

COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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

HERBERT M. CONSUNJI

Contact Person

888-3000

Company Telephone Number

(Last Wednesday of July)

1	2
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Month

3	1
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Day

Fiscal Year

SEC Form 17-Q First Quarter Interim Report 2014 FORM TYPE

0	7
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Month

2	5
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Day

Annual Meeting

N.A.

Secondary License Type, If Applicable

C	F	D
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Dept Requiring this Doc

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Amended Articles Number / Section

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Total No. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

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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 March 31, 2014
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

Table with 3 columns: Title of Each Class, No. of Shares Outstanding, Amount. Rows include Common Shares, Preferred Shares, and TOTAL.

- 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 **March 31, 2014** are contained herein.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF CONSOLIDATED OPERATIONS AND CONSOLIDATED FINANCIAL CONDITION FOR THE QUARTER AND PERIOD ENDED MARCH 31, 2014.

March 31, 2014 vs March 31, 2013

I. RESULTS OF OPERATIONS

DMCI Holdings, Inc.'s ("The Company") core income in the first quarter of 2014 grew by 39% to P2.6 billion. The robust growth primarily came from the strong performance of the coal segment as a result of higher sales volume and higher composite average price per metric ton (MT). Higher sales recognized in the real estate segment and better margins in the construction business also contributed to the strong double-digit earnings growth in the first quarter. On the other hand, the temporary stoppage of nickel operations, the scheduled power plant maintenance for Calaca Unit 2 and the lower share in net earnings from the water business as a result of the reduced effective interest in Maynilad softened the surge in core income during the first quarter.

Reported consolidated net income decreased by 75% year-on-year solely due to the one-time gain on sale realized the previous year.

Below is a table of the segmented 1st quarter net income contributions of the Company's businesses for 2014 and 2013:

NET INCOME (after Non-controlling interests)

<i>(in Php Millions)</i>	For the period & quarter		Variance	%
	2014	2013		
COAL MINING	P558	(P85)	P643	756%
NICKEL MINING	(17)	2	(19)	-950%
CONSTRUCTION	161	86	75	87%
REAL ESTATE	762	636	126	20%
POWER	638	686	(48)	-7%
WATER	495	539	(44)	-8%
PARENT & OTHERS	(7)	(7)	-	0%
CORE NET INCOME	2,590	1,857	733	39%
<i>ONE-TIME GAIN ON SALE (Parent)</i>	-	8,354	(8,354)	-
TOTAL	P2,590	P10,211	(P7,621)	-75%

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). Maynilad handles the water distribution and sewer services for the western side of Metro Manila. On February 13, 2013, MCNK JV Corporation, a

subsidiary of Marubeni Corporation, acquired 20% effective ownership in Maynilad. The transaction reduced the Company's effective interest in Maynilad from 41% to 25%. The entry of MCNK in the consortium is expected to help provide Maynilad with access to additional sources of funding and innovative technology.

Water operating efficiencies continued to improve as Maynilad reported a 5.3% increase in first quarter income from operations from P2.48 billion in 2013 to P2.61 billion in 2014. Billed volume was up 5.2%, despite an effective 3.8% reduction in water supply. Average non-revenue water (NRW) for the year-to-date was at an all-time low for a quarter, improving to 35.8% this year from 41.3% last year. Continued expansion into the southern areas of Muntinlupa, Las Piñas and Cavite brought connections up to a total of 1,145,934 billed services, a 5.3% growth from the end of the same period last year. As a result, Maynilad's water service revenue for the quarter was up by 7.9% year-on-year from P3.35 billion in 2013 to P3.61 billion in 2014.

Reported net income grew significantly at 16.2% to P2.04 billion from P1.76 billion in the prior year, due to lower interest expense on loans, despite having a higher loan level this year, as a result of the refinancing conducted last year. However, after adjustments at the consortium company level, the Company's first quarter equity in net earnings reported an 8% decline from P539 million last year to P495 million this year due to a lower effective interest as mentioned.

For the Fourth Rate Rebasing Period, Maynilad submitted the business plan for the determination of the Rates Adjustment Limit to be applied to the standard rates for the period 2013 to 2017. MWSS released Board of Trustees Resolution No. 2013-100-RO dated September 12, 2013 and Regulatory Office (RO or Regulatory Office) Resolution No. 13-010-CA dated September 10, 2013 on the rate rebasing adjustment for the rate rebasing period 2013 to 2017 reducing Maynilad's 2012 average all-in basic water charge by 4.82% or P1.46 per cubic meter (cu.m) or P0.29 per cubic meter (cu.m) per year over the next five years. Maynilad has formally notified its objection and initiated arbitration proceedings. On October 4, 2013, Maynilad filed its Dispute Notice before the Appeals Panel. On December 17, 2013, the Regulatory Office released Resolution No. 13-011-CA regarding the implementation of a status quo for Maynilad's Standard Rates and Foreign Currency Differential Adjustment (FCDA) for any and all its scheduled adjustments until such time that the Appeals Panel has issued the Final Award. The three-person panel that will hear the binding arbitration to settle Maynilad's tariff dispute with the ("MWSS") is now complete with hearings expected to begin by second half of 2014. Maynilad continues to pursue its claim vigorously while remaining committed to meeting its service level obligations.

CONSTRUCTION

The Group's construction business reported a significant increase in first quarter net income contribution from P86 million in 2013 to P161 million in 2014. In spite of the 30% decrease in revenues year-on-year, improvement of margins in the building and infra projects contributed to the net income growth.

DMCI reported a total order book (balance of work) of P20.9 billion as of March 31, 2014 from P21.1 billion as of end 2013. The orderbook amount was sustained despite recognition of revenues due to the award of new projects. These notable projects in the orderbook include NAIA Expressway project of San Miguel, TPLEX Section 2, the NAIA Terminal 1 rehabilitation, the Entertainment City Phase 1A, Viridian in Greenhills, and two power plant projects in Batangas.

Although delayed, the Company is confident that the infrastructure development programs of the current Philippine government through the Public-Private Partnership (PPP) projects is already gaining headway and will inevitably materialize. It believes it is well positioned to be both 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. The segment posted a 20%

growth in net income during the period on the back of a strong 31% increase in recognized revenues year-on-year, reaching P2.8 billion this quarter compared to P2.2 billion in the same period last year. The increase in revenue was moderated by higher cost and expenses due mainly to the increase in commissions paid and higher taxes and licenses expensed during the period.

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. Recently completed projects which contributed to the significant growth in revenues include Stellar Place-Magna in Quezon City, La Verti Residences-North Tower in Pasay, Flair-South Tower in Mandaluyong and Arista Place-Grande in Paranaque.

A better representative of current demand would be sales and reservations for the period which went up by 5% from P5.3 billion in 2013 to P5.5 billion in 2014. Sustained demand for condominium units coming mainly from new projects: The Birchwood in Taguig, Sheridan Towers in Mandaluyong and Lumiere Residences in Pasig pushed sales take-up higher. Moreover, increased take up from existing projects added to the growth in sales and reservations.

MINING & POWER

Coal Mining & 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).

Below is SMC's management discussion and analysis of results of operations and financial condition for the period ending and as of March 31, 2014 as lifted from its first quarter financial report with the PSE and SEC:

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

I. PRODUCTION – COMPARATIVE REPORT AS OF Q1 2014 vs. Q1 2013

COAL

Mining operations proceeded smoothly this period, such that total materials moved increased 76% YoY at 28.14 million bank cubic meters (bcm), from 16.00 million bcm last year. A slide in the west wall last year disrupted operations for 19 days. Strip ratio is back to normal level at 10.69:1 from 18.79:1 in Q1 2013. As a result, run-of-mine coal posted a 201% increase YoY at 2.47 million metric tons (MT) compared to 820 thousand MTs last year. Meanwhile, net product coal also increased by 165% at 2.33 million MTs from 880 million MT last year.

Coal sales volume matched production this year at 2.31 million MTs, posting a 30% increase YoY from 1.78 MTs in Q1 2013. As a result, ending inventory is about the same level as beginning inventory at 1.28 million MT, recording a 178% increase YoY compared to 460 thousand MTs in Q1 2013.

The table below shows the comparative production data for Q1 2014 and Q1 2013.

COMPARATIVE PRODUCTION DATA				
<i>(in '000, except Strip Ratio)</i>				
	Q1 '14	Q1 '13	Inc (Dec)	% Inc (Dec)
Total Materials (bcm)	28,135	16,001	12,134	76%
ROM Coal (MT)	2,467	820	1,646	201%
Strip Ratio	10.69:1	18.79:1	(8)	-43%
Net TPC (MT)	2,329	880	1,449	165%
COAL WASHING				
Washable Coal (MTs)	284	83	201	243%
Washed Coal (MTs)	171	50	120	243%
% recovery	60%	60%	(0)	0%
Beg. Inventory (MTs)	1,277	1,383	(105)	-8%
End Inventory (MTs)	1,279	460	819	178%

Aside from good weather condition, high machine utilization at 90% and use of parked equipment (for retirement), are the major factors contributing to the high production posted in the current period. Furthermore, coal mining activities are located in the area where coal quality is better at heating value of around 5,600 kcal or 10,000 BTU.

The robotic equipment that monitors slope movement is now operational. This is one of the new initiatives implemented to further strengthen safety measures and methods in open pit mining and be able to make pro-active safety programs to avoid accident.

POWER

Plant performance in Q1 2014 dropped due to only one plant running as Unit 2 undergone scheduled plant maintenance starting December 31, 2013. Total Gross generation registered at 488,778 MWH while total plant's average load reached 492MW, a 1% increase over the same quarter last year. This is attributed to Unit 1's improved average load of 236MW from 228MW.

Unit One

Gross generation of Unit 1 in Q1 2014 was recorded at 455,315 MWH. After its rehabilitation, the unit went online beginning August 2012. Average load was at 236MW using 100% Semirara coal. Capacity factor stayed in the range of 65% to 70% with 230 forced outage hours.

Unit capability was increased to 235MW from 230MW starting December 2012 with the aid of Nalco 9F-01 soot remove. The Nalco 9F-01 soot remove chemical spray is used to manage the fouling rate at the backpass of the boiler and consequently increased the unit capability.

Unit Two

Gross generation of Unit 2 for Q1 2014 was 33,463 MWH generated 5 days before it's scheduled 90-day shutdown, with an average load of 256 MW. Last year's Q1 2013 gross generation registered at 350,695 MWH with an average load of 257 MW and at a capacity factor of 54%.

Unit load was restricted to 280MW because of the leaking high pressure heaters 7 and 8. It was shut down to give way for the replacement and upgrading of the distributed control

system due to technical obsolescence at the same time finally replace HP heaters 7&8 with new ones.

The table below shows the comparative production data for Q1 2014 and Q1 2013.

COMPARATIVE PLANT PERFORMANCE DATA			
<i>Q1'14 VS Q1'13</i>			
	Q1 '14	Q1 '13	% Inc (Dec)
Gross Generation, Gwh			
Unit 1	455	466	-2%
Unit 2	33	351	-90%
Total Plant	489	816	-40%
% Availability			
Unit 1	89%	95%	-6%
Unit 2	6%	63%	-90%
Total Plant	48%	79%	-39%
Capacity Factor			
Unit 1	70%	72%	-2%
Unit 2	5%	54%	-90%
Total Plant	38%	63%	-40%

II. MARKETING – COMPARATIVE REPORT AS OF Q1 2014 vs. Q1 2013

COAL

Export sales this period comprises 63% of the pie. Total exports rose 217% YoY at 1.46 million MTs from 461 thousand MTs in Q1 2013. Coal export prices improved by 33% at PHP2,379/MT as compared to PHP1,783 last year, due to higher grade Semirara coal and the devaluation of the Philippine peso during the period.

Meanwhile, local sales dropped by 36% YoY at 847 thousand MTs from 1.32 million MTs last year. This is mainly due to the decrease in off-take by power plant and cement customers.

Sales to power plants decreased 48% YoY at 448 thousand MTs from 864 thousand MTs last year. The power subsidiary's actual off-take is lower by 45% at 334 thousand MTs from 608 thousand MTs last year, as only one unit is operational in the current period. Another power customer also cut purchases as it has opted to import to fulfill its remaining contract with coal carrier, for the transport of imported coal.

Sales to cement plants likewise dropped 33% YoY at 242 thousand MTs from 361 thousand MTs last year. Due to the incident, one cement plant purchased more than its usual volume last year as protection order, thus abnormally increasing cement sales volume in Q1 2013. Moreover, one customer is buying less coal in the current period as one of its plants is under maintenance.

Moreover, sales to other industrial plants increased 69% YoY at 157 thousand MTs from 92 thousand tons last year. Two customers increased their off-take in the current period.

Composite average FOB price per MT increased 8% YoY at PHP2,366 from 2,182 last year despite continuous softening of global coal prices. This is due to the better quality of coal produced during the current period commanding higher prices particularly to export which averages at \$53 from around \$44 a tonne last year same period.

The table below shows the comparative sales volume data for Q1 2014 and Q1 2013.

COMPARATIVE SALES VOLUME DATA						
<i>(in '000 MTs)</i>						
CUSTOMER	Q1 '14	%	Q1 '13	%	Inc (Dec)	% Inc (Dec)
Power Plants						
Calaca	334	14%	608	34%	(274)	-45%
Other PPs	115	5%	256	14%	(141)	-55%
TOTAL PPs	448	19%	864	49%	(416)	-48%
Other Industries						
Cement	242	10%	361	20%	(119)	-33%
Others	157	7%	92	5%	65	69%
Total Others	399	17%	454	26%	(55)	-12%
TOTAL LOCAL	847	37%	1,318	74%	(471)	-36%
EXPORT	1,462	63%	461	26%	1,001	217%
GRAND TOTAL	2,309	100%	1,778	100%	530	30%

POWER

SCPC's recorded sales for Q1 2014 decreased to 387 GWh, 50% lower than the recorded sales of 771 GWh for the same period in 2013 due to the scheduled maintenance shutdown of Unit 2.

Of the total energy sold, 97% or 376GWh were sold to bilateral contracts and the remaining 3% to the spot market.

SCPC's sales to bilateral contracts went down by 50% from 751 GWh sales in Q1 2013. The decline was due to the decreased in actual energy delivered because only one plant is running.

MERALCO maintained to be the biggest customer of SCPC comprising 79% share of the total energy sales for SCPC's bilateral contracts, followed by BATELEC I and Trans-Asia at 10% and 7% shares, respectively.

Spot Market Sales is lower at 11 GWh against 20 GWh in Q1 2013.

Of the total energy sold, 99% was sourced from own generation and 1% was purchased from the spot market. SCPC procured power from the spot market, during hour intervals where power units were down, or were running at a de-rated capacity, in order to be able to supply committed capacity to certain customers. Contracts with some of its customer still cover the supply of replacement power but under a "pass-thru" cost arrangement.

SCPC bilateral contracts yielded higher prices at an average price of 4.82 P/KWh compared to the 3.90 P/KWh of same period of 2013. This is due to the fixed capacity payment regardless of actual energy delivered.

The table below shows the comparative sales volume data for Q1 2014 and Q1 2013.

COMPARATIVE SALES VOLUME DATA			
<i>(in GWh)</i>			
CUSTOMER	Q1 '14	Q1 '13	% Inc (Dec)
Bilateral Contracts	376	751	-50%
Spot Sales	11	20	-43%
GRAND TOTAL	387	771	-50%
Composite Ave Price	4.82	3.89	24%

III. FINANCE

A. Sales and Profitability

Consolidated Revenues, net of eliminating entries, increased 17% YoY at PHP6.64 billion in Q1 2014 from PHP5.68 billion. Coal Revenues, before elimination, increased 41% at PHP5.47 billion from PHP3.88 billion last year as a result of higher sales volume and higher composite average price per MT. On the other hand, power Revenues dropped 38% YoY at PHP 1.87 billion from PHP3.00 billion due to drop in energy sales volume, partially offset by higher average price per KWh.

Consolidated Cost of Sales dropped 19% at PHP3.30 billion from PHP4.05 billion last year. Cost of Coal Sales before elimination managed to decrease by 15% YoY at PHP3.17 billion from PHP3.70 billion despite higher volume sold. This is mainly due to lower strip ratio backed-up by implementation of cost-saving measures to counter declining global coal prices. Cost of coal sold per MT dropped 34% YoY at PHP1,376 from PHP2,095 last year.

Meanwhile, power Cost of Sales before elimination decreased 46% YoY at PHP847 million from PHP1.58 billion; and 62% after elimination at PHP0.57 billion from PHP1.51 billion last year. Lower volume sold explains the decrease in total cost. However, Cost of Sales per KWh increased by 13% at PHP2.19 from PHP1.93 last year due to no unwashed coal utilized, as the latter is only fit for use (blending) by Unit 2 which is on shutdown.

The resulting consolidated Gross Profit increased 105% at PHP3.34 billion, with the coal and power segments each contributing PHP2.04 billion and PHP1.30 billion, respectively. Last year's consolidated Gross Profit stood at PHP1.63 billion, PHP220.99 million from coal and PHP1.41 billion from power. Consolidated Gross profit margin improved to 50% from 29% last year.

Consolidated Operating Expenses (OPEX) increased 81% YoY at PHP1.23 billion from PHP675.92 million. Net of eliminating entries, the coal segment's OPEX increased 127% YoY at PHP901.29 million from PHP397.60 million last year since higher coal Revenues correspondingly increased Government Share by 157% at PHP791.20 million from PHP307.65 million last year. Meanwhile, the power segment's OPEX after elimination decreased 7% YoY at PHP254.49 million from PHP272.43 million last year due to lower Operations & Maintenance (O&M) Fees. 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 PHP69.96 million OPEX, representing non-capitalizable expenses incurred during the period. Other pre-operating subsidiaries incurred combined OPEX of PHP99.52 thousand.

The devaluation of the PHP against the USD resulted to consolidated Forex Losses of PHP98.83 million as against gains of PHP68.32 million last year. Since most of its loans are USD-denominated, bulk of this year's Forex Losses is attributed to the coal segment, accounting for PHP91.94 million versus last year's gains of PHP69.91 million. Meanwhile, with minimal Forex exposure, the power segment incurred Forex Losses of PHP6.82 million as against PHP1.58 million last year.

Higher cash, partially offset by lower placement interest rates, resulted to 41% increased YoY on consolidated Finance Income at PHP10.32 million from PHP7.31 million last year. Higher investible funds earned the coal and power segment PHP2.00 million and PHP7.75 million Finance Income, respectively. SLPGC also earned PHP525 thousand from placements of undisbursed funds.

Consolidated Finance Costs decreased 13% YoY at PHP63.06 million from PHP72.29 million. The coal segment's interest-bearing loans dropped 11% YoY at PHP4.96 billion from PHP5.57 billion last year. However, with higher borrowing rates this period compared last year, coal Finance Costs increased 18% YoY at PHP29.38 million from PHP24.95 million last year. Meanwhile, the power segment's total ending interest-bearing loans balance dropped 24% at PHP4.96 from PHP6.53 billion last year. As a result, its Finance Cost dropped 31% YoY at PHP32.40 million from PHP47.03 million last year. SLPGC recorded uncapitalizable Finance Cost of PHP1.28 million during the period.

Consolidated Other Income increased 9% YoY at PHP60.01 million from PHP54.83 million last year. The coal segment's Other Income in the current period of PHP43.33 million is mainly insurance recoveries. Meanwhile, the power segment's Other Income decreased 69% YoY at PHP16.68 million from PHP54.02 million last year as lower fly ash is produced with only one plant running.

The resulting consolidated Net Income Before Tax (NIBT) increased 100% YoY at PHP2.01 billion from PHP1.01 billion last year.

Both operating business units enjoy Income Tax Holidays (ITH) as Board of Investments-registered companies. With these tax holidays, consolidated Provision for Income Tax remained minimal at PHP2.32 million, 69% higher than last year's PHP1.38 million as a result of higher taxable income.

The resulting consolidated Net Income After Tax (NIAT) doubled YoY at PHP2.02 billion from PHP1.01 billion last year. Net of eliminations, coal and power contributed PHP1.06 billion and PHP1.03 billion, respectively. Pre-operating SPLGC incurred non-capitalizable project expenses, thus recording losses amounting to PHP70 million. Before eliminations, coal and power recorded NIAT of PHP1.32 billion and PHP738 million, respectively. Earnings per Share (EPS) correspondingly increased 100% YoY at PHP5.68 from PHP2.83 last year.

POWER - SPUG

An added growth area of the power segment is under DMCI Power Corporation, a wholly-owned subsidiary of the Parent Company. The company and its subsidiaries are focused on getting power supply contracts with the electric cooperatives situated in the off-grid areas.

As of March 31, 2014, the total installed rated capacity of the power generating units for Masbate and Palawan are 24.4MW (12.4 MW bunker-fired and 12 MW diesel) and 33.10 MW (diesel), respectively.

The off-grid power segment total revenue went up by 55% year-on-year to P374 million this year compared to P241 million last year. Net income contribution was also up by 53% from P34 million to P52 million.

Nickel

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

Amidst weak global nickel ore price until early 2014, DMCI Mining's margins have significantly declined, prompting the company to temporarily scale back the operations. Hence, no shipments were made in the first quarter of 2014. However, the company believes that the effects of the Indonesian export ban of unprocessed ore have a potential to change supply and demand play and consequently affect the price of nickel ore in the coming months. With its recent acquisition of mine assets, the company prepares to take advantage of the opportunities that lies ahead in the nickel ore sector.

Acquisitions

On March 25, 2014, the Parent Company acquired from D&A Income Ltd. the remaining 40% interest in ENK Plc for approximately P3.1 billion. Upon completion of the acquisition, ENK became a wholly owned subsidiary of the Parent Company.

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

Explanation of movement in income statement accounts:

Cost of sales and services

It decreased by 17% despite a 2% increase in total revenues mainly due to cost-saving measures in the coal segment and better construction efficiency. Lower volume sold in the power segment also contributed to the steep decrease in total cost.

Operating Expenses

It increased by 72% primarily due to higher government share in the coal segment, higher taxes and licenses, and more real estate commissions due to higher sales.

Equity in Net Earnings

It decreased by 10% mainly caused by a lower effective interest in Maynilad. After the partial sale, the Company's effective interest was reduced from 41% to 25%.

Finance Income

Consolidated finance income decreased by 70% or P112 million mainly due to lower interest rates for short-term placements and more real estate customers availing of bank financing due to lower interest rates compared to in-house financing.

Finance Costs

Consolidated interest expense decreased by 9% or P22 million mainly due to lower borrowing rates and required capitalization of interest costs during asset construction period.

Other Income-net

It increased by 412% mainly due to net proceeds from sale of parcels of land and other income such as forfeitures or penalties in the real estate business.

Provision for Income Tax

It increased by 19% as a result of higher taxable core income.

II. FINANCIAL CONDITION

March 31, 2014 (Unaudited) vs December 31, 2013 (Audited)

The Company's financial condition for the period improved as consolidated total assets and net assets amounted to P125.8 billion and P63.6 billion, respectively as of March 31, 2014. This is a slight increase of 2% and 6%, respectively.

Consolidated cash decreased by 9% from P24.8 billion in December 31, 2013 to P22.5 billion in March 31, 2014 due mainly to payment of P3.1 billion for the remaining ENK Plc.shares.

Available for sale financial assets increased by 14% from P61 million to P70 million due to acquisition of equity investments during the period.

Total receivables (current and non-current) decreased by 4% from P20.1 billion to P19.4 billion due mainly to collections of normal trade transactions in the coal and nickel mining segments offset by additional construction billings.

Consolidated inventories remained unchanged at P23.2 billion. The continuing work in progress increased inventories at the real estate segment but it was offset by its recognized cost of sales during the first quarter.

Other current assets decreased by 41% from P7.2 billion to P4.2 billion mainly due to recoupment/application of advances to suppliers, brokers, contractors and mine rights owners.

Investments increased by 14% as a result of the Company's take up of its share in net earnings of associates in the first quarter.

Property plant & equipment-net grew by 11% coming from the ongoing construction of 2x150MW Calaca power units and normal equipment acquisitions across the different business segment which is partially offset by depreciation.

Other noncurrent assets grew by 82% from P3.0 billion to P5.4 billion mainly due to increases in deferred input vat, refundable deposits, other advances and deferred exploration costs and striping costs in the mining segments.

Accounts & other payables increased by 12% mainly attributed to normal trade transactions with suppliers and subcontractors in the construction and real estate segment.

Customers' deposits increased by 10% due to payments received from real estate customers the corresponding revenue has yet to be realized under full accrual accounting.

Liabilities for purchased land increased by 23% mainly due to the acquisition of additional land for development in the real estate segment.

Income tax payable decreased by 47% due to application of creditable withholding taxes.

Payable to related parties increased by 1,468% or P499 million mainly due to outstanding trade payables such as supply of materials, hauling, ship loading and other services acquired from affiliates.

Short-term debt decreased by 66% due to payments by the coal and power segments of short-term working capital loans during the period.

Long term debt increased slightly by 3% due mainly to drawdowns in the power business to finance expansion.

Deferred tax liabilities increased by 59% mainly due to the excess of book over tax income in real estate sales and consolidation of ENK Plc starting first quarter of 2014.

Other noncurrent liabilities decreased by 57% due mainly to payments made to trade suppliers and subcontractors in the construction segment.

Consolidated retained earnings grew by 6% primarily due to the increase in consolidated net income attributable to parent company shareholders.

Non-controlling interest increased by 9% as a result of its share in the consolidated net income of Semirara.

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

(in Php Millions)	For the period		Variance	%
	2013	2012		
COAL MINING	4,772	2,679	2,093	78%
NICKEL MINING	-	174	(174)	-100%
CONSTRUCTION*	3,222	4,604	(1,382)	-30%
REAL ESTATE	2,843	2,172	671	31%
POWER	2,241	3,238	(997)	-31%
TOTAL	13,078	12,867	211	2%

*Includes sales revenue from wire-rope

The initial indicator of the Company's gross business results are seen in the movements in the different business segment revenues. As illustrated above the significant main drivers for revenue growth are the coal and real estate sectors (see *Part I. Results of Operations – different segments for a detailed discussion per business*).

SEGMENT NET INCOME

NET INCOME (after Non-controlling interests)

(in Php Millions)	For the period & quarter		Variance	%
	2014	2013		
COAL MINING	P558	(P85)	P643	756%
NICKEL MINING	(17)	2	(19)	-950%
CONSTRUCTION	161	86	75	87%
REAL ESTATE	762	636	126	20%
POWER	638	686	(48)	-7%
WATER	495	539	(44)	-8%
PARENT & OTHERS	(7)	(7)	-	0%
CORE NET INCOME	2,590	1,857	733	39%
ONE-TIME GAIN ON SALE (Parent)	-	8,354	(8,354)	-
TOTAL	P2,590	P10,211	(P7,621)	-75%

The net income (after non-controlling interest) 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. For the period, coal, construction and real estate posted strong growth in earnings while nickel, power and water mining and construction businesses reported declines (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 P0.98/share accounting for a 75% decrease from the P3.85/share EPS last year mainly affected by the one-time gain on sale recognized in the previous 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 (see *Part II. Financial Condition for a detailed discussion*).

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 (see *Part II. Financial Condition for a detailed discussion*).

	March 31, 2014	Dec. 31 2013
Current Ratio	255%	247%
Debt to Equity Ratio	56%	61%
Asset to Equity Ratio	198%	206%
	March 31, 2014	March 31 2013
Return on Assets Ratio	3%	2%*
Return on Equity Ratio	5%	10% 4%*
Interest Coverage Ratio	1,758%	18% 1,079%* 4,525%
Gross Margin Ratio	39%	26%
Net Profit Margin Ratio	27%	18%* 83%

*Excluding one-time gain of P8.4 billion

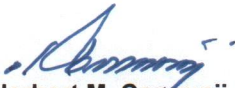
PART II--OTHER INFORMATION


1. The Company's operation is a continuous process. It is not dependent on any cycle or season;
2. Economic and infrastructure developments in the country may affect construction business; Interest rate movements may affect the performance of the real estate industry; Mining activities are generally hinge on the commodities market. Businesses not affected by known cycle, trends or uncertainties are power and water.
3. On May 15, 2014, the BOD of the Parent Company has declared cash dividends amounting P1.20 regular dividends and P1.20 special cash dividends in favor of the stockholders of record as of May 30, 2014. This is due to be paid on June 13, 2014 with a total amount of P6,373 million.
4. Subject to stockholders' approval and ratification at the annual meeting on August 5, 2014, the Board approved the declaration of stock dividends amounting to Php 10,621,976,000.00 billion, divided into 10,621,976,000 common shares at the par value of Php1.00 per share, or 4 common shares for every one common share held, from the unrestricted retained earnings of the Corporation as of December 31, 2013, and to be issued from the increase in the authorized capital stock of the Corporation. The Board likewise approved the delegation to the President of the power to determine the record date and payment date for the stock dividends.
5. Subject to stockholders' approval and ratification at the annual meeting on August 5, 2014, the Board approved the increase in the authorized capital stock of the Corporation from Php6,000,000,000.00, divided into 5,900,000,000 common shares and 100,000,000 preferred shares, both with a par value of Php1.00 per share, to Php20,000,000,000.00, divided into 19,900,000,000 common shares and 100,000,000 preferred shares, both with a par value of Php1.00 per share, by way of stock dividend declaration;
6. There were no undisclosed material subsequent events and transferring of assets not in the normal course of business that have not been disclosed for the period that the company have knowledge of;
7. There are no material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation has been disclosed in the notes to financial statements.
8. 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
9. Except for interest payments on loans, which the Company can fully service, the only significant commitment that would have a material impact on liquidity are construction guarantees. These are usually required from contractors in case of any damage / destruction to a completed project.
10. 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**
11. The Group does not have any offering of rights, granting of stock options and corresponding plans therefore.
12. All necessary disclosures were made under SEC Form 17-C

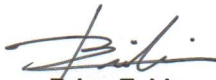
SIGNATURES


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

Signature and Title 
Aldric G. Borlaza
Senior Finance Officer


Brian T. Lim
Finance Officer


Ma. Luisa C. Austria
Accounting Officer

Date May 20, 2014

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
For the period ended March 31, 2014 and December 31, 2013
(Amounts in Thousands of Philippine Pesos,
Except Par Value and Number of Shares)

	2014	AUDITED 2013
ASSETS		
Current Assets		
Cash and cash equivalents	22,542,121	24,774,495
Financial assets at fair value through profit or loss	72,450	73,150
Available-for-sale financial assets - net	69,532	59,979
Receivables - net	13,881,465	14,961,082
Costs and estimated earnings in excess of billings on uncompleted contrac	1,363,208	986,359
Inventories - net	23,170,478	23,171,833
Other current assets	4,233,311	7,158,892
Total Current Assets	65,332,564	71,185,790
Noncurrent Assets		
Noncurrent receivables - net	5,519,008	5,186,785
Available for sale financial assets		950
Investments in associates, jointly controlled entities and others - net	13,491,358	11,883,288
Investment properties - net	269,457	270,175
Property, Plant and Equipment - net	34,805,821	31,271,246
Deferred tax assets	148,829	197,599
Pension asset	797,990	796,723
Other noncurrent assets - net	5,395,950	2,958,203
Total Noncurrent Assets	60,428,413	52,564,969
	125,760,978	123,750,759
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	714,833	2,119,296
Current portion of liabilities for purchased land	1,183,706	885,088
Accounts and other payables	15,356,394	13,764,063
Billings in Excess of Costs and estimated earnings on uncompleted contracts	55,737	3,680,765
Customers' advances and deposits	5,444,552	4,929,701
Current portion of long-term debt	2,298,978	3,386,257
Income tax payable	34,839	66,182
Payable to related parties	532,555	33,992
Total Current Liabilities	25,621,594	28,865,344
Noncurrent Liabilities		
Long-Term Debt - net of current portion	33,422,096	31,258,586
Liabilities for purchased land - net of current portion	503,431	487,389
Deferred tax liabilities - net	1,829,276	1,149,384
Pension liabilities	64,875	93,765
Other Noncurrent Liabilities	728,129	1,693,214
Total Noncurrent Liabilities	36,547,808	34,682,338
Total Liabilities	62,169,401	63,547,682
Equity		
Equity attributable to equity holders of the DMCI Holdings, Inc.:		
Paid-up capital	7,420,814	7,420,815
Retained earnings		
Appropriated	2,100,000	2,100,000
Unappropriated	44,032,018	41,441,859
Premium on acquisition of non-controlling interests	(161,033)	(161,033)
Remeasurements on retirement plans - net of tax	516,675	516,675
Net accumulated unrealized gains (losses) on AFS financial assets	6,831	6,830
Cumulative translation adjustment	(32,376)	(32,376)
	53,882,929	51,292,770
Non-controlling interests	9,708,648	8,910,307
Total Equity	63,591,577	60,203,077
	125,760,978	123,750,759

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

For the period ended March 31, 2014 and 2013 and for the quarter ended
March 31, 2014 and 2013

(Amounts in Thousands of Philippine Pesos)

	For the period		For the quarter	
	2014	2013	2014	2013
REVENUE				
Electricity sales	2,241,381	3,237,614	2,241,381	3,237,614
Construction contracts	3,025,804	4,413,078	3,025,804	4,413,078
Mining	4,772,142	2,852,461	4,772,142	2,852,461
Real estate sales	2,842,618	2,172,250	2,842,618	2,172,250
Merchandise sales and others	196,452	191,343	196,452	191,343
	13,078,397	12,866,746	13,078,397	12,866,746
COST OF SALES AND SERVICES				
Electricity sales	842,947	1,849,333	842,947	1,849,333
Construction contracts	2,634,076	3,986,852	2,634,076	3,986,852
Mining	2,732,000	2,656,807	2,732,000	2,656,807
Real estate sales	1,479,291	774,006	1,479,291	774,006
Merchandise sales and others	279,147	312,623	279,147	312,623
	7,967,461	9,579,621	7,967,461	9,579,621
GROSS PROFIT	5,110,936	3,287,125	5,110,936	3,287,125
OPERATING EXPENSES	(2,140,455)	(1,240,957)	(2,140,455)	(1,240,957)
	2,970,481	2,046,168	2,970,481	2,046,168
OTHER INCOME (LOSSES)				
Equity in net earnings of associates	484,468	538,619	484,468	538,619
Finance income	48,911	161,058	48,911	161,058
Finance costs	(219,702)	(242,449)	(219,702)	(242,449)
Gain on Sale of Shares	0	8,354,528	0	8,354,528
Other income (charges) - net	578,260	113,140	578,260	113,140
INCOME BEFORE INCOME TAX	3,862,418	10,971,064	3,862,418	10,971,064
PROVISION FOR INCOME TAX	385,207	323,605	385,207	323,605
NET INCOME	3,477,211	10,647,459	3,477,211	10,647,459
NET INCOME ATTRIBUTABLE TO				
Equity holders of DMCI Holdings, Inc.	2,590,159	10,211,332	2,590,159	10,211,332
Non-controlling interests	887,052	436,127	887,052	436,127
	3,477,211	10,647,459	3,477,211	10,647,459
Basic/Diluted Earnings Per Share	0.98	3.85	0.98	3.85

DMCI HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****For the period ended March 31, 2014 and 2013 and for the quarter ended
March 31, 2014 and 2013****(Amounts in Thousands of Philippine Pesos)**

	For the period		For the quarter	
	2014	2013	2014	2013
NET INCOME	3,477,211	10,647,459	3,477,211	10,647,459
OTHER COMPREHENSIVE INCOME				
Change in fair value on AFS financial assets				
Unrealized gain (loss) on AFS financial assets				
transferred to statement of income	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	-
Recognized revaluation increment	-	-	-	-
OTHER COMPREHENSIVE INCOME (LOSS)				
FOR THE YEAR, NET OF TAX	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3,477,211	10,647,459	3,477,211	10,647,459
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Equity holders of DMCI Holdings, Inc.	2,590,159	10,211,332	2,590,159	10,211,332
Minority interests	887,052	436,127	887,052	436,127
	3,477,211	10,647,459	3,477,211	10,647,459

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended March 31, 2014 and 2013
(Amounts in Thousands of Philippine Pesos)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	3,477,211	10,647,459
Adjustments to reconcile net income (loss) to net cash:		
Equity in net losses (earnings) of affiliates, depreciation, depletion, amortization and other non-cash items (net)	(1,774,104)	(872,254)
Income (Loss) applicable to Minority Interest	887,052	436,127
Changes in assets and liabilities:		
Decrease / (Increase) in :		
Receivables- net	747,394	(11,193,672)
Inventories - net	1,355	(790,732)
Prepaid expenses and other current assets	2,925,581	2,873,669
Increase/ (Decrease) in :		
Accounts payable and accrued expenses	2,904,363	1,824,068
Current portion of long-term debt	(1,087,279)	(1,149,524)
Billings in excess of cost of uncompleted contracts	(4,001,877)	18,369
Income tax payable	(31,343)	(63,777)
Net cash provided by operating activities	4,048,353	1,729,733
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Financial assets at fair value through profit or loss	700	(1,680)
Available for sale financial assets	(8,603)	(9,553)
Investments in associates, jointly controlled entities and others	(1,608,070)	3,102,519
Investment properties	718	(437,114)
Property, plant and equipment - net	(3,534,575)	89,568
Deferred charges and other assets - net	(2,390,244)	(830,638)
Net cash used by investing activities	(7,540,074)	1,913,102
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:		
Notes payable	(1,404,463)	464,951
Long term debt	2,163,510	1,032,047
Non current liabilities	(298,040)	45,386
Additional subscription of common shares		
Capital Stock at P1.00 par value	0	0
Additional paid-in capital	(1)	(1)
Net increase (decrease) in minority interest	798,341	462,081
Net cash provided by financing activities	1,259,347	2,004,464
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,232,374)	5,647,299
CASH AND CASH EQUIVALENTS, BEGINNING	24,774,495	9,739,025
CASH AND CASH EQUIVALENTS, ENDING	22,542,121	15,386,324

DMCI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 2014 AND 2013

	MARCH 2014	MARCH 2013
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 - 2,255,494,000 shares	2,655,494,000	2,655,494,000
Additional subscription - 400,000,000 shares	-	-
	<u>2,655,494,000</u>	<u>2,655,494,000</u>
	2,655,497,780	2,655,497,780
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	43,541,858,682	33,238,094,000
Net income(loss) for the period	2,590,159,285	10,211,331,973
Dividends paid	-	-
Balance at end of the period	<u>46,132,017,967</u>	<u>43,449,425,973</u>
Premium on Acquisition of non-controlling interest	(161,032,575)	(161,032,575)
Remeasurement losses on retirement plan	516,675,047	-
Net Unrealized Gain on AFS	6,830,702	28,910,750
Cumulative Translation Adjustment	(32,376,399)	-
TOTAL STOCKHOLDERS' EQUITY	53,882,929,193	50,738,118,599

DMCI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

DMCI Holdings, Inc. (the Parent Company) was incorporated on March 8, 1995 and is domiciled in the Philippines. The Parent Company's registered office address and principal place of business is at 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City. The Parent Company was listed in the Philippine Stock Exchange on December 18, 1995.

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, water concessionaire and manufacturing.

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

The accompanying unaudited condensed consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on May 15, 2014.

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, 2013.

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

Basis of Consolidation

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. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

Non-controlling interests pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company.

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.

Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares and options under share-based transactions.

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.

The interim unaudited condensed consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at March 31, 2014.

	March 2014			2013		
	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. (DMCI) ²	–	–	–	–	–	–
OHKI-DMCI Corporation (OHKI) ²	–	–	–	–	–	–
DMCI-Laing Construction, Inc. (DMCI-Laing) ²	–	–	–	–	–	–
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
Toledo Mining Corporation (TMC) ⁶	–	98.09	98.09	–	98.09	98.09
ENK Plc (ENK) ⁶	100	-	100	60	-	60

	March 2014			2013		
	Direct	Indirect	Effective Interest	Direct	Indirect	Effective Interest
<u>Real Estate Development:</u>						
DMCI Project Developers, Inc. (PDI)	88.87	11.13	100.00	88.87	11.13	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
<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
DMCI Technical Training Center (DMCI Training)	–	100.00	100.00	–	100.00	100.00
Wire Rope Corporation of the Philippines (Wire Rope)	45.68	16.02	61.70	45.68	16.02	61.70
Semirara Claystone, Inc. (SCI) ^{4*}	–	56.32	56.32	–	56.32	56.32
<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) ⁵	–	100.00	100.00	–	100.00	100.00
DMCI Palawan Power Corporation (DMCI Palawan) ⁵	–	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-Calaca Res Corporation (SCRC) (formerly DMCI Calaca Power Corporation) ^{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
Semirara Energy Utilities, Inc. (SEUI) ^{4*}	–	56.32	56.32	–	56.32	56.32
St. Raphael Power Generation Corporation (SRPGC) ^{4*}	–	56.32	56.32	–	56.32	56.32
SEM-Balayan Power	–	56.32	56.32	–	56.32	56.32

	March 2014			2013		
	Direct	Indirect	Effective Interest	Direct	Indirect	Effective Interest
Generation Corporation (SBPGC) ^{4*}						

* Have not yet started commercial operations as of December 31, 2013

¹ Also engaged in real estate development

² DMCI's subsidiaries

³ PDI's subsidiaries

⁴ Semirara's subsidiaries

⁵ DPC's subsidiaries

⁶ DMC's subsidiary

General Construction

DMCI

Subscription to PDI's increase in authorized capital stock

On October 30, 2009, the PDI BOD and stockholders approved the increase in the PDI's authorized capital stock from ₱3.00 billion, divided into 3,000,000,000 common shares with a par value of ₱1.00 per share, to ₱5.00 billion, divided into 5,000,000,000 common shares with a par value of ₱1.00 per share.

On December 30, 2010, the Securities and Exchange Commission (SEC) approved PDI's application for increase in authorized capital stock. Of the said increase in the authorized capital stock of 2 billion common shares at ₱1.00 par value per share, 538,132,578 common shares have been subscribed by the DMCI and the Parent Company, each subscribing 504,862,578 shares and 33,270,000 shares, respectively in exchange of real estate properties.

On September 24, 2012, PDI filed a petition for the substitution of subscription payment to the increase of capital stock from real estate properties to cash. DMCI paid the subscription in October 2012. As at December 31, 2013, PDI is still awaiting for the SEC's approval of the above petition. Subsequently on January 9, 2014, the SEC granted the petition.

Declaration of Investment in PDI as Property Dividends to the Parent Company

In October 2011, DMCI declared majority of its investment in PDI as property dividends to the Parent Company with equivalent value of ₱949.59 million representing 30.57% share in PDI.

On December 5, 2011, the SEC approved DMCI's application to declare its investment in PDI as property dividend to the Parent Company. The property dividend amounted to ₱949.59 million payable in 949,594,750 shares of stocks in PDI with same par value. As a result, PDI became 88.87% owned by the Parent Company.

Revocation of Investees' SEC Licenses

In 2013, the Company has retired its various investments in subsidiaries and associates. The Company received the notice from the SEC approving the revocation of the investees' SEC licenses. Entities whose SEC licenses are revoked include:

- DMCI-Laing Construction, Inc.
- OHKI-DMCI Corporation
- DMCI International, Inc
- Eco Process & Equipment Philippines, Inc.

Due to the revocation, the Company derecognized the investees' respective net assets in the books with remaining total carrying value of ₱16.75 million.

Mining

DMC

DMC was incorporated and domiciled in the Republic of the Philippines on May 29, 2007 primarily to carry on the business of mining, developing, exploiting, extracting, milling,

concentrating, preparing for market, manufacturing, buying, shipping and transporting, all kinds of ores, metals and minerals. It involves surface mining and direct shipping of nickel laterite ore and is conducted through simple benching operation using excavators and trucks in Sta. Cruz and Candelaria, Zambales.

On March 31, 2013, the BOD of DMC approved the acceptance of ₱1.80 billion advances from the Parent Company as deposit for future additional issuances of DMC's capital stock.

On September 24, 2013, the BOD approved the increase in the authorized capital stock of DMC from ₱0.50 billion divided into 0.50 billion shares with a par value of ₱1.00 per share to ₱5.00 billion divided into 5.00 billion shares with a par value of ₱1.00 per share.

On November 19, 2013, the Parent Company and DMC executed a Deed of Assignment of Advances wherein the BOD of DMC approved and agreed for the conversion of the advances made by the Parent Company into equity for the additional subscription to 1.80 billion shares of DMC.

On December 19, 2013, the SEC approved DMC's application for increase in its authorized capital stock. Accordingly, the advances were converted to equity and 1.80 billion shares were issued as of December 31, 2013.

TMC

In October 2012, DMC acquired 17% stake of Daintree Resources Limited in TMC for GBP 3.4 million. Such investment was accounted for as an associate as of December 31, 2012.

In 2013, DMC increased its interest in TMC by acquiring additional shares through a mandatory cash offer to TMC's shareholders representing additional 81.09% interest. As of December 31, 2013, DMC holds 49,148,335 shares and voting rights representing 98.09% of voting rights.

On December 20, 2013 after establishing the 98.09% voting rights and gaining majority seats in the BOD of TMC, DMC obtained control over TMC. TMC has subsequently delisted on London Stock Exchange – Alternative Investment Market (AIM) after the resolution for the matter has been approved on the General Meeting of Shareholders. The business combination transaction was initially accounted provisionally as allowed under PFRS 3 (see Note 33).

ENK

On March 25, 2014, the Parent Company acquired from D&A Income Ltd. the remaining 40% interest in ENK Plc for approximately P3.1 billion. Upon completion of the acquisition, ENK became a wholly owned subsidiary of the Parent Company.

Power

DPC

DPC was incorporated and domiciled in the Republic of the Philippines. It was registered with the SEC on October 16, 2006 to engage in acquiring, designing, constructing, investing in and operating electric power plants, and engaging in the business of a Generation Company in accordance with Republic Act (RA) No. 9136 otherwise known as the Electric Power Industry Reform Act (EPIRA) of 2001.

On December 17, 2013, the Parent Company and DPC entered into a Subscription Agreement for the subscription of the latter's new shares. As of the date of signing the Agreement, the authorized capital stock of DPC amounts to ₱1,000.00 million, divided into 1,000.00 million shares, with a par value of ₱1.00 per share, out of which ₱300.00 million consisting of 300.00 million shares have been previously issued to the subscriber. Subject to the terms and conditions provided in the Agreement, the Parent Company subscribed to 700.00 million new shares from

the unissued portion of DPC's existing authorized capital stock, at the subscription price of ₱1.00 per share, or a total of subscription price for all the new shares of ₱700.00 million.

Upon signing of the Agreement, ₱150.00 million has been paid in the subscription price. The balance of ₱550.00 million will be paid in two or more tranches upon the call of DPC's Board of Directors, provided the Subscriber is notified of such call at least three business days prior to the due date of payment.

DMCI Masbate

DMCI Masbate was incorporated and domiciled in the Republic of the Philippines. It was registered with the SEC on November 13, 2007 primarily to acquire, design, develop, construct, invest in and operate power generating plants in the province of Masbate and engage in the business of a generation company in accordance with RA No. 9136 otherwise known as the EPIRA and its implementing rules and regulations, and to design, develop, assemble and operate other power related facilities, appliances and devices. On February 3, 2011, the Parent Company and DPC executed a Deed of Assignment, whereby the Parent Company conveyed all its rights and interest over its subscribed 5,099,995 shares of DMCI Masbate with ₱1.00 par value each, of which ₱1.28 million has been paid. As at December 31, 2011, DMCI Masbate is wholly owned by DPC.

DMCI Palawan

DMCI Palawan Power Corporation, a wholly-owned subsidiary of DPC, was incorporated and domiciled in the Republic of the Philippines. It was registered with the Securities and Exchange Commission (SEC) on September 12, 2012 primarily to acquire, design, develop, construct, invest in and operate power generating plants in the province of Palawan and engage in the business of a generation company in accordance with RA No. 9136, otherwise known as EPIRA and its implementing rules and regulations, and to design, develop, assemble and operate other power related facilities, appliances and devices.

In 2012, DPC provided equity funding to DMCI Palawan amounting ₱2.50 million.

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. In 2011, Semirara provided equity funding to SLPGC amounting ₱770.20 million.

SCRC

SCRC is a stock corporation registered with SEC on September 14, 2009, primarily to sell electricity to any person or entity through electricity markets, by trading, or by contract, to administer, conserve and manage the electricity generated by power-generating plants, owned by its affiliates or by a third party, to invest in or acquire corporations or entities engaged in any of the foregoing activities.

Prior to 2013, the Parent Company owns 100% of common shares of SCRC. However, on March 15, 2013, the Parent Company assigned all of its 1.25 million shares in SCRC to SCPC at ₱1.00 par value or in the total amount of ₱1.25 million, making it as a wholly owned subsidiary of SCPC.

On September 25, 2013, SCPC subscribed to additional 6.75 million SCRC shares bringing the total investment in SCRC to ₱8.00 million as of December 31, 2013. The related shares were issued as of December 31, 2013. The Parent Company has 56.32% indirect ownership interest in SCPC and thus, an effective ownership interest of the same in SCRC.

SIPDI

On April 24, 2011, SIPDI was incorporated to acquire, develop, construct, invest in, operate and

maintain an economic zone capable of providing infrastructures and other support facilities for export manufacturing enterprises, information technology enterprises, tourism economic zone enterprises, medical tourism economic zone enterprises, retirement economic zone enterprises and/or agro-industrial enterprises, inclusive of the required facilities and utilities, such as light and power system, water supply and distribution system, sewerage and drainage system, pollution control devices, communication facilities, paved road network, and administration building as well as amenities required by professionals and workers involved in such enterprises, in accordance with R.A. No. 7916, as amended by R.A. No. 8748, otherwise known as the Special Economic Zone Act of 1995.

SEUI

On February 18, 2013, SEUI was incorporated to perform Qualified Third Party (QTP) functions pursuant to Section 59 of Republic Act 9136, otherwise known as the EPIRA and its Implementing Rules & Regulations”. DOE-Circular No. 2004-06-006 of the Department of Energy defines QTP as an alternative service provider authorized to serve remote and unviable areas pursuant to Section 59 of the EPIRA Law. The new company intends to act as the QTP over Barangays of Semirara, Tinogboc and Alegria, all located at Semirara Island, Caluya, Antique.

SRPGC

On September 10, 2013, SRPGC was incorporated to acquire, construct, erect, assemble, rehabilitate, expand, commission, operate and maintain power-generating plants and related facilities for the generation of electricity, including facilities to purchase, manufacture, develop or process fuel for the generation of such electricity; to sell electricity to any person or entity through electricity markets, by trading, or by contract; to administer, conserve and manage the electricity generated by power-generating plants, owned by SRPGC or by a third party, to invest in or acquire corporations or entities engaged in any of the foregoing activities.

SBPGC

On September 9, 2013, SBPGC was incorporated to acquire, construct, erect, assemble, rehabilitate, expand, commission, operate and maintain power-generating plants and related facilities for the generation of electricity, including facilities to purchase, manufacture, develop or process fuel for the generation of such electricity, to sell electricity to any person or entity through electricity markets, by trading, or by contract, to administer, conserve and manage the electricity generated by power-generating plants, owned by SBPGC or by a third party, to invest in or acquire corporations or entities engaged in any of the foregoing activities.

Manufacturing

SCI

On November 29, 2012, SCI was incorporated to engage in, conduct, and carry on the business of manufacturing, buying, selling, distributing, marketing at wholesale and retail insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description including pottery earthenware, stoneware, bricks, tiles, roofs and other merchandise produce from clay; to enter into all contracts for export, import, purchase requisition, sale at wholesale or retail and other disposition for its own account as principal or in representative capacity as manufacturer’s representative, merchandise broker, indenter, commission merchant, factors or agents, upon consignment of all goods, wares, merchandise or products natural or artificial. In 2012, Semirara provided equity funding to SCI amounting ₱2.50 million.

DMCI Training

DMCI Training was registered with SEC on August 15, 2006. The primary purpose of the company is to establish, promote, and operate training centers and or institutions in the field of science, technology, vocational and other apprenticeable trades and occupations in which qualified and deserving persons regardless of gender may be thought, developed and trained in a well-rounded theoretical and practical method.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2013, except for the adoption of new Standards and Interpretations enumerated below.

Effective 2014

- **PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)**
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- **Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)**
These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.
- **Philippine Interpretation IFRIC 21, *Levies***
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.
- **PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)**
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Company has no derivatives designated as hedging instrument and derivatives novated as of the financial reporting period.
- **PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)**
The amendments 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 affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*
The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendment has no significant impact on the Company's financial position and performance since the employees are not required to make contribution to the Company's retirement fund.

Annual Improvements to PFRSs (2010-2012 cycle)

The *Annual Improvements to PFRSs (2010-2012 cycle)* contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39. The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments have no impact on the Group's financial position or performance.
- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.
- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- *PAS 24, Related Party Disclosures - Key Management Personnel*
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- *PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
 - a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
 - b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)

The *Annual Improvements to PFRSs (2011-2013 cycle)* contain non-urgent but necessary amendments to the following standards:

- *PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard

is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- *PFRS 3, Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.
- *PFRS 13, Fair Value Measurement - Portfolio Exception*
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.
- *PAS 40, Investment Property*
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective in the Philippines. One of the standards that the Company did not early adopt is PFRS 9, *Financial Instruments*.

PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. 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 the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship

between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

In compliance with SEC Memorandum Circular No. 3, Series of 2012, the Group has conducted a study on the impact of an early adoption of PFRS 9. After careful consideration of the results on the impact evaluation, the Group has decided not to early adopt PFRS 9 for its 2013 annual financial reporting. Therefore, these consolidated financial statements do not reflect the impact of the said 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 have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The Group will make an assessment when these have been completed.

3. Preferred and Common Stock

There are no changes in the number of shares.

	March 31, 2014	December 31, 2013
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	3,780
Cancellation/retirement of issued preferred shares	0	0
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	0
Cancellation/retirement of issued preferred shares	0	0
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.

Subsequent dividends declared

The Board approved the declaration of (1) *regular cash dividends* in the amount of ₱1.20 per common share or a total of ₱3,186,592,800.00; and (2) *special cash dividends* of ₱1.20 per common share or a total of ₱3,186,592,800.00, or a grand total of ₱6,373,185,600.00 out of the unrestricted retained earnings of the Corporation as of December 31, 2013, in favor of the common stockholders of record as of May 30, 2014, and payable on June 13, 2014.

Subject to stockholders' approval and ratification at the annual meeting on August 5, 2014, the Board approved the declaration of stock dividends amounting to Php 10,621,976,000.00 billion, divided into 10,621,976,000 common shares at the par value of Php1.00 per share, or 4 common shares for every one common share held, from the unrestricted retained earnings of the Corporation as of December 31, 2013, and to be issued from the increase in the authorized capital stock of the Corporation.

The Board likewise approved the delegation to the President of the power to determine the record date and payment date for the stock dividends.

Subject to stockholders' approval and ratification at the annual meeting on August 5, 2014, the Board approved the increase in the authorized capital stock of the Corporation from Php6,000,000,000.00, divided into 5,900,000,000 common shares and 100,000,000 preferred shares, both with a par value of Php1.00 per share, to Php20,000,000,000.00, divided into 19,900,000,000 common shares and 100,000,000 preferred shares, both with a par value of Php1.00 per share, by way of stock dividend declaration;

4. Business Segments

The following tables present the net income of the specific business segments for the period and quarter ended March 31, 2014 and 2013 (amounts in thousands):

Revenues

For the period	For the Quarter
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	2014	2013	2013	2012
Power Sales	2,241,381	3,237,614	2,241,381	3,237,614
Construction Contracts	3,025,804	4,413,078	3,025,804	4,413,078
Mining	4,772,142	2,852,461	4,772,142	2,852,461
Real Estate Sales	2,842,618	2,172,250	2,842,618	2,172,250
Parent and Others	196,452	191,343	196,452	191,343
TOTAL	13,078,397	12,866,746	13,078,397	12,866,746

Net Income After Non-controlling Interests

	For the period		For the Quarter	
	2014	2013	2014	2013
Power	637,776	686,277	637,776	686,277
Construction	149,632	86,689	149,632	86,689
Mining	541,100	(83,705)	541,100	(83,705)
Real Estate	762,038	636,383	762,038	636,383
Water	495,299	538,619	495,299	538,619
Parent and Others	4,314	8,347,069	4,314	8,347,069
TOTAL	2,590,159	10,211,332	2,590,159	10,211,332

5. Operating Expenses

The following tables present the consolidated operating expenses for the period ended March 31, 2014 and 2013:

	MARCH 2014	MARCH 2013
Government Share	791,197,134	307,650,306
Salaries, Wages & Employees benefits	227,957,909	162,664,359
Advertising and Marketing Expense	89,817,980	105,736,384
Commission	185,640,758	136,758,660
Outside Services	44,497,319	32,730,637
Taxes and Licenses	245,011,015	130,182,941
Depreciation Expense	101,373,023	73,024,493
Professional Fees	80,528,058	52,286,823
Entertainment, amusement and recreation	18,515,882	13,642,759
Rental Expense	17,208,730	14,686,297
Transportation and Travel	13,125,920	9,343,036
Communication, light and water	27,502,883	18,868,344
Repairs and Maintenance	96,762,096	113,858,367
Gasoline and Oil Expense	4,014,013	4,010,368
Supplies	38,234,290	20,524,131

Insurance	22,748,057	16,287,846
Other Operating Expense	136,319,840	28,701,522
TOTAL	2,140,454,907	1,240,957,273

6. Summarized financial information of interests in related entities.

Financial information as of and for the period ended March 31, 2014 on the Company's subsidiary with material NCI follows:

Semirara Mining Corporation and Subsidiaries

Amount (in thousands):

As of:	March 31, 2014	December 31, 2013
Current assets	P 14,434,804	P 14,800,206
Non-current assets	32,564,617	29,927,185
Current liabilities	8,423,745	9,990,894
Non-current liabilities	16,426,591	14,608,985
For the period:	March 31, 2014	March 31, 2013
Revenue	6,639,128	5,675,784
Net income	2,021,574	1,009,523
Other comprehensive income	-	-
Total comprehensive income	2,021,574	1,009,523

Financial information as of and for the period ended March 31, 2014 on the Company's material interest in associate follows:

Maynilad Water Holdings Company Inc. and Subsidiary

Amount (in thousands):

As of:	March 31, 2014	December 31, 2013
Current assets	P 10,443,863	P 10,785,242
Non-current assets	70,557,508	70,003,553
Current liabilities	14,415,361	15,034,952
Non-current liabilities	34,070,388	35,072,814
Equity	31,036,378	30,681,029
For the period:	March 31, 2014	March 31, 2013
Revenue	P 4,391,310	P4,064,074
Net income	1,770,451	1,492,950
Other comprehensive income	-	-
Total comprehensive income	1,770,451	1,492,950

Investment in DMWCI is accounted for using the equity method. For the period ended March 31, 2014 and 2013, the Company received dividends from DMWCI amounting to P252 million and P4.7 billion, respectively. Equity in net earnings in the first quarter amounted to P481 million in 2014 and P539 million in 2013.

Financial information as of and for the period ended March 31, 2014 on the Company's immaterial interest in associates follows:

Subic Water and Sewerage Company, Inc.

Investment in Subic Water is accounted for using the equity method. The carrying amount of the investment in associate amounted to P247 million and P236 million as of March 31, 2014 and December 31, 2013, respectively. The unaudited share in net earnings amounted to P13.9 million for the period ended March 31, 2014.

Private Infra Dev Corporation (PIDC)

Investment in PIDC is accounted for using the equity method. The carrying amount of the investment in associate amounted to P916.2 million and P927 million as of March 31, 2014 and December 31, 2013, respectively. The unaudited share in net earnings amounted to P10.8 million for the period ended March 31, 2014.

The Company does not have any material interests in joint ventures as of March 31, 2014 and 2013.

7. Business Combination

In 2012, the Parent Company acquired existing shares of ENK Plc, a mining company with significant mining assets in the Philippines. ENK is a nickel laterite development and production company focused on developing its Acoje and Zambales chromite projects in the Philippines. The total acquisition cost amounted to P2.1 billion. In aggregate, the Parent Company owns 157.26 million shares which represents 60% ownership in ENK Plc. The remaining 40% is owned by D&A Income Ltd (D&A), an entity from United Kingdom. The investment in ENK is accounted for as an acquisition of a business.

In 2012, the Parent Company and D&A executed a Shareholders' Agreement which clearly defines the roles of the shareholders as having economic interests over ENK. The Parent Company's 60% ownership interest in ENK only allows it to exercise significant influence because of limited participation in the governance of ENK. ENK is classified as an associate of the Group and accounted for using the equity method of accounting.

On January 22, 2013, the Parent Company has acquired majority seats in the Board of ENK. Upon adoption of PFRS 10 and PFRS 11 in 2013, the Parent Company reassessed its arrangement with D&A over ENK and has determined that it has joint control over ENK because even at 60% ownership and majority seats in the Board, the strategic and financial operating decisions relating to the economic activities of ENK require the unanimous consent of both parties.

On March 25, 2014, the Parent Company acquired from D&A Income Ltd. the remaining 40% interest in ENK Plc for approximately P3.1 billion. Upon completion of the acquisition, ENK became a wholly owned subsidiary of the Parent Company.

The following table summarizes the amounts of the provisional assets acquired and liabilities assumed recognized at the acquisition date

	Fair value recognized on acquisition date
Assets	(in Php millions)
Cash and cash equivalents	P721
Receivables	6
Property, plant and equipment	62
Intangible assets	3,888
	4,677
Liabilities	
Trade payables	99
Accrued expenses	664
Other liabilities	22
	785
Fair value of identifiable net assets acquired	3,892

The Group assessed that the carrying values of the assets acquired and liabilities assumed approximates fair values for the purpose of provisional accounting.

Excess of consideration paid on the business combination of ENK Plc over the provisional fair values of net identifiable assets follow (in Php millions)

Total consideration paid for the acquisition	P5,240
Fair value of identifiable net assets acquired	3,892
(Provisional Value of) Goodwill	1,348

Goodwill is included in “Other Noncurrent Asset” account.

8. Related Party Transactions

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

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

- (a) Comprehensive surety, corporate and letters of guarantee issued by the Company for various credit facilities granted to and for full performance of certain obligations by certain related parties.
- (b) Certain assets of the Group, associates and other related parties were placed under accommodation mortgages to secure the indebtedness of the Group, its associates and other related parties.
- (c) Engineering and construction works of the water business is contracted to the construction segment of the Company. These projects are bid out to various contractors and are awarded on arms length transactions. The interrelated contracts amounted to Php 1,131,059,150.05 and Php 2,021,076,656.36 as of March 31, 2014 and March 31, 2013 respectively, where Php 157,654,733.23 and Php 90,965,107.50 were booked for the period ended March 31, 2014 and March 31, 2013 respectively.
- (d) Services rendered by DMC-CERI, an affiliate under common stockholder, relating to coal operations. These services are for the confirmatory drilling for coal reserve evaluation of identified potential areas, exploratory drilling of other minerals within Semirara Island, dewatering well drilling along cut-off wall of Panian mine and fresh water well drilling for industrial and domestic supply under an agreement.

9. Maynilad Sale

Subsequent to the subscription agreement executed between Marubeni Corporation - Nippon Koei Ltd (MCNK) and DMWC on December 28, 2012, another subscription agreement dated February 13, 2013 was executed, wherein MCNK subscribed an additional 508,853,045 common shares of DMWC for a total subscription price of ₱10.2 billion. On same date, DMWC issued these shares and MCNK has likewise fully paid these shares.

On February 13, 2013, MPIC purchased 154,992,852 common shares of stock of DMWC from the Parent Company for a total cash consideration of ₱2.4 billion. These were fully paid in cash on the same date. Also on the same date, MCNK purchased 472,455,019 common shares of stock of the DMWC from the Parent Company for a total cash consideration of ₱6.7 billion. The net gain of the Parent Company on the effective dilution and partial disposal of interest in DMWC is

estimated to be ₱8.4 billion, exclusive of other costs and charges attributable in the disposal of shares.

The above transactions resulted to the following changes in effective interest in Maynilad:

Effective interest in Maynilad	Pre-deal Ownership	Post-deal Ownership
MPIC	56.80%	52.80%
DMCI	40.98%	25.24%
MCNK	–	20.00%
ESOP/Others	2.22%	1.96%
	100.00%	100.00%

10. 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 March 31, 2014.

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 March 31, 2014 due to a reasonably possible change in equity indices, with all other variables held constant, will have an increase on equity by ₱0.74 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 March 31, 2014 due to a reasonably possible change in equity indices, with all other variables held constant, will have an increase on equity by ₱14.72 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:

	<u>03/31/2014</u>	<u>12/31/2013</u>
Domestic Market	36.69%	55.43%
Export Market	63.31%	44.57%

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 September 30, 2013 and December 31, 2012 with all other variables held constant. The change in coal prices is based on 1-year historical price movements.

<i>Based on ending coal inventory</i>	<u>Effect on income before income tax</u>	
	<u>03/31/2014</u>	<u>12/31/2013</u>
<u>Change in coal price</u>		
Increase by 17% in 2014 and 42% in 2013	1,202,888,553	1,022,494,329
Decrease by 17% in 2014 and 42% in 2013	(1,202,888,553)	(1,022,494,329)

<i>Based on coal sales volume</i>	<u>Effect on income Before income tax</u>	
	<u>03/31/2014</u>	<u>12/31/2013</u>
<u>Change in coal price</u>		
Increase by 17% in 2014 and 42% in 2013	876,000,518	5,643,685,176
Decrease by 17% in 2014 and 42% in 2013	(876,000,518)	(5,643,685,176)

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):

March 31, 2014					
	U.S. Dollar	Japanese Yen	UK Pounds	Euro	Php Equivalent
Assets					
Cash and cash equivalents	\$16,294	¥2,655	£783	€23	₱771,649
Trade receivables					
Coal mining	11,620	–	–	–	459,574
	27,914	2,655	783	23	1,231,224
Liabilities					
Accounts and other payables	13,263	–	–	–	572,977
Short-term debt	10,846	–	–	–	486,077
Long-term debt (including current portion)	94,864	–	–	–	4,251,305
	118,973	–	–	–	5,310,359
Net foreign currency denominated assets (liabilities)	(\$91,061)	¥2,655	£783	€23	(₱4,079,135)

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).

March 31, 2014

	Exchange rate movement	Effect on Profit	Effect on Equity
In Peso per U.S. Dollar			
Increase	P2	(₱182,122)	(₱127,485)
Decrease	(P2)	182,122	127,485
In Peso per Japanese Yen			
Increase	2	5,310	3,717
Decrease	(2)	(5,310)	(3,717)
In Peso per UK Pounds			
Increase	2	₱1,566	₱1,096
Decrease	(2)	(1,566)	(1,096)
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 March 31, 2014 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 March 31, 2014, the Group's exposure to bad debts is not significant.

Real estate contracts

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

Electricity sales

The Group earns substantially all of its revenue from 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.

Fair values of real estate receivables and long-term debt are based on level 3 inputs while that of available for sale financial assets and financial assets through profit or loss are from level 1 inputs.

Installment contracts receivable

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

Available for sale financial assets and Financial asset at FVPL

The fair values are based on quoted market prices.

As at March 31, 2014, the Group's AFS financial assets amounting to ₱70 million and financial assets at FVPL amounting to ₱72 million are carried at fair value based on Level 1. There were no transfers among levels 1, 2 and 3 during the interim period. Cumulative net unrealized gain on AFS reported in equity amounted to ₱6.8 million as of March 31, 2014. Mark-to-market loss on FVPL amounting to ₱0.70 million was included in other income.

Long-term debt

The carrying values approximated the fair values because of recent and regular repricing of interest rates based on current market conditions. As of March 31, 2014 and December 31, 2013, interest rates ranges from 1% to 3%.

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
 March 31, 2014

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 MARCH 31, 2014

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.	2,792,054,570.06	-	2,792,054,570.06	-	-	-	-
Beta Electric Corporation	551,024,680.88	-	551,024,680.88	-	-	-	-
Sub-total	3,343,079,250.94	-	3,343,079,250.94	-	-	-	-
DMCI Project Developers, Inc.	8,770,390,282.00	2,102,495,504.00	1,653,092,184.00	614,931,741.00	545,378,687.00	2,605,518,156.00	1,248,974,010.00
Semirara Mining Corporation	2,878,029,321.00	2,146,542,297.00	731,487,024.00	-	-	-	-
DMCI Mining Corporation	6,734,910.71	-	-	6,734,910.71	-	-	-
DMCI Power Corporation	374,005,281.00	294,834,555.00	42,109,820.00	34,019,237.00	-	-	3,041,669.00
Wire Rope Corporation of the Philippines	78,566,357.00	78,566,357.00	-	-	-	-	-
Sub-total	12,107,726,151.71	4,622,438,713.00	2,426,689,028.00	655,685,888.71	545,378,687.00	2,605,518,156.00	1,252,015,679.00
Total Contract/Retention Receivable - Trade	15,450,805,402.65	4,622,438,713.00	5,769,768,278.94	655,685,888.71	545,378,687.00	2,605,518,156.00	1,252,015,679.00
Less: Allowance for Doubtful Accounts	17,505,730.00						
Net Trade Receivable	15,433,299,672.65						
B. NON-TRADE RECEIVABLES							
ADVANCES -							
D.M. Consunji, Inc.	1,227,661,894.18						
DMCI Holdings, Inc.	1,501,127.65						
DMCI Mining Corporation	62,961,024.28						
ENK PLC	18,565,305.00						
DMCI Project Developers, Inc.	563,312,279.00						
DMCI Power Corporation	262,434,397.00						
Sub-total	2,136,436,027.11						
AFFILIATES -							
DMCI Holdings, Inc.	61,074.53						
D.M. Consunji, Inc.	960,907,780.94						
DMCI Project Developers, Inc.	125,508,930.42						

Semirara Mining Corporation	37,853,657.20
DMCI Power Corporation	10,563.00
DMCI Mining Corporation	203,934,428.92
	<u>1,328,276,435.01</u>
Sub-total	1,328,276,435.01
OTHER RECEIVABLES -	
DMCI Holdings, Inc.	886,738.71
DMCI Project Developers, Inc.	443,861,721.00
DMCI Mining Corporation	50,189,996.47
DMCI Power Corporation	7,522,885.00
Sub-total	502,461,341.18
Total Non-trade Receivables	3,967,173,803.30
Less: Allowance for Doubtful Accounts	<u>-</u>
Net Non-trade Receivables	3,967,173,803.30
TOTAL RECEIVABLES	19,400,473,475.95