,286 | 45 |
| ELECTRICITY | 6,845 | 7,980 | (1,135) | (14) |
| PARENT & OTHERS | 158 | 115 | 43 | 37 |
| TOTAL | 39,096 | 36,610 | 2,486 | 7% |

The initial indicators of the Company's gross business results are seen in the movements in the different business segment revenues. As illustrated above the significant drivers for revenue growth in the nine-month period ended September 30, 2012 are the construction and real estate sectors (see *Part I. Results of Operations – different segments for a detailed discussion per business*).

SEGMENT NET INCOME

NET INCOME (after Minority)

| <i>(in Php Millions)</i> | For 9-month period | | Variance | % |
|--------------------------|--------------------|--------------|------------|------------|
| | 2012 | 2011 | | |
| COAL MINING | P 1,800 | P 2,103 | (303) | -14% |
| NICKEL MINING | 449 | 361 | 88 | 25% |
| CONSTRUCTION | 962 | 756 | 206 | 27% |
| REAL ESTATE | 1,832 | 1,245 | 587 | 47% |
| ELECTRICITY | 944 | 1,009 | (65) | -6% |
| WATER | 1,867 | 1,549 | 318 | 21% |
| PARENT & OTHERS | 50 | 13 | 37 | 278% |
| TOTAL | 7,904 | 7,036 | 868 | 12% |

The net income (after minority) or bottom line results from 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 for the different business segments. Except for coal and power segments, the current period posted strong growth (above 20%) in earnings from the construction, real estate, water and nickel businesses (see *Part I. Results of Operations – different segments for a detailed discussion per business*).

EARNINGS PER SHARE

The Company's consolidated earnings per share (EPS) for the period was P2.98/share accounting for a 12.5% increase from the P2.65/share EPS last year. (See *Part I. Results of Operations – different segments for a detailed discussion per business*).

CURRENT RATIO

Liquidity is an essential character of any organization, and the Company, including the Group as a whole, should indicate acceptable levels of liquidity. The initial test of liquidity is the current ratio, which will display a company's ability to satisfy current obligations with current resources. Current ratio is arrived by

dividing the current assets over the current liabilities. The Company uses this test and compares it with industry balances to determine its ability to satisfy current obligations with respect to its competitors.

DEBT TO EQUITY RATIO

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

OTHER RELEVANT FINANCIAL SOUNDNESS RATIOS

| | Sept. 30 2012 | Dec. 31 2011 |
|-------------------------|------------------|-----------------|
| Current Ratio | 187% | 204% |
| Debt to Equity Ratio | 54% | 53% |
| Interest Coverage Ratio | 1,091% | 1,234% |
| Return on Assets Ratio | 10% | 15% |
| Return on Equity Ratio | 22% | 30% |
| Asset to Equity Ratio | 216% | 208% |
| Gross Margin Ratio | 33% | 34% |
| Net Profit Margin Ratio | 26% | 26% |

PART II--OTHER INFORMATION

1. The company's operation is a continuous process. It is not dependent on any cycle or season;
2. Economic and infrastructure developments in the country may affect construction business; Interest rate movements may affect the performance of the real estate industry; Mining activities are generally hinge on the commodities market. Businesses not affected by known cycle, trends or uncertainties are power and water.
3. A cash dividend was declared at the amount of Php 1.20 per common share paid on July 5, 2012 to the holders of record of June 15, 2012.
4. There were no undisclosed material subsequent events 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.
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 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. No transferring of assets except in the normal course of business was done during the relevant interim period
11. The Group's material commitments for capital expenditures are the same as disclosed in the December 31, 2011 annual consolidated financial statements, namely, the rehabilitation of the power plant operated by Semirara's subsidiary and Semirara's capital commitment on acquisition of mining equipment in relation to its income tax holiday registration with the Board of Investments (BOI)
12. All necessary disclosures were made under SEC Form 17-C

SIGNATURES

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

Issuer DMCI Holdings, Inc.



Signature and Title **Herbert M. Consunji**
Vice President & Chief Finance Officer



Aldric G. Borlaza
Senior Finance Officer



Ma. Luisa C. Austria
Accounting Officer

Signature and Title

Date November 7, 2012

DMCI HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****For the period ended September 30, 2012 and December 31, 2011****(Amounts in Thousands of Philippine Pesos,
Except Par Value and Number of Shares)**

| | 2012 | AUDITED 2011 |
|--|-------------------|-------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 12,342,541 | 15,065,748 |
| Financial assets at fair value through profit or loss | 70,350 | 71,400 |
| Available-for-sale financial assets - net | 232,612 | 59,910 |
| Receivables - net | 15,713,676 | 8,407,880 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 620,693 | 452,084 |
| Inventories - net | 20,607,992 | 17,484,675 |
| Other current assets | 2,814,112 | 4,567,316 |
| Total Current Assets | 52,401,977 | 46,109,013 |
| Noncurrent Assets | | |
| Noncurrent receivables - net | 4,585,273 | 2,438,697 |
| Available-for-sale financial assets - net | 495,962 | 164,507 |
| Investments in associates, jointly controlled entities and others - net | 12,501,449 | 10,849,383 |
| Investment properties - net | 718,255 | 142,159 |
| Property, Plant and Equipment - net | 26,460,264 | 23,419,344 |
| Other noncurrent assets - net | 914,824 | 1,060,586 |
| Total Noncurrent Assets | 45,676,027 | 38,074,676 |
| | 98,078,004 | 84,183,689 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Short-term debt | 2,592,959 | 1,490,648 |
| Current portion of liabilities for purchased land | 757,972 | 471,886 |
| Accounts and other payables | 12,760,714 | 12,252,946 |
| Billings in Excess of Costs and estimated earnings on uncompleted contracts | 2,424,187 | 750,744 |
| Customers' advances and deposits | 7,121,782 | 3,638,509 |
| Current portion of long-term debt | 2,143,765 | 3,813,948 |
| Income tax payable | 147,431 | 138,199 |
| Total Current Liabilities | 27,948,809 | 22,556,880 |

Noncurrent Liabilities

| | | |
|---|-------------------|-------------------|
| Long-Term Debt - net of current portion | 22,265,953 | 17,775,617 |
| Liabilities for purchased land - net of current portion | 278,218 | 460,047 |
| Deferred tax liabilities - net | 876,806 | 1,008,459 |
| Pension liabilities | 188,891 | 180,305 |
| Other Noncurrent Liabilities | 1,116,227 | 1,732,378 |
| Total Noncurrent Liabilities | 24,726,095 | 21,156,806 |
| Total Liabilities | 52,674,904 | 43,713,686 |

Equity

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

| | | |
|---|-------------------|-------------------|
| Paid-in capital | 7,420,814 | 7,420,815 |
| Retained earnings | 31,351,434 | 26,633,072 |
| Premium on acquisition of non-controlling interests | (161,033) | (161,033) |
| Other comprehensive loss | (1,090) | (1,090) |
| | 38,610,126 | 33,891,764 |
| | | |
| Non-controlling interests | 6,792,974 | 6,578,239 |
| Total Equity | 45,403,100 | 40,470,003 |
| | 98,078,004 | 84,183,689 |

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

For the period ended September 30, 2012 and 2011 and for the quarter ended

September 30, 2012 and 2011

(Amounts in Thousands of Philippine Pesos)

| | For the period | | For the quarter | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2012 | 2011 | 2012 | 2011 |
| REVENUE | | | | |
| Coal Sales | 10,996,270 | 14,051,489 | 1,572,480 | 3,360,592 |
| Nickel Ore Sales | 1,694,135 | 2,041,759 | 168,764 | 279,110 |
| Construction contracts | 12,018,563 | 7,323,820 | 4,485,377 | 2,486,938 |
| Electricity sales | 6,845,076 | 7,979,770 | 2,450,920 | 2,337,281 |
| Real estate sales | 7,383,848 | 5,097,857 | 2,893,875 | 1,896,121 |
| Merchandise sales and others | 158,214 | 115,451 | 50,936 | 35,537 |
| | 39,096,106 | 36,610,146 | 11,622,352 | 10,395,579 |
| COST OF SALES AND SERVICES | | | | |
| Coal Sales | 6,578,706 | 8,089,076 | 1,000,507 | 2,611,382 |
| Nickel Ore Sales | 1,048,668 | 1,517,682 | 228,022 | 250,444 |
| Construction contracts | 10,567,358 | 6,212,481 | 3,947,953 | 2,127,734 |
| Electricity sales | 4,299,567 | 5,210,845 | 1,563,063 | 1,658,328 |
| Real estate sales | 3,502,188 | 2,767,998 | 1,510,254 | 1,022,531 |
| Merchandise sales and others | 124,477 | 75,117 | 58,279 | 22,887 |
| | 26,120,964 | 23,873,199 | 8,308,078 | 7,693,306 |
| GROSS PROFIT | 12,975,142 | 12,736,947 | 3,314,274 | 2,702,273 |
| OPERATING EXPENSES | (3,927,092) | (4,628,971) | (869,579) | (1,179,525) |
| | 9,048,050 | 8,107,976 | 2,444,695 | 1,522,748 |
| OTHER INCOME (LOSSES) | | | | |
| Equity in net earnings of associates | 1,866,865 | 1,548,534 | 641,021 | 602,763 |
| Finance income | 574,672 | 998,929 | 182,052 | 433,099 |
| Finance costs | (1,027,428) | (951,979) | (381,120) | (246,094) |
| Other income (charges) - net | 744,476 | 421,691 | 58,521 | 64,585 |
| INCOME BEFORE INCOME TAX | 11,206,635 | 10,125,151 | 2,945,169 | 2,377,101 |
| PROVISION FOR INCOME TAX | 1,203,038 | 805,287 | 330,679 | 345,756 |
| NET INCOME (NOTE 4) | 10,003,597 | 9,319,864 | 2,614,490 | 2,031,345 |
| NET INCOME ATTRIBUTABLE TO | | | | |
| Equity holders of DMCI Holdings, Inc. | 7,904,955 | 7,036,082 | 2,128,918 | 1,756,753 |
| Non-controlling interests | 2,098,642 | 2,283,782 | 485,572 | 274,592 |
| | 10,003,597 | 9,319,864 | 2,614,490 | 2,031,345 |
| Basic/Diluted Earnings Per Share | 2.98 | 2.65 | 0.80 | 0.66 |

DMCI HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****For the period ended September 30, 2012 and 2011 and for the quarter ended
September 30, 2012 and 2011****(Amounts in Thousands of Philippine Pesos)**

| | For the period | | For the quarter | |
|---|-------------------|------------------|------------------|------------------|
| | 2012 | 2011 | 2012 | 2011 |
| NET INCOME | 10,003,597 | 9,319,864 | 2,614,490 | 2,031,345 |
| OTHER COMPREHENSIVE INCOME | - | - | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 10,003,597 | 9,319,864 | 2,614,490 | 2,031,345 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO | | | | |
| Equity holders of DMCI Holdings, Inc. | 7,904,955 | 7,036,082 | 2,128,918 | 1,756,753 |
| Minority interests | 2,098,642 | 2,283,782 | 485,572 | 274,592 |
| | 10,003,597 | 9,319,864 | 2,614,490 | 2,031,345 |

DMCI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 2012 AND 2011

| | SEPTEMBER 2012 | SEPTEMBER 2011 |
|---|------------------------------|------------------------------|
| CAPITAL STOCK | | |
| Cumulative and convertible | | |
| Preferred stock - P1 par value | | |
| Authorized - 100,000,000 shares | | |
| Issued - 2,400,000 shares | 2,400,000 | 2,400,000 |
| Retirement of preferred shares | (2,396,220) | (2,396,220) |
| | <u>3,780</u> | <u>3,780</u> |
| Common stock - P1 par value | | |
| Authorized - 5,900,000,000 shares | | |
| Issued - 2,655,494,000 shares | 2,655,494,000 | 2,655,494,000 |
| | <u>2,655,497,780</u> | <u>2,655,497,780</u> |
| ADDITIONAL PAID-IN CAPITAL | | |
| Balance at the beginning | 4,765,316,671 | 4,765,316,671 |
| Retirement of Preferred Shares | - | - |
| Additional Paid-in Capital of new subscribed shares | - | - |
| | <u>4,765,316,671</u> | <u>4,765,316,671</u> |
| DEPOSITS FOR FUTURE SUBSCRIPTION | | |
| | | - |
| RETAINED EARNINGS (DEFICIT) | | |
| Balance at beginning of the period | 26,633,071,940 | 19,693,115,974 |
| Net income(loss) for the period | 7,904,954,869 | 7,036,082,576 |
| Dividends paid | (3,186,592,800) | (2,655,494,000) |
| Balance at end of the period | <u>31,351,434,009</u> | <u>24,073,704,550</u> |
| Premium on acquisition of non-controlling interests | (161,033,000) | - |
| Net unrealized Gain on AFS | (1,089,548) | - |
| TOTAL STOCKHOLDERS' EQUITY | <u>38,610,125,912</u> | <u>31,494,519,001</u> |

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended September 30, 2012 and 2011
(Amounts in Thousands of Philippine Pesos)

| | 2012 | 2011 |
|--|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Income | 10,003,597 | 7,288,519 |
| Adjustments to reconcile net income (loss) to net cash: | | |
| Equity in net losses (earnings) of affiliates, depreciation, depletion and amortization and other non-cash items (net) | (7,383,878) | (4,967,165) |
| Income (Loss) applicable to Minority Interest | 2,098,642 | 2,009,190 |
| Changes in assets and liabilities: | | |
| Decrease / (Increase) in : | | |
| Receivables- net | (9,452,372) | (2,832,486) |
| Inventories - net | (3,123,317) | (1,198,000) |
| Prepaid expenses and other current assets | 1,753,204 | 2,396,040 |
| Increase/ (Decrease) in : | | |
| Accounts payable and accrued expenses | 4,277,127 | 3,203,375 |
| Billings in excess of cost of uncompleted contracts | 1,504,834 | 157,988 |
| Income tax payable | 9,232 | 30,554 |
| Net cash provided by operating activities | (312,931) | 6,088,015 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Decrease (increase) in: | | |
| Financial assets at fair value through profit or loss | 1,050 | 0 |
| Available for sale financial assets | (504,157) | (1,075) |
| Investments in associates, jointly controlled entities and others | (1,652,066) | (817,116) |
| Investment properties | (576,096) | (37,964) |
| Property, plant and equipment - net | (3,040,920) | (613,388) |
| Deferred charges and other assets - net | 145,762 | (1,080,027) |
| Net cash used by investing activities | (5,626,427) | (2,549,570) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net availments (payments) of: | | |
| Notes Payable | 1,102,311 | 854,138 |
| Current portion of long-term debt | (1,670,183) | (2,027,460) |
| Non current liabilities | 3,569,289 | 4,755,001 |
| Additional subscription of common shares | | |
| Capital Stock at P1.00 par value | 0 | 0 |
| Additional paid-in capital | (1) | (601) |
| Net increase (decrease) in minority interest | 214,735 | 453,121 |
| Net cash provided by financing activities | 3,216,151 | 4,034,199 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (2,723,207) | 7,572,644 |
| CASH AND CASH EQUIVALENTS, BEGINNING | 15,065,748 | 9,946,666 |
| CASH AND CASH EQUIVALENTS, ENDING | 12,342,541 | 17,519,310 |

DMCI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

DMCI Holdings, Inc. (the Parent Company) was incorporated on March 8, 1995 and is domiciled in the Philippines. The Parent Company's registered office address and principal place of business is at 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City.

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

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, 2011.

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

Statement of Compliance

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

Basis of Consolidation

Basis of consolidation from January 1, 2010

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011. Under PFRS, it is acceptable to use, for consolidation purposes, the financial statements of subsidiaries for fiscal periods differing from that of the Parent Company if the difference is not more than three months.

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

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

Basis of consolidation prior to January 1, 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of NCI, prior to January 1, 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the share in the book value of the net assets acquired were recognized in goodwill.
- Losses incurred by the Group were attributed to NCI until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless non-controlling interest had a binding obligation to cover these. Losses prior to January 1, 2010 were not reallocated between NCI and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at January 1, 2010 has not been restated.

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

| | September 30 2012 | | | 2011 | | |
|---|-------------------|----------|--------------------|---------|----------|--------------------|
| | Direct | Indirect | Effective Interest | Direct | Indirect | Effective Interest |
| <u>General Construction:</u> | | | | | | |
| D.M. Consunji, Inc. (DMCI) ¹ | 100.00% | –% | 100.00% | 100.00% | –% | 100.00% |
| DMCI International, Inc. (DMCII) ² (| – | 100.00 | 100.00 | – | 100.00 | 100.00 |
| OHKI-DMCI Corporation (OHKI) ² | – | 100.00 | 100.00 | – | 100.00 | 100.00 |
| DMCI-Laing Construction, Inc. (DMCI-Laing) ² | – | 60.00 | 60.00 | – | 60.00 | 60.00 |
| Beta Electric Corporation (Beta Electric) ² | – | 51.77 | 51.77 | – | 51.77 | 51.77 |
| Raco Haven Automation Philippines, Inc. (Raco) ² | – | 50.14 | 50.14 | – | 50.14 | 50.14 |
| <u>Mining:</u> | | | | | | |
| Semirara Mining Corporation (Semirara) | 56.32 | – | 56.32 | 56.32 | – | 56.32 |
| DMCI Mining Corporation (DMC) | 100.00 | – | 100.00 | 100.00 | – | 100.00 |

Real Estate Development:

| | | | | | | |
|--|------------------|-----------------|---------------------------|---------------|-----------------|---------------------------|
| DMCI Project Developers, Inc. (PDI) | 84.47 | 15.53 | 100.00 | 84.47 | 15.53 | 100.00 |
| Hampstead Gardens Corporation (Hampstead) ³ | – | 100.00 | 100.00 | – | 100.00 | 100.00 |
| Riviera Land Corporation (Riviera) ³ | – | 100.00 | 100.00 | – | 100.00 | 100.00 |
| DMCI-PDI Hotels, Inc. (PDI Hotels) ³ | – | 100.00 | 100.00 | – | 100.00 | 100.00 |
| DMCI Homes Property Management Corporation (DHPMC) ³ | – | 100.00 | 100.00 | – | 100.00 | 100.00 |
| | June 2012 | | | 2011 | | |
| | Direct | Indirect | Effective Interest | Direct | Indirect | Effective Interest |
| <u>Manufacturing:</u> | | | | | | |
| Semirara Cement Corporation (SemCem) * | 100.00 | – | 100.00 | 100.00 | – | 100.00 |
| Oriken Dynamix Company, Inc. (Oriken) ² | – | 89.00 | 89.00 | – | 89.00 | 89.00 |
| Wire Rope Corporation of the Philippines (Wire Rope) | 45.68 | 16.02 | 61.70 | 45.68 | 16.02 | 61.70 |
| <u>Marketing Arm:</u> | | | | | | |
| DMCI Homes, Inc. (DMCI Homes) ³ | – | 100.00 | 100.00 | – | 100.00 | 100.00 |
| <u>Power:</u> | | | | | | |
| DMCI Power Corporation (DPC) (formerly DMCI Energy Resources Unlimited Inc.) * | 100.00 | – | 100.00 | 100.00 | – | 100.00 |
| DMCI Masbate Power Corporation (DMCI Masbate) | – | 100.00 | 100.00 | – | 100.00 | 100.00 |
| DMCI Calaca Power Corporation | 100.00 | – | 100.00 | 100.00 | – | 100.00 |
| Sem-Calaca Power Corporation (SCPC) ⁴ | – | 56.32 | 56.32 | – | 56.32 | 56.32 |
| Southwest Luzon Power Generation Corporation (SLPGC) ^{4**} | – | 56.32 | 56.32 | – | 56.32 | 56.32 |
| SEM-Cal Industrial Park Developers, Inc. (SIPDI) ^{4**} | – | 56.32 | 56.32 | – | 56.32 | 56.32 |

* Organized on January 29, 1998 and October 16, 2006 and has not yet started commercial operations.

** Organized on August 31, 2011 and April 24, 2011 and has not yet started commercial operations.

¹ Also engaged in real estate development

² DMCI's subsidiaries

³ PDI's subsidiaries

⁴ Semirara's subsidiaries

DMCI

On December 5, 2011, the Securities and Exchange Commission (SEC) approved DMCI's application to declare property dividend to the Parent Company in the amount of ₱949.59 million payable in 949,594,750 shares of stocks in PDI with a total par value of ₱949.59 million.

AG&P

On December 22, 2010, the Parent Company (the "Seller") and AGP Philippines Holdings, Inc. (AGPPHI or "Buyer") entered into a Stock Purchase Agreement (the "SPA"), wherein the Seller agreed to sell and the Buyer agreed to purchase nine hundred seventy-three million eighty-nine thousand forty-two (973,089,042) shares of stock (the "Shares") representing 98.19% of AG&P's total issued and outstanding capital stock (see Note 39).

DPC

On February 3, 2011, the Parent Company and DPC executed a Deed of Assignment, whereby the Parent Company assigned, transferred, and conveyed all its rights and interest over its subscribed 5,099,995 shares of DMCI Masbate with ₱1.00 par value each. The assigned shares were transferred for a consideration amounting to ₱1.27 million which is also equal to the amount paid-up by the Parent Company.

Sale of Shares in DMCI Concepcion and land in Concepcion, Iloilo

On August 16, 2010, DPC entered into a Sale and Purchase Agreement (the Agreement) with Palm Thermal Consolidated Holdings Corporation and Panay Consolidated Land Holdings Corporation (collectively “the Buyers”) for the sale of its 2.50 million shares in DMCI Concepcion, representing its entire investment in the said company, and its 300,000 sq/m land located in Concepcion, Iloilo with aggregate book value of ₱58.95 million for a total consideration of ₱80.00 million to be paid in accordance with the following schedule:

- a. ₱1.00 million as earnest money payable on the date of the Agreement; and,
- b. ₱79.00 million upon full compliance of the conditions set forth in the Agreement.

On November 11, 2010, DPC received ₱79.00 million from the Buyers representing the remaining balance of the agreed consideration. Net gain from said transaction amounted to ₱19.05 million after deducting commissions paid to brokers amounting to ₱2.00 million.

DMCI Masbate

Power Supply Agreement with Masbate Electric Cooperative, Inc. (Maselco)

On May 4, 2007, Maselco and the DMCI Masbate entered into a Power Supply Agreement (PSA) wherein DMCI Masbate shall deliver a guaranteed dependable capacity of 13,000 kW, which Maselco may dispatch for its load and ancillary services requirements.

The PSA has a term commencing on the date on its execution and expiring on the last day of the fifteenth (15th) year of the commercial operations period as provided therein, unless extended or earlier terminated. The commercial operations period shall commence not later than eighteen (18) months from effectivity date. Maselco shall only pay for actual energy delivered, not on a take or pay basis, except in extraordinary circumstances as provided in the PSA. In exceptional circumstances, payments shall be based on a pre-defined net expected energy rate.

Transitory Agreement with Maselco

On March 3, 2010, DMCI Masbate entered into a Transitory Agreement, which shall have a term of five (5) years commencing from the date of the agreement, wherein Maselco shall avail of the generating capacity of DMCI Masbate and shall pay for such energy output according to the approved Subsidized/Approved Generation Rate of ₱3.65 for Masbate.

Also, under this agreement, DMCI Masbate shall deliver the coal-fired power plant barring any political and social situation preventing the construction and development thereof pursuant to the PSA not later than the 5th year anniversary of this agreement. If it is determined anytime during the term that the construction and commissioning of a coal-fired power plant in Masbate cannot be completed prior to the lapse of the term, the parties may extend the term of this agreement, amend the existing PSA or terminate this agreement and negotiate for a new PSA.

DMC

On October 7, 2009, Benguet Corp. (BC) has signed a mining contractorship and off-take agreement with DMC covering a portion of Benguet’s 1,406-hectare Sta. Cruz nickel project located in Sta. Cruz, Zambales. The agreement allows DMC to explore, develop, mine and sell up to 200,000 metric tons of two percent high grade nickel ore for a period of three (3) years. All cost and related expenses for the exploration, development and mining of the above mentioned areas shall be for the sole account of DMC. All profits accruing from this Agreement, after deducting the costs and expenses connected with the production of the product, and over and above payment of all taxes and royalty, shall be divided equally between them.

In March 2010, the Company and Benguet Corp Nickel Mines, Inc., an affiliate of BC, agreed to establish and maintain a Mine Rehabilitation Fund as a reasonable environmental deposit to ensure the availability of funds for its satisfactory compliance with the commitments and performance of activities stipulated in its Environment Protection and Management Program/Annual Environmental Protection and Enhancement Program during a specific project phase.

Semirara

Semirara and the Parent Company have 50%-50% shareholdings in both DPC and DMC. On December 8, 2010, a Deed of Assignment was made and executed between Semirara and the Parent Company, the former being the “Assignor” and the latter being the “Assignee”. Semirara offered to assign, transfer and convey all of its rights, ownership and interest over its shares in DPC and DMC.

SLPGC

On August 31, 2011, SLPGC, a wholly-owned subsidiary of Semirara, was incorporated to operate electric power plants and to engage in business of a Generation Company.

SIPDI

On April 24, 2011, SIPDI, a wholly-owned subsidiary of Semirara, was incorporated to acquire, develop, construct, invest in, operate and maintain an economic zone in Calaca, Batangas.

As of December 31, 2011, SLPGC and SIPDI have not yet started commercial operation.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amended Philippine Financial Reporting Standards (PFRS) which became effective beginning January 1, 2012.

Effective 2012

- *PAS 12, Income Taxes - Recovery of Underlying Assets (Amendment)*
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property*, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.
- *PFRS 7, Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amendment)*
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group’s financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity’s continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011.

Future Changes in Accounting Policies

The Group will adopt these standards when they become effective. The Group does not expect the adoption of these standards to have a significant impact in the consolidated financial statements, unless otherwise stated.

Effective 2013

- *PAS 1, Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*
The amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012.
- *PAS 19, Employee Benefits (Amendment)*
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The Group is currently assessing the full impact of the amendments in reporting actuarial gains or losses.
- *PAS 27, Separate Financial Statements (as revised in 2011)*
As a consequence of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- *PAS 28, Investment in Associates and Joint Ventures (as revised in 2011)*
As a consequence of the new PFRS 11, *Joint Agreements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- *PFRS 7, Financial Instruments: Disclosures - Offsetting of Financial Assets and Financial Liabilities*
These amendments require an entity to disclose information about rights of set-off and related arrangements such as collateral agreements. The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
 - a) The gross amounts of those recognized financial assets and recognized financial liabilities;
 - b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statements of financial position;
 - c) The net amounts presented in the statements of financial position;
 - d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:

- i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
- ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013.

- **PFRS 10, *Consolidated Financial Statements***
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, which addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013. The Group is currently assessing the possible impact of this standard in the consolidated financial statements.
- **PFRS 11, *Joint Agreements***
PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for Jointly Controlled Entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 12, *Disclosure of Interests in Other Entities***
PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 13, *Fair Value Measurement***
PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine***
This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of the production stripping costs as an asset and measurement of the stripping activity asset. This interpretation becomes effective for annual periods beginning on or after January 1, 2013. This interpretation may have an impact on both financial position and performance of the Group.

Effective 2014

- PAS 32, *Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities*

These amendments to PAS 32 clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems such as central clearing house systems which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective 2015

- PFRS 9, *Financial Instruments: Classification and Measurement*

PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but will potentially have no impact on classification and measurement of financial liabilities. The Group has decided not to early adopt for its 2012 financial reporting, thus, has not conducted a full quantification of the impact of this standard. The Group will quantify the effect in conjunction with the other phases, when issued, to present a more comprehensive picture.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The adoption of this Philippine Interpretation will not significantly affect the determination of the revenue from real estate sales and the corresponding costs since the Group already accounts for real estate revenue and costs using the full accrual method.

3. Preferred and Common Stock

The changes in the number of shares follow:

| | September 30, 2012 | December 31, 2011 |
|--|---------------------------|--------------------------|
| Preferred stock - ₱1 par value cumulative and convertible to common stock | | |

| | | |
|--|----------------------|----------------------|
| Authorized number of shares | 100,000,000 | 100,000,000 |
| Issued and outstanding | | |
| Balance at beginning of year | 3,780 | 4,380 |
| Cancellation/retirement of issued preferred shares | 0 | 600 |
| Balance at end of year | 3,780 | 3,780 |
| Common stock - ₱1 par value | | |
| Authorized number of shares | 5,900,000,000 | 5,900,000,000 |
| Issued and outstanding | 2,655,494,000 | 2,655,494,000 |
| Additional subscription | - | - |
| Preferred shares held in treasury | | |
| Balance at beginning of year | 0 | 0 |
| Redemption of preferred shares | 0 | 600 |
| Cancellation/retirement of issued preferred shares | 0 | (600) |
| Balance | 0 | 0 |

The preferred stock is redeemable, convertible, non-voting, non-participating and cumulative with par value of ₱1.00 per share. The preferred shareholders' right of converting the preferred shares to common shares expired in March 2002. Aside from the issued and outstanding 3,780 preferred shares, all the preferred shares were essentially redeemed, retired, cancelled and paid.

Appropriation

Retained earnings is restricted to the extent of the acquisition cost of the treasury shares amounting to ₱1.10 million and ₱187.21 million as of December 31, 2006 and 2005, respectively. No retained earnings have been currently appropriated for acquisition of treasury shares.

Dividends declared

On May 15, 2012 and May 31, 2011 the Parent Company's BOD approved and declared cash dividend of ₱ 1.20 and ₱ 1.00 per share or ₱ 3,186 and ₱2,655 million respectively to stockholders of record as of June 15, 2012 and June 15, 2011, respectively. The cash dividend will be paid on July 5, 2012, while last year it was paid on July 7, 2011.

4. Business Segments

The following tables present the net income of the specific business segments for the period and quarter ended September 30, 2012 and 2011 (amounts in thousand):

Revenues

| | For the period | | For the Quarter | |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Construction | 12,018,563 | 7,323,820 | 4,485,377 | 2,486,938 |
| Coal Mining | 10,996,270 | 14,051,489 | 1,572,480 | 3,360,592 |
| Nickel Ore Mining | 1,694,135 | 2,041,759 | 168,764 | 279,110 |
| Water | - | - | - | - |
| Real Estate Development | 7,383,848 | 5,097,857 | 2,893,875 | 1,896,121 |
| Electricity | 6,845,076 | 7,979,770 | 2,450,920 | 2,337,281 |
| Parent Company and Others | 158,214 | 115,451 | 50,936 | 35,537 |
| TOTAL | 39,096,106 | 36,610,146 | 11,622,352 | 10,395,579 |

Net Income After Minority

| | For the period | | For the Quarter | |
|------------------------------|------------------|------------------|------------------|------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Construction | 962,002 | 755,727 | 360,718 | 269,519 |
| Coal Mining | 1,800,416 | 2,103,312 | 306,629 | 281,780 |
| Nickel Ore Mining | 449,461 | 361,032 | -23,840 | 19,319 |
| Water | 1,866,865 | 1,548,534 | 641,021 | 602,763 |
| Real Estate Development | 1,832,200 | 1,244,956 | 663,449 | 400,145 |
| Electricity | 944,405 | 1,009,384 | 251,512 | 159,599 |
| Parent Company and Others | 49,606 | 13,137 | -70,570 | 23,627 |
| TOTAL | 7,904,955 | 7,036,082 | 2,128,919 | 1,756,752 |

5. Operating Expenses

The following tables present the consolidated operating expenses for the period ended September 30, 2012 and 2011:

| | SEPTEMBER 2012 | SEPTEMBER 2011 |
|---|-------------------------|-------------------------|
| Government Share | 1,194,931,526.00 | 1,767,562,947.00 |
| Salaries, Wages & Employees benefits | 468,482,270.12 | 794,363,335.30 |
| Advertising and Marketing Expense | 267,902,366.85 | 271,097,691.72 |
| Commission | 345,695,298.56 | 354,127,219.56 |
| Outside Services | 112,800,501.48 | 83,738,888.04 |
| Taxes and Licenses | 394,647,048.33 | 532,642,943.43 |
| Depreciation Expense | 181,149,502.52 | 366,538,712.25 |
| Professional Fees | 395,096,177.33 | 94,705,786.25 |
| Entertainment, amusement and recreation | 30,411,636.65 | 24,847,975.76 |
| Rental Expense | 65,320,497.78 | 39,601,129.71 |
| Transportation and Travel | 34,304,564.40 | 25,777,151.79 |
| Communication, light and water | 54,862,048.70 | 42,096,208.42 |
| Repairs and Maintenance | 157,000,577.13 | 32,982,658.92 |
| Gasoline and Oil Expense | 12,476,807.51 | 9,968,504.82 |
| Supplies | 45,256,748.92 | 30,989,520.38 |
| Insurance | 51,369,614.07 | 61,538,005.84 |
| Other Operating Expense | 115,384,141.31 | 96,392,039.01 |
| TOTAL | 3,927,091,327.66 | 4,628,970,718.20 |

6. 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 related parties.
- (c) Interest and non interest-bearing cash and operating advances made by the Group to and from various associates and other related parties.
- (d) Engineering and construction works of the water business is contracted to the construction segment of the Company. These projects are bid out to various contractors and are awarded on arms length transactions. The interrelated contracts amounted to Php 1,480,481,872.21 and Php 3,711,699,922.33 as of September 30, 2012 and September 30, 2011 respectively, where Php 580,869,719.69 and Php 1,011,552,095.76 were booked for the period ended September 30, 2012 and September 30, 2011 respectively.

7. Financial Instruments and Financial Risk

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

Financial assets

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

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

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

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

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

Financial liabilities

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

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

Financial Risk Management Objectives and Policies

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

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

The sensitivity analyses have been prepared on the following bases:

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

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at September 30, 2012.

Interest rate risk

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

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments.

The effect on equity as a result of a change in fair value of quoted equity instruments held as financial asset at FVPL as of September 30, 2012 due to a reasonably possible change in equity indices, with all other variables held constant, will have an increase on equity by ₱0.50 million if equity indices will increase by 1%. An equal change in the opposite direction would have decreased equity by the same amount.

The effect on equity (as a result of a change in fair value of quoted equity instruments held as AFS investments as of September 30, 2012 due to a reasonably possible change in equity indices, with all other variables held constant, will have an increase on equity by ₱24.01 million if equity indices will increase by 15%. An equal change in the opposite direction would have decreased equity by the same amount.

Market price risk

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

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

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

To mitigate this risk, the Group continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved (i.e., domestic vs local). Also, in order to mitigate any negative impact resulting from price changes, it is the Group's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin. The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract. Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e., abnormal rise in cost of fuel, forex).

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

| | 09/30/2012 | 12/31/2011 |
|-----------------|------------|------------|
| Domestic Market | 62.55% | 62.73% |
| Export Market | 37.45% | 37.27% |

as a percentage of total coal sales volume

The following table shows the effect on income tax should the change in the prices of coal occur based on the inventory of the Group as of Sept. 30, 2012 and 2011 with all other variables held constant. The change in coal prices is based on 1-year historical price movements.

| | | Effect on income before income tax |
|---------------------------------------|-------------------|---------------------------------------|
| <i>Based on ending coal inventory</i> | | |
| <u>Change in coal price</u> | <u>09/30/2012</u> | <u>12/31/2011</u> |
| Increase by 30% | 1,022,570,463 | 915,760,551 |
| Decrease by 30% | (1,022,570,463) | (915,760,551) |
| | | |
| <i>Based on coal sales volume</i> | | Effect on income Before income tax |
| <u>Change in coal price</u> | <u>09/30/2012</u> | <u>12/31/2011</u> |
| Increase by 30% | 3,984,244,052 | 6,019,117,161 |
| Decrease by 30% | (3,984,244,052) | (6,019,117,161) |

Foreign currency risk

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

The Group does not have any foreign currency hedging arrangements.

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

| | September 30, 2012 | | | | |
|--|--------------------|---------------|-------------|------------|---------------------|
| | U.S. Dollar | Japanese Yen | UK Pounds | Euro | Php Equivalent |
| Assets | | | | | |
| Cash and cash equivalents | \$4,348 | ¥2,739 | £117 | €23 | P192,630 |
| Trade receivables | | | | | |
| Coal mining | 3,965 | – | – | – | 165,347 |
| | 8,313 | 2,739 | 117 | 23 | 357,978 |
| Liabilities | | | | | |
| Accounts and other payables | 26,117 | – | – | – | 1,089,086 |
| Long-term debt (including current portion) | 114,117 | – | – | – | 4,758,663 |
| | 140,234 | – | – | – | 5,847,749 |
| Net foreign currency denominated assets (liabilities) | (\$131,921) | ¥2,739 | £117 | €23 | (P5,489,771) |

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

September 30, 2012

| | Basis Pts | Effect on Profit | Effect on Equity |
|--------------------------|-----------|------------------|------------------|
| In Peso per U.S. Dollar | | | |
| Increase | 2 | (P263,842) | (P184,689) |
| Decrease | (2) | 263,842 | 184,689 |
| In Peso per Japanese Yen | | | |
| Increase | 2 | 5,478 | 3,835 |
| Decrease | (2) | (5,478) | (3,835) |
| In Peso per UK Pounds | | | |
| Increase | 2 | P234 | P164 |
| Decrease | (2) | (234) | (164) |
| In Peso per Euro | | | |
| Increase | 2 | 46 | 32 |
| Decrease | (2) | (46) | (32) |

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's maximum exposure to credit risk for the components of the statement of financial position at September 30, 2012 is the carrying amounts except for real estate receivables. The Group's exposure to credit risk arises from default of the counterparties which include certain financial institutions, real estate buyers, subcontractors, suppliers and various electric companies. Credit risk management involves dealing only with recognized, creditworthy third parties. It is the Group's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. The Treasury Department's policy sets a credit limit for each counterparty. In addition, receivable balances are monitored on an ongoing basis. The Group's financial assets are not subject to collateral and other credit enhancement except for real estate receivables and mining receivables from export sales. As of September 30, 2012, the Group's exposure to bad debts is not significant.

Real estate contracts

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

Electricity sales

The Group earns substantially all of its revenue from the Wholesale Electricity Spot Market (WESM) and from various electric companies. WESM and the various electric companies are committed to pay for the energy generated by the power plant facilities.

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

Mining

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

Construction contracts

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

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

Liquidity risk

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

A significant part of the Group's financial assets that are held to meet the cash outflows include

cash equivalents and accounts receivables. Although accounts receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows through continuous production and sale of coal and power generation. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

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

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

Fair Value Hierarchy

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

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

As at September 30, 2012, the Group's AFS financial assets amounting to ₱50.75 million and financial assets at FVPL amounting to ₱70.35 million are carried at fair value based on Level 1. There were no transfers among levels 1, 2 and 3 during the interim period.

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. There were no changes made in the Group's capital management objectives, policies or processes. The Group considers total stockholders' equity as capital. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Group less unrealized gain or loss on AFS financial assets. The Group is not subject to any externally imposed capital requirements.

DMCI HOLDINGS, INC.
 ACCOUNTS RECEIVABLE DESCRIPTION
 September 30, 2012

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

Normal Operating Cycle

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

DMCI HOLDINGS, INC.
AGING OF ACCOUNTS RECEIVABLE
AS OF SEPTEMBER 30, 2012

| TYPE OF ACCOUNTS RECEIVABLE | T O T A L | Within 6 mos. | 6mos. To 1 yr. | 1-2 yrs. | 2-3 yrs. | More than 3 yrs. | Past Due |
|---|--------------------------|-------------------------|-------------------------|-----------------------|-----------------------|-------------------------|-----------------------|
| A. TRADE RECEIVABLE - CONTRACT | | | | | | | |
| D.M. Consunji, Inc. | 6,024,557,341.99 | 3,726,575,450.36 | 2,263,794,514.33 | 17,601,052.62 | 16,586,324.68 | - | - |
| DMCI International, Inc. | 24,686,393.00 | | | | | | 24,686,393.00 |
| OHKI-DMCI Corporation | 2,966,841.00 | - | - | - | 2,966,841.00 | | |
| Beta Electric Corporation | 244,038,660.59 | 225,225,049.99 | 18,813,610.60 | - | - | - | - |
| Raco Haven Automation | 11,306,701.00 | - | - | - | - | 11,306,701.00 | |
| Sub-total | <u>6,307,555,937.58</u> | <u>3,951,800,500.35</u> | <u>2,282,608,124.93</u> | <u>17,601,052.62</u> | <u>19,553,165.68</u> | <u>11,306,701.00</u> | <u>24,686,393.00</u> |
| DMCI Project Developers, Inc. | 2,161,745,932.00 | 773,290,937.00 | 274,166,004.75 | 342,794,076.75 | 202,647,887.75 | - | 568,847,025.75 |
| Semirara Mining Corporation | 2,281,645,236.92 | 1,653,516,161.92 | 10,236,029.00 | 617,893,046.00 | - | - | - |
| DMCI Mining Corporation | 16,197,686.00 | 16,197,686.00 | | | | | |
| DMCI Power Corporation | 280,832,103.33 | 109,400,057.29 | 136,868,781.80 | - | - | | 34,563,264.24 |
| Wire Rope Corporation of the Philippines | 72,559,337.00 | 65,098,361.00 | 7,460,976.00 | - | - | - | - |
| Sub-total | <u>4,812,980,295.25</u> | <u>2,617,503,203.21</u> | <u>428,731,791.55</u> | <u>960,687,122.75</u> | <u>202,647,887.75</u> | <u>-</u> | <u>603,410,289.99</u> |
| RETENTION RECEIVABLE - TRADE | | | | | | | |
| D.M. Consunji, Inc. | 1,814,575,629.82 | 1,814,575,629.82 | | | | | |
| Beta Electric Corporation | 231,088,870.80 | 231,088,870.80 | | | | | |
| Sub-total | <u>2,045,664,500.62</u> | <u>2,045,664,500.62</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Contract/Retention Receivable - Trade | 13,166,200,733.45 | 8,614,968,204.18 | 2,711,339,916.48 | 978,288,175.37 | 222,201,053.43 | 11,306,701.00 | 628,096,682.99 |
| Less: Allowance for Doubtful Accounts | <u>6,977,577.00</u> | | | | | | |
| Net Trade Receivable | 13,159,223,156.45 | | | | | | |
| B. NON-TRADE RECEIVABLES | | | | | | | |
| ADVANCES - | | | | | | | |
| D.M. Consunji, Inc. | 2,082,050,176.57 | | | | | | |
| Beta Electric Corporation | 39,552,916.94 | | | | | | |
| Oriken Dynamix Company, Inc. | 3,588,758.00 | | | | | | |
| Sub-total | <u>2,125,191,851.51</u> | | | | | | |
| DMCI Holdings, Inc. | 239,612.57 | | | | | | |
| DMCI Mining Corporation | 35,884,875.00 | | | | | | |
| DMCI Project Developers, Inc. | 421,369,267.00 | | | | | | |
| DMCI Power Corporation | 6,714,927.77 | | | | | | |
| Sub-total | 2,589,400,533.85 | | | | | | |
| AFFILIATES - | | | | | | | |
| DMCI Holdings, Inc. | 71,684.53 | | | | | | |
| DMCI Project Developers, Inc. | 248,583,931.27 | | | | | | |

| | |
|--|--------------------------|
| DMCI Mining Corporation | 63,268,741.00 |
| DMCI Power Corporation | 644,613.00 |
| Semirara Mining Corporation | - |
| | <u>312,568,969.80</u> |
| Sub-total | 312,568,969.80 |
| OTHER RECEIVABLES - | |
| D.M. Consunji, Inc. | 262,416,371.51 |
| Raco Haven Automation | 3,602,481.00 |
| Beta Electric Corporation | 2,792,122.14 |
| | <u>268,810,974.65</u> |
| DMCI Holdings, Inc. | 64,700.33 |
| DMCI Project Developers, Inc. | 365,221,072.00 |
| DMCI Mining Corporation | 1,511,104.00 |
| Wire Rope Corporation of the Philippines | 167,425.00 |
| Sub-total | 635,775,275.98 |
| Total Non-trade Receivables | 3,537,744,779.63 |
| Less: Allowance for Doubtful Accounts | <u>34,947,363.00</u> |
| Net Non-trade Receivables | 3,502,797,416.63 |
| TOTAL RECEIVABLES | 16,662,020,573.08 |