

COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

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

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

HERBERT M. CONSUNJI
Contact Person

888-3000
Company Telephone Number

(Last Wednesday of July)

1 2 3 1
Month Day
Fiscal Year

SEC Form 17-Q
Second Quarter Interim Report 2015
FORM TYPE

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Annual Meeting

N.A.
Secondary License Type, If Applicable

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Dept Requiring this Doc

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended June 30, 2015
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 Industry Classification Code:
of incorporation or organization
7. 3rd Floor, Dacon Building, 2281 Pasong Tamo Ext., Makati city 1231
Address of principal office Postal Code
8. Tel. (632) 888-3000 Fax (632) 816-7362
Issuer's telephone number, including area code
9. Not applicable
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>No. of Shares Outstanding</u>	<u>Amount</u>
Common Shares	Php13,277,470,000.00	Php13,277,470,000.00
Preferred Shares	3,780.00	3,780.00
TOTAL	Php13,277,473,780.00	Php13,277,473,780.00

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

Yes [X] No []

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

Philippine Stock Exchange Class "A" Shares
Preferred Shares

12. Indicate by check mark whether the registrant:

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

Yes 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 **June 30, 2015** are contained herein.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF CONSOLIDATED OPERATIONS AND CONSOLIDATED FINANCIAL CONDITION FOR THE QUARTER AND PERIOD ENDED JUNE 30, 2015.

June 30, 2015 vs June 30, 2014

I. RESULTS OF OPERATIONS

Below is a table on the net income contributions of the Company's businesses for 2015 and 2014:

NET INCOME AFTER NON-CONTROLLING INTERESTS

<i>(in Php Millions)</i>	For the Period		Variance	
	2015	2014	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P2,670	P1,504	1,166	78%
DMCI HOMES	1,717	1,653	64	4%
MAYNILAD	1,148	943	205	22%
DMCI MINING	454	365	89	24%
D.M. CONSUNJI, INC.	333	591	(258)	-44%
DMCI POWER (SPUG)	215	125	90	72%
PARENT & OTHERS	52	(53)	105	198%
TOTAL	P6,589	P5,128	1,461	28%

The consolidated net income of DMCI Holdings, Inc. (the "Company") rose by 28% to P6.6 billion in the first half of 2015, from P5.1 billion reported during the same period last year. The double-digit growth was fueled by the strong showing of its coal energy, real estate, nickel mining, off grid power and water businesses.

Semirara Mining and Power Corporation contributed P2.7 billion during the first six months, a 78% upswing from P1.5 billion last year. The remarkable improvement was due to the strong rebound of its power generation segment. Gross

power generation surged 143% to 2,165 GWh from 893 GWh in same period last year, while its cost of sales pre-elimination decreased 25% year-on-year to P3.7 billion from P5.0 billion. The Company was exposed to higher cost of replacement power last year when the plants used up the allowable downtime provided by the terms of the power supply contracts. Since both power units are operating reliably this year, costs are kept at their normal levels. This resulted to nearly 5 times increase in pre-elimination (stand-alone) net income to reach P2.1 billion.

Meanwhile, the coal segment reported a 16% decline in pre-elimination (stand-alone) profits due to a 5% drop in its average sales price owing to weakened global coal prices. Coal sales also dropped by 5% to 4.2 million metric tons (MMT) from 4.4 MMT last year due to lower export volume.

DMCI Homes reported a 4% upswing in net income following the recognition of higher revenues from completed high-rise projects in the first six months. Excluding the effect of a gain on sale of undeveloped lot last year, net income actually rose by 18% during the said period.

Higher billed volume and continued improvement in operational performance pushed net earnings contribution from Maynilad Water Services, Inc. (Maynilad) to rise 22%, to P1.1 billion from P943 million.

DMCI Mining reported net income of P454 million, a 24% improvement from last year, and a turnaround from the P24 million net loss in the first quarter. The income growth was due to its ramped up production and shipments during the second quarter of the year. In the second quarter alone, total sales volume rose 29% year-on-year.

The off-grid power business, lodged under DMCI Power, reported a 72% increase in net income due to the addition of the 15MW bunker fired power plant in Oriental Mindoro in February 2015.

Meanwhile, earnings from D.M. Consunji, Inc. declined 44% due to delayed implementation of major public infrastructure projects and lower variation orders booked compared to last year.

SEMIRARA MINING AND POWER CORPORATION

Below is SMPC's management discussion and analysis of results of operations and financial condition for the period ending and as of June 30, 2015 as lifted from its first quarter financial report with the SEC and PSE.

MANAGEMENT DISCUSSION AND ANALYSIS

I. PRODUCTION - COMPARATIVE REPORT H1 2015 vs H1 2014

Coal

Total materials moved slightly dipped 1% YoY at 54.08 million bank cubic meters (bcm) from 54.52 million bcm in H1 2014. Some equipment were used to prepare future operating areas, explaining the slight decrease in materials movement.

Correspondingly, coal production dropped 8% YoY to 4.46 million metric tons (MTs) from 4.87 million MTs last year, with strip ratio registering at 11.42:1, up by 9% from last year's 10.45:1. Apart from the deployment of some equipment for waste stripping, a few were also used to haul coal as the coal conveying system underwent capacity upgrading in Q1 to address increasing coal demand.

With lower export sales in Q2, Coal sales volume slightly dropped by 2% YoY to 4.34 million MTs from 4.43 million MTs last year. Ending inventory in the current period was 64% lower YoY at 582 thousand MTs versus 1.62 million last year.

The table below shows the comparative production data for H1 2015 and H1 2014.

	Q1 '15	Q2 '15	H1 '15	Q1 '14	Q2 '14	H1 '14	% Inc (Dec)
PRODUCTION							
Total Materials (bcm)	26,284	27,800	54,084	28,135	26,385	54,520	-1%
TPC Coal (MT)	2,325	2,134	4,459	2,353	2,513	4,866	-8%
Strip Ratio	10.59:1	12.31:1	11.42:1	11.21:1	9.74:1	10.45:1	9%
Net TPC (MT)	2,302	2,112	4,414	2,329	2,488	4,817	-8%
Saleable Coal (MTs)	2,282	2,092	4,374	2,311	2,467	4,778	-8%
Beg. Inventory (MTs)	386	290	386	1,277	1,279	1,277	-70%
End Inventory (MTs)	290	582	582	1,279	1,623	1,623	-64%

SCPC

Both power units are operating steadily in the current semester, unlike in the previous year. Total gross generation is up 143% YoY to 2,165 GWh from 893 GWh last year. In H1 2014, Unit 2 was placed on shut down for planned maintenance and to install the new Distribution Control System (DCS).

Unit One

Gross generation of Unit 1 increased 22% YoY to 951 GWh from 782 GWh generation last year. Average capacity increased to 259 MW from 236 MW last year. High grade coal from Semirara improved the capacity of the unit this semester. Capacity factor is also up at 73% during the current semester against 60% last year.

Availability of the plant increased 11% YoY to 84% availability this semester from 76% last year. Unplanned outages significantly lowered by 69% this year to 331 hours from 1,053

hours last year as the plant incurred more downtimes in April and June last year to repair tube leaks.

Unit Two

Gross generation of Unit 2 surged 995% to 1,214 GWh from 111 GWh last year. In 2014, the 90-day scheduled planned outage for the unit started in 31 December 2013, 60 days were allotted for equipment maintenance while the remaining 30 days was allocated for DCS (Distribution Control System) commissioning. However, commissioning was delayed and the plant only started to synchronize to the grid on 13 June as problems on the installation and fine tuning of the DCS were encountered. The unit only stabilized in the succeeding quarter, with dependable capacity reaching its rated capacity of 300 MW. Average capacity improved to 292 MW from 192 MW last year. Capacity factor also improved, registering at 93% this year from only 8% last year.

Availability of the plant increased to 95% in the current period from only 13% in H1 last year. Unplanned outages this year registered at 207 hours.

The table below shows the comparative production data for H1 2015 and H1 2014.

COMPARATIVE PLANT PERFORMANCE DATA							
H1'15 VS H1'14							
	<u>Q1'15</u>	<u>Q2 '15</u>	<u>H1 '15</u>	<u>Q1'14</u>	<u>Q2 '14</u>	<u>H1 '14</u>	<u>% Inc (Dec)</u>
Gross Generation, Gwh							
Unit 1	456	495	951	455	327	782	22%
Unit 2	558	656	1,214	33	77	111	995%
Total Plant	1,014	1,151	2,165	489	404	893	143%
% Availability							
Unit 1	77%	91%	84%	89%	63%	76%	11%
Unit 2	91%	100%	95%	6%	20%	13%	620%
Total Plant	84%	96%	90%	48%	41%	45%	101%
Capacity Factor							
Unit 1	70%	75%	73%	70%	49%	60%	22%
Unit 2	86%	99%	93%	5%	12%	8%	995%
Total Plant	78%	87%	83%	38%	30%	34%	143%

II. MARKETING - COMPARATIVE REPORT H1 2015 vs. H1 2014

Coal

Coal sales recorded a minute 5% decrease at 4.23 million MTs from 4.43 million MTs in the same period last year.

Market share of export sales dropped 38% to 1.59 million MTs. This is 45% lower than H1 2014's sales of 2.87 million MTs. Domestic demand was significantly lower last year as Calaca Unit 2 was on protracted shutdown, hence more coal was available for export. Local deliveries are given priority, and only volumes that are not sold locally are exported.

In contrast, local sales swelled 69% YoY to 2.57 million MTs from 1.56 million MTs last year. The increase is mainly due to more than doubling of sales to power plants to 1.91 million MTs from 912 thousand MTs last year. Deliveries to Calaca rose by 126% YoY at 1.29 million MTs from 572 thousand MTs last year. Other power plants also increased their off-take by 82% to 620 thousand MTs from 340 thousand MTs last year, due to additional capacities and increase in the plants' usage ratio between Semirara coal and imported coal.

Similarly, sales to cement plants also increased 14% YoY to 524 thousand MTs from 461 thousand MTs last year due to higher demand for cement this year for infrastructure projects as well as increase in blend ratio of Semirara coal against imported coal.

Sales to other industrial plants likewise posted an increase of 9% YoY to 207 thousand MTs from 190 thousand MTs last year. Off-take by brokers increased in Q2 this year.

Composite average FOB price per MT decreased 5% YoY to PHP2,194 from PHP2,300 last year as global coal prices continue to drop.

The table below shows the comparative sales volume data for H1 2015 and H1 2014.

CUSTOMER	Q1 '15	Q2 '15	H1 '15	%	Q1 '14	Q2 '14	H1 '14	%	Inc (Dec)
Power Plants									
Calaca	666	626	1,292	31%	334	238	572	13%	126%
Other PPs	313	307	620	15%	165	175	340	8%	82%
TOTAL PPs	980	932	1,912	45%	499	413	912	21%	110%
Other Industries									
Cement	278	246	524	12%	242	219	461	10%	14%
Others	93	114	207	5%	106	85	190	4%	9%
Total Others	371	360	731	17%	348	304	652	15%	12%
TOTAL LOCAL	1,351	1,292	2,643	62%	847	717	1,563	35%	69%
EXPORT	1,054	534	1,587	38%	1,462	1,407	2,869	65%	-45%
GRAND TOTAL	2,404	1,826	4,230	100%	2,309	2,124	4,432	100%	-5%

SCPC's sales increased 59% YoY to 2,079 GWh from 1,311 GWh last year as both power plants are fully operational this year. The lower energy generation last year is

POWER

SCPC's sales increased 59% YoY to 2,079 GWh from 1,311 GWh last year as both power plants are fully operational this year. The lower energy generation last year is a result of the prolonged testing and commissioning of the DCS for Unit 2 and higher forced outage for Unit 1.

Of the total energy sold, 93% or 1,934 GWh were sold to bilateral contracts and the remaining 7% to the spot market.

MERALCO remained to be the single biggest customer, accounting for 85% of the total energy sales of the bilateral contracts; BATELEC I and Trans-Asia comprised 4% and 9%, respectively.

Spot Market Sales is higher by 1,165% YoY at 145 GWh against 11 GWh last year.

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 when the plants were running at a de-rated capacity, in order to be able to supply committed capacity to some of its customers.

Average price for bilateral contracts dropped 12% YoY to PHP3.46/KWh from PHP3.94/KWh in H1 2014. The contracts index Newcastle prices has been declining in the current semester against last year.

The table below shows the comparative marketing data for H1 2015 and H1 2014.

COMPARATIVE SALES VOLUME DATA							
<i>(in GWh)</i>							
CUSTOMER	Q1 '15	Q2 '15	H1 '15	Q1 '14	Q2 '14	H1 '14	% Inc (Dec)
Bilateral Contracts	902	1,031	1,934	413	886	1,299	49%
Spot Sales	80	66	145	11	-	11	1165%
GRAND TOTAL	982	1,097	2,079	425	886	1,311	59%
Composite Ave Price	3.56	3.37	3.46	4.40	3.73	3.94	-12%

III. FINANCE

A. Sales and Profitability

Consolidated Revenues, net of eliminating entries, slightly dropped 2% YoY to PHP13.71 billion from PHP13.98 billion in H1 2014. Before elimination, Coal revenues decreased 9% YoY at PHP9.27 billion from PHP10.20 billion last year. The decrease is due to lower sales volume by 92 thousand MTs and decline in composite average price to PHP2,194 from PHP2,300 last year. Meanwhile, Power Revenues rose 46% YoY to PHP 7.25 billion from PHP4.96 billion last year. Increased generation from both running power units resulted to higher sales both to contracts and spot market.

Consolidated Cost of Sales dropped 34% YoY to PH6.08 billion from PHP9.24 billion last year. Depreciation dropped 9% YoY to PHP1.09 billion from PHP1.20 billion last year.

Before eliminations, coal Cost of Sales decreased 8% YoY to PHP5.06 billion from PHP5.47 billion last year, despite the increase in strip ratio. This is primarily due to decline in volume sold combined with lower shipping costs and drop in oil prices. Cost of coal sold

per MT reduced by 2% YoY at PHP1,209 from PHP1,240 last year. Coal depreciation decreased 17% YoY to PHP574.51 million from PHP692.12million last year.

SCPC's Cost of Sales before elimination decreased 25% YoY to PHP3.72 billion from PHP4.98 billion; and 43% YoY after elimination to PHP2.51 billion from PHP4.35 billion last year. The Company was exposed to higher cost of replacement power last year when the plants used up the allowable downtime provided by the terms of the power supply contracts. Since both power units are operating reliably this year, costs are kept at their normal levels. Cost of Sales per Kwh is 53% lower YoY at PHP1.77 from PHP3.79 last year.

The resulting consolidated Gross Profit increased 61% YoY to PHP7.64 billion, with coal and power segments each contributing PHP2.95 billion and PHP4.68 billion, respectively. Last year's consolidated Gross Profit stood at PHP4.74 billion, PHP2.04 billion from coal and PHP1.30 billion from SCPC. Consolidated Gross profit margin rose to 56% from 34% last year.

Consolidated Operating Expenses (OPEX) slightly increased by 1% YoY to PHP2.09 billion from PHP2.08 billion. Net of eliminating entries, the coal segment's OPEX increased 1% YoY to PHP1.57 billion from PHP1.55 billion last year. This mainly accounts for provision for government royalties which remained at the same level at PHP1.35 billion this year versus PHP1.34 billion last year. Meanwhile, SCPC's OPEX after elimination, which is mainly comprised of management fees and taxes and licenses, slightly decreased by 1% YoY to PHP488.41 million from PHP494.20 million last year. 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 PHP31.08 million OPEX, representing non-capitalizable expenses incurred during the period. Other pre-operating subsidiaries incurred combined OPEX of PHP2.14 million.

Consolidated Forex Gains stood at PHP29.53 million, 22% higher YoY from PHP24.24 million last year due to realized gains on foreign currency denominated transactions, net of unrealized valuation losses. The peso is weaker this year, closing at USD1: PHP45.09, as against USD1: PHP44.72 as at end of H1 2014. Coal recorded Forex gains of PHP14.33 million as against PHP34.41 million last year as a result of the valuation of its USD denominated loans. SCPC also recorded gains this year of PHP 15.42 million versus losses of PHP10.10 million last year on its foreign currency denominated transactions.

Lower placement interest rates resulted to 5% YoY decrease on consolidated Finance Income to PHP22.37 million from PHP23.66 million last year. Coal and Power earned PHP8.20 million and PHP14.17 million Finance Income, respectively.

Consolidated Finance Costs increased 5% YoY to PHP151.11 million from PHP144.36 million last year due to a slight rise in borrowing rates. Coal's interest-bearing loans dropped 6% YoY to PHP4.87 billion from PHP5.17 billion last year, resulting to a 9% decrease YoY in Finance Cost to PHP52.29 million from PHP57.19 million last year. Meanwhile, after servicing its long-term loan and cutting down to half its short-term loans, SCPC's interest-bearing loans declined 41% YoY to PHP4.86 billion from PHP8.18 billion last year; however, Finance Cost increased 15% YoY to PHP97.23 million from PHP84.51 million last year due to higher borrowing rates. The benchmark of SCPC's long-term loan is changed to PDST-R2 from PDST-F, while margin is increased from 100bps to 120bps. While SLPGC's loans surged by 33% YoY to PHP11.5 billion from PHP8.63 billion last year, Finance Cost dropped

40% to PHP1.60 million from PHP2.66 million last year due to capitalization of interest expenses.

Consolidated Other Income increased 79% YoY to PHP152.89 million from PHP85.23 million last year. The coal segment's Other Income in the current period rose 73% at PHP94.79 million from PHP54.78 million in H1 2014, this mainly accounted for insurance recoveries and gain on sale of miscellaneous assets. SCPC's Other Income likewise increased 91% YoY to PHP58.11 million from PHP30.45 million last year. Both power units are operating regularly this year, unlike last year, thus producing more fly ash that is marketed as cement additive.

The resulting consolidated Net Income Before Tax (NIBT) more than doubled YoY to PHP5.60 billion from PHP2.65 billion last year.

Consolidated Provision for Income Tax surged to PHP891.52 million from PHP4.81 million last year. Coal continues to enjoy Income Tax Holiday (ITH) as a Board of Investments-registered company, while SCPC is now in a tax position. As a result, coal's tax provision remained minimal at PHP1.02 million, while SCPC recognized tax exposure of PHP889.14 million, as against PHP2.84 million last year. Notably however, SCPC has Deferred Tax Assets to partially cover the tax liability in the current period. SLPGC recorded final income tax of PHP1.36 million.

The resulting consolidated Net Income After Tax (NIAT) increase 78% YoY to PHP4.71 billion from PHP2.65 billion last year. Net of eliminations, coal generated net income of PHP1.45 billion, while SCPC generated PHP3.29 billion. Pre-operating SLPGC incurred non-capitalizable project expenses, thus recording losses amounting to PHP27.44 million. Before eliminations, coal and SCPC recorded NIAT of PHP4.22 billion and PHP2.07 billion, respectively. With higher outstanding shares after a 200% stock dividend declaration in Q3 last year, Earnings per Share (EPS) stood at PHP4.40, 78% more than same period last year's adjusted EPS of PHP2.48.

DMCI HOMES

Net income of wholly-owned subsidiary DMCI Project Developer's Inc. (PDI) rose by 4% to P1.72 billion, mainly due to higher realized revenues in 2015. Revenues increased by 8% due to completion of Sorrel Tower, La Verti Residences, Wisteria and Marsala buildings of Verawood and The Amaryllis. Excluding the effect of a gain on sale of undeveloped lot last year, net income rose by 18% in the first six months.

Unlike local industry practice of using percentage-of-completion accounting, the company adopts a more conservative approach to recognizing real estate revenues by realizing sales only when the unit is fully completed and at least 15% of contract price has been collected.

A better representative of current demand would be sales and reservations for the period, which grew 4% from P10.08 billion in 2014 to P10.44 billion in

2015. Sustained demand for residential condominium units in new and existing projects such as Lumiere Residences, Sheridan Towers and Zinnia Towers and Arista Place also helped push sales.

In the first half of 2015, the company has scheduled only one project launch with 965 residential units and 822 parking lots, with a total approximate value of P3.83 billion, which is lower by 43% compared to the previous year value of Php6.69 billion, comprising two projects. Several projects are expected to be launched in the second half of the year.

Capital expenditures went down 7% to P3.7 billion from P4.0 billion in 2014. Of the amount spent in 2015, 72% went to land acquisition while 28% went to development cost.

MAYNILAD

The Company's investment in the water business is recognized mainly through its equity investment in the partnership with Metro Pacific Investments Corporation (MPIC), with the actual operations under Maynilad Water Services, Inc. (Maynilad).

Maynilad handles the water distribution and sewer services for the western side of Metro Manila and parts of Cavite.

Operating efficiencies continued to improve in 2015, as Maynilad reported higher income from operations. From P5.30 billion, income from operations climbed 11% to P5.88 billion in 2015.

Billed volume grew 3.9% to 239 million cubic meters (MCM) compared to 230 MCM billed in 2014. With water supply growing at a marginal rate of 0.8%, average non-revenue water for the year-to-date improved to 32.30%.

Continued expansion into the southern areas of Muntinlupa, Las Piñas and Cavite brought connections up to a total of 1,229,198 billed services, a 5.7% growth from the same period last year.

As a result, Maynilad's water service revenue for the year rose by 3.1% from P7.18 billion in 2014 to P7.40 billion in 2015. Total revenues from operations, including other fees and services such as sewer services, amounted to P9.25 billion, a 3.5% increase from P8.94 billion last year.

Reported net income grew at a higher pace than revenues, improving by 19% to P4.75 billion from P3.99 billion in the prior year, due to lower interest expenses.

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 12 September 2013 and RO Resolution No. 13-010-CA dated 10 September 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.

After formally communicating its objection and initiating arbitration proceedings, Maynilad filed its Dispute Notice before the Appeals Panel on 4 October 2013.

On 21 April 2014, the Appeals Panel was deemed constituted and the formal arbitration process began, culminating in formal hearings that occurred last 24 August to 1 September 2014.

The closing memorials were submitted last 6 October, and the reply memorials on 31 October. On 5 January 2015, Maynilad officially received the Appeals Panel's award dated 29 December 2014 (the "Award"). The Award upheld Maynilad's alternative rebasing adjustment of 13.41% or an average increase of P4.06/cu.m. However, net of the of the P1.00 Currency Exchange Rate Adjustment which the MWSS has now incorporated into the basic charge, the actual increase is only 9.8% of the 2013 basic water charge of P31.28/cu.m. However, as the MWSS has not acted on the arbitration award, Maynilad has formally reminded them of the indemnity undertaking of the Republic of the Philippines (the "Republic") regarding delays in tariff implementation.

On March 27, 2015, Maynilad served the Republic the Notice of Arbitration and Statement of Claim for losses experienced by Maynilad due to the unjustified delay of the MWSS to implement the arbitral award.

On April 21, 2015, Maynilad received notice from MWSS to implement a tariff adjustment of P0.64/cu.m., which net of the P1.00 CERA, actually translates to a tariff adjustment of negative P0.36/cu.m. For being contrary to the final award as well as the provisions of the Concession Agreement, Maynilad will not implement the resolutions. Instead Maynilad will continue to pursue its claim against the Undertaking of the Philippine Republic, including bringing the Philippine Republic to international arbitration in Singapore. As of 30 June 2015, Maynilad and the Philippine Republic are still in the process of constituting the arbitral tribunal.

D.M. CONSUNJI, INC.

D.M Consunji, Inc. reported P333 million net income in the first six months of 2015, a drop of 44% year-on-year. Operating results were weakened by the delayed implementation of major public infrastructure projects due to right-of-way and utility relocation issues and the lower approved variation orders booked from P390 million last year to P170 million this year.

The company reported a total order book (balance of work) of P31.7 billion at the end of first six months 2015, from P18.5 billion at the close of 2014. Awarded projects and contract adjustments in H1 2015 totaled P19.6 billion. This includes the civil works of LRT 2 East Extension (Masinag) and Sections 1 & 2 of the Skyway Stage 3. These projects are expected to boost the revenues of the company in the next few years.

Ongoing and new projects in the orderbook include among others, the NAIA Expressway of Vertex Tollways Dev. Inc. (a unit of San Miguel Holdings Corporation), The Skyway Stage 3 of Citra Central Expressway Corp. (a unit of San Miguel Corporation), the NAIA Terminal 1 Rehabilitation, The Runway of Travellers International Hotel Group, The Viridian and The Royalton of Ortigas & Company, Second unit of 135MW coal-fired power plant of South Luzon Thermal Energy Corp., 2x150MW coal-fired power units of Southwest Luzon Power Generation Corp. and the Paranaque Sewer Network of Maynilad.

DMCI POWER (SPUG)

An added growth area of the power segment is under DMCI Power Corporation, a wholly-owned subsidiary of DMCI Holdings, Inc. DMCI Power is focused on getting power supply contracts with the electric cooperatives situated in the off-grid areas.

As of June 30, 2015, the total installed rated capacity is 74.03MW. Out of the total, 24.4MW (12.4 MW bunker-fired and 12 MW diesel) is at Masbate, 34.08MW (diesel) in Palawan and a 4x3.89 MW bunker-fired plant which started commercial operations (February 2015) in Mindoro Oriental.

Due to increase in energy dispatch of the electric cooperatives to our plants and operation in new areas in Palawan namely the municipalities of Roxas and Quezon, sales volume reported in Masbate (41 GWh) and Palawan (40 GWh) rose by 4% and 74%, respectively, year-on-year. Average price/kwh in Masbate is P12.10/kwh and P9.54/kwh in Palawan. Four months operations in Mindoro Oriental produced sales volume of 19.9 GWh at P10.55/kwh average price.

Consequently, the total off-grid generation revenue and net income went up by 21% and 72%, respectively. Revenue increased to P1.08 billion in the first six months of 2015 compared to P889 million in 2014. Meanwhile, net income went up to P215 million compared to last year's P125 million.

DMCI MINING

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

DMCI Mining posted a net income of P454 million in the first half of 2015, up 24% from P365 million in 2014.

Despite a very challenging operating environment, namely, the effects of a weak and volatile global nickel ore price, the suspension order in Acoje which prompted the company to temporarily scale back its operations in the area, and the sea-swell encountered in Berong, the company was able to pull up its sales volume to P1.1 million wet metric tons (WMT) from 703 thousand WMT in first half of last year.

Revenues amounted to P2.17 billion in 2015 as a result of more volume and higher ore grade shipments with a composite average price of P1,833 per WMT compared to P1,839 per WMT in 2014.

In 2015, ore grades shipped ranged from 1.09% to 1.83% compared to 1.07% to 1.83% in 2014. 43% of ore shipped in 2015 are high grade compared to 28% last year.

The segment's total depletion, depreciation and amortization amounted to P274 million in 2015 compared to P58 million in 2014. Total operating cash cost (under cost of sales and operating expenses) amounted to P956 million compared to P779 million in 2014.

Explanation of movement in consolidated income statement accounts:

Cost of sales and services

It decreased by 17% despite higher sales volume in real estate, power and nickel businesses because cost of sales in 2014 included higher cost of replacement power.

Operating Expenses

It increased by 9% primarily due to higher advertising and marketing cost and increased depreciation expense.

Equity in Net Earnings

It increased by 10% mainly caused by higher profits of Maynilad.

Finance Income

Consolidated finance income increased by 46% mainly due to reporting of real estate installment financing income.

Finance Costs

Consolidated interest expense increased by 8% in line with increase in loan balance.

Other Income-net

It decreased by 55% mainly due to gain on sale of undeveloped lot in 2014.

Provision for Income Tax

It increased by 155% because of income tax expense in Calaca power since its income tax holiday expired end of 2014.

II. CONSOLIDATED FINANCIAL CONDITION**June 30, 2015 (Unaudited) vs December 31, 2014 (Audited)**

The Company's financial condition for the period improved as consolidated total assets and total equity amounted to P142 billion and P68 billion, respectively as of June 30, 2015. This is a slight increase of 3% and 2%, respectively

Consolidated cash increased by 9% from P15.2 billion in 31 December 2014 to P16.6 billion in 30 June 2015 due mainly to cash flows from operations despite dividends payment of P6.4 billion at the parent level.

Available for sale financial assets increased by 16% from P68 million to P79 million due to mark-to-market gain recognized in equity.

Total receivables (current and non-current) increased by 10% from P15.8 billion to P17.5 billion mainly due to higher billed construction receivables and real estate receivables since completion of several projects were booked in 2015.

Consolidated inventories grew by 13% from P28.6 billion to P32.3 billion coming mainly from land acquisition and continuing work in progress in the real estate segment.

Other current assets decreased by 24% mainly due to realization of net input VAT and unapplied creditable taxes.

Investments increased by 6% as a result of equity in net earnings from Maynilad Holdings.

Property plant & equipment decreased by 3% mainly due to depreciation of power units and mine and construction equipment.

Other noncurrent assets grew by 51% mainly due to increases in deferred input VAT, refundable deposits, and other advances.

Accounts & other payables decreased by 16% mainly attributed to payments of normal trade transactions with suppliers and subcontractors in the construction and coal segments.

Customers' advances and deposits increased 7% due to collection from customers in ongoing real estate projects.

Income tax payable increased by 322% due to nickel segment income tax due for the second quarter.

Liabilities for purchased land increased by 66% mainly due to the acquisition of land for real estate development.

Short-term debt increased 58% due to short-term debt availment of Sem-Calaca.

Long term debt increased by 4% due mainly to drawdown for the 2x150MW power expansion.

Deferred tax liabilities increased by 6% mainly due to the excess of book over tax income in real estate sales.

Other noncurrent liabilities decreased by 12% due mainly to payment of noncurrent payables.

Consolidated retained earnings increased slightly by 1% primarily due to higher consolidated net income for the first six months of 2015 reduced by dividends declared and paid.

Non-controlling interest increased by 10% 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 Non-controlling Interests)
- c) Earnings Per Share
- d) Current Ratio
- e) Debt to Equity Ratio

SEGMENT REVENUES

<i>(in Php Millions)</i>	For the Period		Variance	%
	2015	2014		
SEMIRARA MINING AND POWER	P13,717	P13,979	(P262)	-2%
DMCI HOMES	6,992	6,483	508	8%
D.M. CONSUNJI, INC.	6,369	7,752	(1,383)	-18%
DMCI POWER (SPUG)	1,077	889	188	21%
DMCI MINING	2,166	212	1,954	921%
PARENT & OTHERS	147	152	(5)	-3%
TOTAL	P30,468	P29,467	P1,001	3%

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 on-grid and off-grid power, nickel, real estate businesses (see Part I. Results of Operations - different segments for a detailed discussion per business).

NET INCOME AFTER NON-CONTROLLING INTERESTS

<i>(in Php Millions)</i>	For the Period		Variance	
	2015	2014	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P2,670	P1,504	1,166	78%
DMCI HOMES	1,717	1,653	64	4%
MAYNILAD	1,148	943	205	22%
DMCI MINING	454	365	89	24%
D.M. CONSUNJI, INC.	333	591	(258)	-44%
DMCI POWER (SPUG)	215	125	90	72%
PARENT & OTHERS	52	(53)	105	198%
TOTAL	P6,589	P5,128	1,461	28%

The net income (after non-controlling interest) or bottom line results from operations of the Company have multiple drivers for growth from different business segments. For the period, on-grid and off-grid power, nickel, real estate, and water posted strong growth in earnings (see Part I. Results of Operations - different segments for a detailed discussion per business).

EARNINGS PER SHARE

The Company's consolidated basic and diluted earnings per share (EPS) for the period was P0.50/share accounting for a 28% increase from the P0.39/share EPS last year mainly cause by increase in consolidated net income. The previous year figure is adjusted for the effect of the 400% stock dividend paid in 2014 to make it comparable. (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 at 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).

NET 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 net debt to equity ratio. This test indicates the Company's ownership of creditors vs. owners/investors. In addition, net debt to equity or debt to equity ratio maintenance is a requirement set by creditors as a standard for extending credit. Net debt to equity ratio is computed by dividing the interest-bearing loans net of cash and cash equivalents over total equity (see Part II. Financial Condition for a detailed discussion).

OTHER RELEVANT FINANCIAL SOUNDNESS RATIOS

	June 30, 2015	December 31, 2014
Current Ratio	186%	212%
Net Debt to Equity Ratio	34%	33%
Asset to Equity Ratio	209%	206%
	June 30, 2015 (Six months)	June 30, 2014 (Six months)
Return on Assets	6%	5%
Return on Parent Equity	12%	10%
Interest Coverage Ratio	25.5 times	18.0 times
Gross Margin (%)	45%	31%
Net Profit Margin (%)	29%	21%

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 14, 2015, the BOD of the Parent Company has declared cash dividends amounting P0.24 regular dividends and P0.24 special cash dividends in favor of the stockholders of record as of May 29, 2015. This was paid on June 10, 2015 with a total amount of P6,373 million.
4. There were no undisclosed material subsequent events and transferring of assets not in the normal course of business that have not been disclosed for the period that the company have knowledge of;
5. There are no material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation has been disclosed in the notes to financial statements.
6. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period
7. Except for interest payments on loans, which the Company can fully service, the only significant commitment that would have a material impact on liquidity are construction guarantees. These are usually required from contractors in case of any damage / destruction to a completed project.
8. Any known trends or any known demands, commitments, events or uncertainties that will result in or that will have a material impact on the registrant's liquidity. - None
9. The Group does not have any offering of rights, granting of stock options and corresponding plans therefore.
10. All necessary disclosures were made under SEC Form 17-C.

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
For the period ended June 30, 2015 and December 31, 2014
(Amounts in Thousands of Philippine Pesos,
Except Par Value and Number of Shares)

	2015	AUDITED 2014
ASSETS		
Current Assets		
Cash and cash equivalents	16,626,762	15,229,768
Financial assets at fair value through profit or loss	0	70,630
Available-for-sale financial assets - net	79,093	68,300
Receivables - net	14,192,399	13,025,326
Costs and estimated earnings in excess of billings on uncompleted contrac	1,935,785	2,067,517
Inventories - net	32,335,013	28,619,668
Other current assets	6,733,239	8,890,957
Total Current Assets	71,902,291	67,972,166
Noncurrent Assets		
Noncurrent receivables - net	3,317,942	2,826,041
Investments in associates, jointly controlled entities and others - net	11,587,362	10,911,490
Investment properties - net	312,330	242,790
Property, Plant and Equipment - net	45,492,282	46,880,188
Exploration and evaluation asset	1,914,438	2,136,837
Goodwill	1,637,430	1,637,430
Deferred tax assets	347,682	724,453
Pension asset	1,146,019	1,178,058
Other noncurrent assets - net	4,003,987	2,647,452
Total Noncurrent Assets	69,759,471	69,184,739
Total Assets	141,661,762	137,156,905
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	3,212,982	2,027,207
Current portion of liabilities for purchased land	3,289,295	1,866,257
Accounts and other payables	14,345,391	17,014,127
Billings in Excess of Costs and estimated earnings on uncompleted contracts	3,788,115	2,553,814
Customers' advances and deposits	6,008,895	5,607,028
Current portion of long-term debt	6,763,742	2,576,608
Income tax payable	342,935	81,210
Payable to related parties	854,229	261,790
Total Current Liabilities	38,605,584	31,988,041
Noncurrent Liabilities		
Long-Term Debt - net of current portion	29,895,673	32,822,191
Liabilities for purchased land - net of current portion	329,429	312,929
Deferred tax liabilities - net	2,840,985	3,015,945
Pension liabilities	79,460	97,364
Other Noncurrent Liabilities	2,042,423	2,327,977
Total Noncurrent Liabilities	35,187,971	38,576,406
Total Liabilities	73,793,555	70,564,447
Equity		
Equity attributable to equity holders of the DMCI Holdings, Inc.:		
Paid-up capital	17,949,868	17,949,868
Retained earnings		
Appropriated	-	0
Unappropriated	37,480,455	37,248,367
Premium on acquisition of non-controlling interests	(161,033)	(161,033)
Remeasurements on retirement plans - net of tax	877,774	877,774
Net accumulated unrealized gains (losses) on AFS financial assets	13,057	13,057
Cumulative translation adjustment	260,252	260,252
Total Equity	56,420,373	56,188,285
Non-controlling interests	11,447,834	10,404,173
Total Equity	67,868,207	66,592,458
Total Liabilities and Equity	141,661,762	137,156,905

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

For the period ended JUNE 30, 2015 and 2014 and for the quarter ended

JUNE 30, 2015 and 2014

(Amounts in Thousands of Philippine Pesos)

	For the period		For the quarter	
	2015	2014	2015	2014
REVENUE				
Coal Mining	6,525,581	9,051,132	2,773,319	4,278,990
Electricity sales	8,268,354	5,816,878	4,343,264	3,575,497
Real estate sales	6,991,843	6,483,496	2,661,683	3,640,878
Construction contracts	6,369,305	7,751,600	3,006,690	4,725,796
Nickel Mining	2,165,983	212,189	1,742,706	212,189
Merchandise sales and others	146,566	151,573	72,843	(44,879)
	30,467,632	29,466,868	14,600,505	16,388,471
COST OF SALES AND SERVICES				
Coal Mining	3,571,790	4,803,253	1,426,444	2,071,253
Electricity sales	3,268,212	5,111,303	1,996,656	4,268,356
Real estate sales	3,443,269	3,397,259	996,258	1,917,968
Construction contracts	5,798,430	6,860,373	2,754,533	4,226,297
Nickel Mining	621,591	59,935	387,471	59,935
Merchandise sales and others	102,868	106,290	52,619	(172,857)
	16,806,160	20,338,413	7,613,981	12,370,952
GROSS PROFIT	13,661,472	9,128,455	6,986,524	4,017,519
OPERATING EXPENSES	(4,198,251)	(3,842,325)	(1,968,949)	(1,701,870)
	9,463,221	5,286,130	5,017,575	2,315,649
OTHER INCOME (LOSSES)				
Equity in net earnings of associates	1,184,204	1,078,701	638,853	594,233
Finance income	222,438	152,694	104,932	103,783
Finance costs	(426,423)	(394,207)	(170,478)	(174,505)
Other income (charges) - net	448,170	987,577	217,018	409,317
INCOME BEFORE INCOME TAX	10,891,610	7,110,895	5,807,900	3,248,477
PROVISION FOR INCOME TAX	2,075,528	814,805	1,142,521	429,598
NET INCOME	8,816,082	6,296,090	4,665,379	2,818,879
NET INCOME ATTRIBUTABLE TO				
Equity holders of DMCI Holdings, Inc.	6,589,310	5,128,857	3,530,035	2,538,698
Non-controlling interests	2,226,772	1,167,233	1,135,344	280,181
	8,816,082	6,296,090	4,665,379	2,818,879
Basic/Diluted Earnings Per Share	0.50	0.39	0.27	0.19

DMCI HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****For the period ended JUNE 30, 2015 and 2014 and for the quarter ended
JUNE 30, 2015 and 2014****(Amounts in Thousands of Philippine Pesos)**

	For the period		For the quarter	
	2015	2014	2015	2014
NET INCOME	8,816,082	6,296,090	4,665,379	2,818,879
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	8,816,082	6,296,090	4,665,379	2,818,879
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Equity holders of DMCI Holdings, Inc.	6,589,310	5,128,857	3,530,035	2,538,698
Minority interests	2,226,772	1,167,233	1,135,344	280,181
	8,816,082	6,296,090	4,665,379	2,818,879

DMCI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 2015 AND 2014

	JUNE 2015	JUNE 2014
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	13,277,470,000	2,655,494,000
Additional subscription - 400,000,000 shares	-	-
	<u>13,277,470,000</u>	<u>2,655,494,000</u>
	13,277,473,780	2,655,497,780
ADDITIONAL PAID-IN CAPITAL		
Balance at the beginning	4,765,316,671	4,765,316,671
Stock transaction cost	(92,922,746)	-
Additional Paid-in Capital of new subscribed shares	-	-
	<u>4,672,393,925</u>	<u>4,765,316,671</u>
DEPOSITS FOR FUTURE SUBSCRIPTION		
	-	-
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of the period	37,248,366,047	46,514,354,196
Net income(loss) for the period	6,605,274,826	5,128,857,359
Dividends paid	(6,373,185,600)	(6,373,185,600)
Balance at end of the period	<u>37,480,455,273</u>	<u>45,270,025,955</u>
Premium on Acquisition of non-controlling interest	(161,032,575)	(161,032,575)
Remeasurement losses on retirement plan	877,773,951	516,675,047
Net Unrealized Gain on AFS	13,057,023	6,830,702
Cumulative Translation Adjustment	260,252,068	(32,376,399)
TOTAL STOCKHOLDERS' EQUITY	56,420,373,445	53,020,937,181

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended June 30, 2015 and 2014
(Amounts in Thousands of Philippine Pesos)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	8,816,082	6,296,090
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)	(4,437,578)	1,036,292
Income (Loss) applicable to Minority Interest	2,226,772	1,167,233
Changes in assets and liabilities:		
Decrease / (Increase) in :		
Receivables- net	(1,658,974)	(2,847,093)
Inventories - net	(3,715,345)	(1,827,240)
Prepaid expenses and other current assets	2,157,718	2,690,602
Increase/ (Decrease) in :		
Accounts payable and accrued expenses	(251,392)	3,390,380
Billings in excess of cost of uncompleted contracts	1,366,033	(36,184)
Income tax payable	261,725	(7,265)
Net cash provided by operating activities	4,765,041	9,862,815
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Financial assets at fair value through profit or loss	70,630	2,870
Available for sale financial assets	(10,793)	(10,336)
Investments in associates, jointly controlled entities and others	(675,872)	(2,052,350)
Investment properties	(69,540)	(16,608)
Property, plant and equipment - net	1,387,906	(5,697,565)
Deferred charges and other assets - net	(725,326)	(5,257,392)
Net cash used by investing activities	(22,995)	(13,031,381)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:		
Notes payable	1,185,775	1,622,493
Current portion of long term debt	4,187,134	(582,742)
Long term debt	(2,926,518)	1,871,968
Non current liabilities	(461,918)	31,606
Payment of dividends	(6,373,186)	(6,373,187)
Net increase (decrease) in minority interest	1,043,661	(789,569)
Net cash provided by financing activities	(3,345,052)	(4,219,431)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,396,994	(7,387,997)
CASH AND CASH EQUIVALENTS, BEGINNING	15,229,768	24,774,495
CASH AND CASH EQUIVALENTS, ENDING	16,626,762	17,386,498

DMCI HOLDINGS, INC.
AGING OF ACCOUNTS RECEIVABLE
AS OF JUNE 30, 2015

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.	3,688,537,804.21	-	3,386,046,792.21	301,975,542.00	-	-	515,470.00
DMCI Project Developers, Inc.	3,837,294,592.53	525,528,160.53	581,091,988.00	98,724,420.00	423,631,325.00	1,745,243,862.00	463,074,837.00
Semirara Mining Corporation	3,361,520,671.87	1,967,069,969.87	1,394,450,702.00	-	-	-	-
DMCI Mining Corporation	63,101,765.96	-	-	63,101,765.96	-	-	-
ENK	60,732,067.00	-	-	60,732,067.00	-	-	-
DMCI Power Corporation	355,492,316.43	270,959,522.43	12,650,279.00	10,879,360.00	23,093,252.00	27,364,240.00	10,545,663.00
Wire Rope Corporation of the Philippines	75,082,404.00	68,089,333.00	6,993,071.00	-	-	-	-
Sub-total	11,441,761,622.00	2,831,646,985.83	5,381,232,832.21	233,437,612.96	446,724,577.00	1,772,608,102.00	473,620,500.00
Less: Allowance for Doubtful Accounts	515,272,929.00						
Net Trade Receivable	10,926,488,693.00						
B. NON-TRADE RECEIVABLES							
ADVANCES -							
D.M. Consunji, Inc.	2,004,224,738.94						
DMCI Holdings, Inc.	1,678,533.04						
DMCI Project Developers, Inc.	753,950,692.00						
Semirara Mining Corporation	473,915,460.00						
DMCI Power Corporation	32,140,839.00						
Sub-total	3,265,910,262.98						
AFFILIATES -							
DMCI Holdings, Inc.	61,074.53						
DMCI Project Developers, Inc.	9,420,527.22						
DMCI Power Corporation	1.00						
Sub-total	9,481,602.75						
OTHER RECEIVABLES -							
DMCI Holdings, Inc.	118,357.33						
DMCI Project Developers, Inc.	589,812,997.00						
DMCI Power Corporation	3,150,625.00						
Sub-total	593,081,979.33						
Total Non-trade Receivables	3,868,473,845.06						
Less: Allowance for Doubtful Accounts	-						
Net Non-trade Receivables	3,868,473,845.06						
TOTAL RECEIVABLES	14,794,962,538.06						

DMCI HOLDINGS, INC.
 ACCOUNTS RECEIVABLE DESCRIPTION
 June 30, 2015

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. 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 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 concession 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 financial statements were approved and authorized for issue by the Board of Directors (BOD) on August 13, 2015.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group 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 presentation currency is the Philippine Peso (₱). All amounts are rounded to the nearest thousand (₱000), unless otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

Statement of Compliance

The 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.

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

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any NCI
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries (which are all incorporated in the Philippines, except for Toledo Mining Corporation which is incorporated in England and Wales under the Companies Act 1985):

	June 30, 2015			December 31, 2014		
	Direct	Indirect	Effective Interest (In percentage)	Direct	Indirect	Effective Interest
<u>General Construction:</u>						
D.M. Consunji, Inc. (DMCI)	100.00	–	100.00	100.00	–	100.00
Beta Electric Corporation (Beta Electric) ¹	–	51.77	51.77	–	51.77	51.77
Raco Haven Automation Philippines, Inc. (Raco) ¹	–	50.14	50.14	–	50.14	50.14
<u>Manufacturing and others:</u>						
Oriken Dynamix Company, Inc. (Oriken) ¹	–	89.00	89.00	–	89.00	89.00
DMCI Technical Training Center (DMCI Training) ¹	–	100.00	100.00	–	100.00	100.00
<u>Coal Mining</u>						
Semirara Mining and Power Corporation (SMPC)	56.32	–	56.32	56.32	–	56.32
<u>Power</u>						
Sem-Calaca Power Corporation (SCPC) ³	–	56.32	56.32	–	56.32	56.32
Southwest Luzon Power Generation Corporation (SLPGC) ^{3*}	–	56.32	56.32	–	56.32	56.32
Sem-Calaca Res Corporation (SCRC) ^{3*}	–	56.32	56.32	–	56.32	56.32
SEM-Cal Industrial Park Developers, Inc. (SIPDI) ^{3*}	–	56.32	56.32	–	56.32	56.32
Semirara Energy Utilities, Inc. (SEUI) ^{3*}	–	56.32	56.32	–	56.32	56.32
St. Raphael Power Generation Corporation (SRPGC) ^{3*}	–	56.32	56.32	–	56.32	56.32
SEM-Balayan Power Generation Corporation (SBPGC) ^{3*}	–	56.32	56.32	–	56.32	56.32
Semirara Claystone, Inc. (SCI) ^{3*}	–	56.32	56.32	–	56.32	56.32
DMCI Power Corporation (DPC)	100.00	–	100.00	100.00	–	100.00
DMCI Masbate Power Corporation (DMCI Masbate) ⁴	–	100.00	100.00	–	100.00	100.00
DMCI Palawan Power Corporation (DMCI Palawan) ⁴	–	100.00	100.00	–	100.00	100.00
<u>Nickel Mining:</u>						
DMCI Mining Corporation (DMC)	100.00	–	100.00	100.00	–	100.00
Toledo Mining Corporation (TMC) ⁵	–	–	–	–	–	–
Berong Nickel Corporation (BNC) ⁵	–	74.80	74.80	–	74.80	74.80
Ulugan Resources Holdings, Inc. (URHI) ⁵	–	30.00	30.00	–	30.00	30.00
Ulugan Nickel Corporation (UNC) ⁵	–	58.00	58.00	–	58.00	58.00
Nickeline Resources Holdings, Inc. (NRHI) ⁵	–	58.00	58.00	–	58.00	58.00
TMM Management, Inc. (TMM) ⁵	–	40.00	40.00	–	40.00	40.00
Zambales Diversified Metals Corporation (ZDMC) ⁵	–	100.00	100.00	–	100.00	100.00
Zambales Chromite Mining Company Inc. (ZCMC) ⁵	–	100.00	100.00	–	100.00	100.00
Fil-Asian Strategic Resources & Properties Corporation (FASRPC) ⁵	–	100.00	100.00	–	100.00	100.00
Montague Resources Philippines Corporation (MRPC) ⁵	–	100.00	100.00	–	100.00	100.00
Montemina Resources Corporation (MRC) ⁵	–	100.00	100.00	–	100.00	100.00
Mt. Lanat Metals Corporation (MLMC) ⁵	–	100.00	100.00	–	100.00	100.00
ENK Plc. (ENK)	100.00	–	100.00	100.00	–	100.00
European Nickel Iberia SL (EN Iberia) ⁶	–	100.00	100.00	–	100.00	100.00
European Nickel Spain SL (EN Spain) ⁶	–	100.00	100.00	–	100.00	100.00
Rusina Mining Ltd. (Rusina) ⁶	–	100.00	100.00	–	100.00	100.00
European Nickel Holland BV (EN Holland) ⁶	–	100.00	100.00	–	100.00	100.00
European Nickel Philland BV (EN Philland) ⁶	–	100.00	100.00	–	100.00	100.00
European Nickel PLC - Regional Operating Headquarters (EN ROHQ) ⁶	–	100.00	100.00	–	100.00	100.00
Enickel Berhold, Inc. (EBI) ⁶	–	100.00	100.00	–	100.00	100.00
Enickel Holdings, Inc. (EHI) ^{6*}	–	100.00	100.00	–	100.00	100.00

(Forward)

	June 30, 2015			December 31, 2014		
	Direct	Indirect	Effective Interest (In percentage)	Direct	Indirect	Effective Interest
Fil-Euro Asia Nickel Corporation (FEANC) ⁶	–	100.00	100.00	–	100.00	100.00
Heraan Holdings, Inc. (HHI) ⁶	–	100.00	100.00	–	100.00	100.00
Zambales Nickel Processing Corporation (ZNPC) ⁶	–	100.00	100.00	–	100.00	100.00
Zamnorth Holdings Corporation (ZHC) ⁶	–	100.00	100.00	–	100.00	100.00
ZDMC Holdings Corporation (ZDMCHC) ⁶	–	100.00	100.00	–	100.00	100.00
<u>Real Estate Development:</u>						
DMCI Project Developers, Inc. (PDI)	100.00	–	100.00	100.00	–	100.00
Hampstead Gardens Corporation (Hampstead) ²	–	100.00	100.00	–	100.00	100.00
Riviera Land Corporation (Riviera) ²	–	100.00	100.00	–	100.00	100.00
DMCI-PDI Hotels, Inc. (PDI Hotels) ²	–	100.00	100.00	–	100.00	100.00
DMCI Homes Property Management Corporation (DPMC) ²	–	100.00	100.00	–	100.00	100.00
<u>Marketing Arm:</u>						
DMCI Homes, Inc. (DMCI Homes) ²	–	100.00	100.00	–	100.00	100.00
<u>Manufacturing:</u>						
Semirara Cement Corporation (SemCem) *	100.00	–	100.00	100.00	–	100.00
Wire Rope Corporation of the Philippines (Wire Rope)	45.68	16.02	61.70	45.68	16.02	61.70

* Have not yet started commercial operations as of December 31, 2014

¹ DMCI's subsidiaries

² PDI's subsidiaries

³ Semirara's subsidiaries

⁴ DPC's subsidiaries

⁵ DMC's subsidiaries

⁶ ENK's subsidiaries

General Construction

DMCI

DMCI was incorporated in the Philippines on December 24, 1954 primarily to engage in and carry on the trade and business of engineering, general building and contracting.

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. 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.

On April 7, 2014, DMCI declared its remaining investment in PDI as property dividends to the Parent Company with equivalent value of ₱504.86 million representing 11.13% share in PDI.

On September 9, 2014, the SEC approved DMCI's application to declare its investment in PDI as property dividend to the Parent Company. The property dividend amounted to ₱504.86 million payable in 504,862,578 shares of stocks in PDI with same par value. As a result, PDI became a directly wholly owned subsidiary of the Parent Company.

Revocation of Investees' SEC Licenses

In 2013, DMCI has retired its various investments in subsidiaries and associates. DMCI 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, DMCI derecognized the investees' respective net assets in the books with remaining total carrying value of ₱16.75 million in 2013.

Mining

SMPC

SMPC was incorporated and domiciled in the Philippines on February 26, 1980 primarily to search for, prospect, explore, dig and drill, mine, exploit, extract, produce, mill, purchase or otherwise acquire, store, hold transport, use experiment with, market, distribute, exchange, sell and otherwise dispose of, import, export and handle, trade, and generally deal in, ship coal, coke, and other coal products of all grades, kinds, forms, descriptions and combinations and in general the products and by-products which may be derived, produced, prepared, developed, compounded, made or manufactured there; to acquire, own, maintain and exercise the rights and privileges under the coal operating contract within the purview of Presidential Decree No. 972, "The Coal Development Act of 1976", and any amendments thereto.

On August 18, 2014, the SEC approved the change in the corporate name of Semirara Mining Corporation to "Semirara Mining and Power Corporation". This change was sought to reflect the forward integration of the SMPC's business as a coal supplier or producer to power generation through its wholly-owned subsidiaries.

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 17.01% 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 81.05% interest. As of December 31, 2013, DMC holds 49,148,335 shares and voting rights representing 98.06% of voting rights and the remaining 1.94% is covered by mandatory call option.

On December 20, 2013 after establishing the 98.06% 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.

In 2014, the remaining price for the 1.94% of TMC was paid by DMC. In 2013, the business combination transaction was initially accounted provisionally as allowed under PFRS 3. The business combination of the purchase of TMC shares was finalized in 2014 (see Note 33).

As of June 18, 2014, the Group (through combined TMC and DMC ownerships) has the following investments in associates (collectively called mining entities).

- | | | |
|----|---|--|
| a) | Ulugan Resources Holdings, Inc. (URHI) | - 30% direct interest |
| b) | Nickeline Resources Holdings, Inc. (NRHI) | - 58% effective interest (40% direct, 18% through URHI) |
| c) | Ulugan Nickel Corporation (UNC) | - 58% effective interest (40% direct, 18% through URHI) |
| d) | Berong Nickel Corporation (BNC) | - 74.80% effective interest (40% direct, 34.80% through URHI and NRHI) |
| e) | TMM Management, Inc. (TMM) | - 40% direct interest |
| f) | Ipilan Nickel Corporation (INC) | - 52% effective interest (40% direct, 12% through NLRI) |
| g) | Nickel Laterite Resources, Inc. (NLRI) | - 20% direct interest |

The remaining ownership of the above associates are owned by Atlas Consolidated Mining Corp. (Atlas), a third party.

In June 2014, organizational meetings were held for the above entities, wherein the voting rights held by Atlas were assigned to the representative of the Group. In that same meeting, management team from the Group were assigned as key officers of the above entities. Further, on July 11, 2014, a Memorandum of Agreement (MOA) was entered between TMC and Atlas, which set out the material terms under which the parties have agreed to hold their respective investments in respect of the exploration, development and utilization of Berong Mineral Properties (mining tenements or Mineral Production Sharing Agreement (MPSA) applications underlying the Berong Nickel Project, as well as all surface rights or rights of way and easements within or around the Berong Nickel Project necessary for operations) defined in the joint venture agreement dated January 9, 2005. The said MOA sets out the rights of each of Atlas and TMC including the assignment of board seats, majority of which were assigned to TMC and delegation to TMC of the day to day operations and critical decision making in running the mining operations. Due to these factors, the Group believes that through TMC, they now have control over the above mining

entities, and thus were accounted for subsidiaries, instead of associates. Consequently, Atlas deconsolidated the above entities. Gain on bargain purchase recognized from the business combination amounted to of ₱257.50 million (Note 33).

On August 8, 2014, the following shares owned by TMC were transferred to DMC as part of the re-organization.

- a) 40% of BNC
- b) 9% of NRHI
- c) 30% of URHI
- d) 40% of UNC
- e) 40% of TMM

As of December 31, 2014, the Deeds of transfer and payment of corresponding DST have been already completed and paid. The Companies are still awaiting for the Certificate Authorizing Registration (CAR).

On December 1, 2014, TMC transferred the following shares to DMC.

1. 40% of INC
2. 20% of NLRI

The above re-organization effectively transferred the entire shares of TMC in the mining entities to DMC and did not change the existing total and effective ownership of the Group.

On December 1, 2014, DMC sold the following to Southeast Palawan Nickel Ventures, Inc. (an outside party):

- 1) Sale of 40% shares of INC and 20% shares of NLRI at book value of ₱1.50 million
- 2) Sale of receivables from INC and NLRI with proceeds amounting to ₱617.30 million.

On December 19, 2014, DMC sold its investment in TMC to a third party individual with proceeds amounting ₱1,000.

Below are the nature of operations of the newly acquired subsidiaries:

Berong Nickel Corporation (BNC)

BNC was registered with the SEC on September 27, 2004, for the purpose of exploring, developing and mining the Berong Mineral Properties located in Barangay Berong, Quezon, province of Palawan. BNC shall have the exclusive privilege and right to explore, develop, mine, operate, produce, utilize, process and dispose of all the minerals and the products or by-products that may be produced, extracted, gathered, recovered, unearthed or found within the Mineral Properties, inclusive of Direct Shipping Project, under the MPSA with the Government of the Philippines or under any appropriate rights granted by law or the Government of the Philippines. On October 28, 2014, the stockholders approved the amendment of BNC's Articles of Incorporation changing its principal office address to 3rd Floor, DMCI Homes Corporate Center, 1321 Apolinario Street, Brgy. Bangkal, Makati City.

Ulugan Resources Holdings, Inc. (URHI)

URHI was registered with the SEC on June 23, 2005 for the purpose of generally dealing in and with personal properties and securities of every kind and description of any government, municipality, political subdivision or agency, corporation, association or entity; exercising any and all interest in respect of any of such securities; and promoting, managing, and participating in and act as agent for the purchase and sale of any securities as may be allowed by law.

On October 28, 2014, the stockholders approved the amendment of URHI's Articles of Incorporation changing its principal office address to 3rd Floor, DMCI Homes Corporate Center, 1321 Apolinario Street, Brgy. Bangkal, Makati City.

Ulugan Nickel Corporation (UNC)

UNC was registered with the SEC on June 23, 2005 for the purpose of exploring, developing and mining Ulugan Mineral Properties and the exclusive privilege and right to explore, develop, mine, operate, produce, utilize, process and dispose of all the minerals and the products or by-products that may be produced, extracted, gathered, recovered, unearthened, or found within the mineral properties, inclusive of direct shipping project, under the MPSA with the Government of the Philippines or under any appropriate rights granted by law or the Government of the Philippines.

On October 28, 2014, the stockholders approved the amendment of UNC's Articles of Incorporation changing its principal office address to 3rd Floor, DMCI Homes Corporate Center, 1321 Apolinario Street, Brgy. Bangkal, Makati City.

Nickeline Resources Holdings, Inc. (NRHI)

NRHI was registered with the SEC on August 15, 2005 primarily to subscribe for, receive, purchase or otherwise acquire, obtain an interest in, own, hold, pledge, hypothecate, mortgage, assign, deposit, create trusts with respect to, deal in, exchange, sell and otherwise dispose of, alone or insyndicates or otherwise in conjunction with others, and generally deal in and with any kind of shares and securities and to exercise all the rights, powers and privileges of ownership or interest in respect to them.

On October 28, 2014, the stockholders approved the amendment of NRHI's Articles of Incorporation changing its principal office address to 3rd Floor, DMCI Homes Corporate Center, 1321 Apolinario Street, Brgy. Bangkal, Makati City.

TMM Management Inc. (TMM)

TMM was registered with the SEC on September 28, 2004, primarily to act as managers or managing agents of persons, firms, associations, corporations, partnership and other entities, to provide management, investment and technical advice for commercial, industrial, manufacturing and other kinds of enterprises, and to undertake, carry on or participate in the promotion, organization, management, liquidation or reorganization of operations, partnerships and other entities, except the management of funds, securities, portfolios and other similar assets of the managed entity.

On October 28, 2014, the stockholders approved the amendment of the TMM's Articles of Incorporation to change its office address to 3rd Floor, DMCI Homes Corporate Center, 1321 Apolinario Street, Brgy. Bangkal, Makati City.
ENK Plc. (ENK)

As discussed in Note 11, ENK (an entity incorporated in London, United Kingdom) was previously treated as a joint venture investment between the Parent Company and D&A Income Ltd. The Parent Company owns 60% of ENK as of December 31, 2013. ENK Plc has the following 100% owned foreign and local subsidiaries:

The foreign subsidiaries include: (a) European Nickel Iberia SL; (b) European Nickel Spain SL; (c) Rusina Mining Ltd.; (d) European Nickel Holland BV; and (e) European Nickel Philland BV.

The local subsidiaries include: (a) European Nickel PLC-Regional Operating Headquarters; (b) Enickel Holdings, Inc.; (c) Enickel Berhold, Inc.; (d) Heraan Holdings, Inc.; (e) Asian Nickel Research and Technology Corporation; (f) Zambales Nickel Processing Corporation; (g) Zamnorth Holdings Corporation; (h) ZDMC Holdings Corporation; (i) Fil-Euro Asia Nickel

Corporation (FEANC); (g) Fil-Asian Strategic Resources & Properties Corporation (FASRPC); (h) Montemina Resources Corporation (MRC); (i) Montague Resources Philippines Corporation (MRPC); (j) Mt. Lanat Metals Corporation (MLMC); (k) Zambales Chromite Mining Company, Inc. (ZCMC) ; and (l) Zambales Diversified Metals Corp. (ZMDC).

On March 25, 2014, the Parent Company purchased from D&A Income Ltd. the remaining 40% interest in ENK and its subsidiaries for approximately ₱3.12 billion, making these subsidiaries. The business combination was completed on April 3, 2014 when the directors representing D&A resigned and the positions were occupied by the representatives of the Parent Company. Goodwill recognized from the business combination amounted to of ₱1,637.43 million.

Below are the nature of operations of the newly acquired subsidiaries:

Foreign Subsidiaries:

The following entities were acquired in 2014 and were organized primarily to participate in, to cooperate with or manage finance other enterprises and to have an interest, in whatever way, in other enterprises, as well as guarantee the debts of third parties:

- (a) European Nickel Iberia SL
- (b) European Nickel Spain SL
- (c) Rusina Mining Ltd.
- (d) European Nickel Holland BV (Netherlands)
- (e) European Nickel Philland BV (Netherlands)

Local Subsidiaries:

- (a) European Nickel PLC-ROHQ (EN ROHQ)

The EN ROHQ was establish to engage in general administration and planning; business planning and coordination; sourcing/procurement of raw materials and components; corporate finance advisory services; marketing control and sales promotion; training and personnel management; logistic services; research and development services and product development; technical support and maintenance; data processing and communication; and business development, solely for its own affiliates, subsidiaries or branches in the Philippines and other foreign markets as declared in its registration with the SEC. The SEC registration does not allow the ROHQ to directly or indirectly engage in the sale and distribution of goods and services of its mother company, branches, affiliates, subsidiaries or any other company.

- (b) Enickel Holdings, Inc. (EHI)

EHI was incorporated in the Philippines and registered with the SEC on April 28, 2008 in accordance with the Corporation Code of the Philippines and the Foreign Investment Act of 1991, as amended. Its primary purpose is to operate as a domestic market enterprise which produces goods for sale, or renders services or otherwise engages in any business in the Philippines. As at December 31, 2014, EHI has not yet started commercial operations.

- (c) Enickel Berhold, Inc. (EBI)

EBI was registered with the SEC on October 14, 2008 in accordance with the Corporation Code of the Philippines and the Foreign Investments Act of 1991, primarily to invest in, purchase, or otherwise acquire and own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of properties of every kind and description, except land, including shares of stock, membership certificates, bonds, debentures, notes, evidences of indebtedness, and other securities of obligations of any domestic or foreign corporations, for whatever lawful purposes.

- (d) Heraan Holdings, Inc. (HHI)

HHI was registered with the SEC on February 27, 2008 to invest in, purchase, or otherwise acquire and own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stock, membership

certificates, bonds, debentures, notes, evidences of indebtedness, and other securities, provided, that the corporation shall not engage in the business of a stock broker or dealer in securities.

(e) Asian Nickel Research and Technology Corporation (ANRTC)

ANRTC was incorporated and registered with the SEC on October 9, 2007 to operate a research laboratory and nickel and cobalt enrichment demonstration facility, to engage in the processing, milling, crushing, refining, smelting, concentrating, amalgamating, and beneficiating mineral resources, and the products or by-products thereof and to buy, sell at wholesale, and exchanging mineral resources and the products or by-products thereof, without engaging in mining.

(f) Zambales Nickel Processing Corporation (ZNPC)

ZNPC was incorporated in the Philippines and registered with the SEC on October 21, 2009 primarily to own, hold, sell, exchange, lease, mortgage or otherwise dispose of, deal in, and operate plants for processing, reducing, concentrating, smelting, converting, refining, preparing for market, or otherwise treating metals, minerals and mined products to be used in the production of nickel and cobalt products, and any and all ingredients, products and by-products of any thereof, and to produce, manufacture, process, refine, treat, sell, use, deal in, distribute, market and otherwise turn to account nickel and cobalt products and all ingredients, products and by-products of any thereof.

(g) Zamnorth Holdings Corporation (ZHC)

ZHC was incorporated in the Philippines and registered with the SEC on June 19, 2009 and started commercial operations on July 1, 2009. ZHC is primarily engaged in acquiring and disposing investments and exercise in respect thereof all the rights, powers and privileges of ownership. ZHC is also engaged in acquiring real properties and obtaining contracts, franchises and licenses from the government, corporation or person as may deemed conducive to the objects of the corporation.

(h) ZDMC Holdings Corporation (ZDMCHC)

ZDMCHC was incorporated and registered with the SEC on August 28, 2006. ZDMCHC is primarily engaged in acquiring and disposing investment and exercise in respect thereof all the rights, powers and privileges of ownership. ZDMCHC is also engaged in acquiring real properties and obtaining contracts, franchises and licenses from the government, corporation or person as may deemed conducive to the objects of the corporation.

(i) Fil-Euro Asia Nickel Corporation (FEANC)

FEANC was incorporated in the Philippines and registered with the SEC on November 7, 2008 and started operations immediately thereafter. FEANC is primarily engaged in exploring for and evaluation of mining resources. FEANC also renders financial assistance to individuals, partnerships, corporations and associations engaged in mining and to local mineral or exploration enterprises.

(j) Fil-Asian Strategic Resources & Properties Corporation (FASRPC)

FASRPC was incorporated and registered in the SEC on May 15, 2006 with the primary purpose of engaging in mining activities including the acquisition, exploration and evaluation of opportunities in gold, base metals, other minerals and diatomaceous earth.

(k) Montemina Resources Corporation (MRC)

MRC was incorporated in the Philippines and registered with the SEC on August 11, 2008 and started operations immediately thereafter. MRC is primarily engaged in exploring for and evaluation of mining resources in the Philippines. MRC also renders application of mineral production sharing agreements or financial assistance to individuals, partnerships, corporations and associations engaged in mining and to give financial assistance to local mineral or exploration enterprises.

(l) Montague Resources Phil. Corp (MRPC)

MRC was incorporated in the Philippines and registered with the SEC on April 9, 2002. Its primary purpose is to carry out the business of operating mines, and of prospecting, exploration and of mining, milling, concentrating, converting, smelting, treating, refining, preparing for market, manufacturing, buying, selling and exchanging ores and mineral resources and to enter into contracts with local mineral tenement owners, mineral exploration enterprises and mining enterprises in connection with the mining activities.

(j) Mt. Lanat Metals Corp.(MLMC)

MLMC was incorporated in the Philippines and registered with the SEC on November 4, 2008 and started operations immediately thereafter. MLMC is primarily engaged in exploring for and evaluation of mining resources here in the Philippines. MLMC also renders application of mineral production sharing agreements or financial assistance to individuals, partnerships, corporations and associations engaged in mining and to give financial assistance to local mineral or exploration enterprises.

(k) Zambales Chromite Mining Company, Inc. (ZCMC)

ZCMC was incorporated and registered in the Philippines with the Philippine Securities and Exchange Commission (SEC) on May 21, 1935 with its corporate life renewed in 1985. The Company is primarily engaged in exploring for and evaluation of mining resources in the Philippines.

(l) Zambales Diversified Metals Corp.(ZMDC)

ZMDC was incorporated and registered with the SEC on September 14, 2007. ZMDC is primarily engaged in rendering exploration work for the purpose of determining and evaluating the existence of mineral resources, development potential, extent, quality and quantity and the feasibility of mining them for profit or of applying for exploration permit, mineral processing permit, mineral production sharing agreements, and financial or technical assistance agreement, to individuals, partnerships, associations and corporations engaged in mining; or, in any manner, to engage in the acquisition, conveyance, storage, marketing, processing, refining and distribution of minerals; to give financial assistance to local mining enterprises or corporations; to extend financial assistance to local mineral exploration enterprises and mineral tenement owners through contracts without engaging in financing activity as defined in Republic Act No. 5980; and to acquire an interest in or shares of stocks of mining companies, to lease, option, locate or otherwise deal in mines, mining claims, and other property except lands to the extent allowed by law; to enter into contracts with local mineral tenement owners, mineral exploration enterprises, mining and mineral processing enterprises in connection with the above activities; and to provide technical and/or financial assistance for the large-scale exploration, development and utilization of minerals, petroleum and other mineral oils under Mineral Production Sharing Agreements (MPSA) or Financial or Technical Assistance Agreements with the government of the Philippines; and to carry on, either solely or in co-venture with others, mining, milling, concentrating, converting, smelting, treating, refining, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in all kinds of ores, metals, minerals, hydrocarbons, acids and, chemicals, and in the products and by-products of every kind and description and by whatsoever process, the same can be or may hereafter be produced.

After acquisition, the following re-organization was implemented in various dates in 2014:

- a) 100% of ZCMC was transferred from ZNHC and FEANC to DMC
- b) 100% of ZMDC was transferred from ZDMCHC and FEANC to DMC
- c) 100% of FEANC was transferred from Rusina to DMC

On August 18, 2014, ANRTC was sold to third parties resulting to a gain of ₱55.55 million which is presented net of the loss on sale of investments under Operating expenses in the consolidated statements of income (Note 25).

Real estate development

PDI

PDI made additional investments to DPMC amounting ₱24.98 million in 2014. The transaction has no effect on the ownership of the Group.

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 in 2013, ₱150.00 million has been paid in the subscription price. The balance of ₱550.00 million was paid by the Parent Company in 2014.

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.

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.

SCPC

SCPC, a wholly-owned subsidiary of SMPC, was registered with Philippine Securities and Exchange Commission (SEC) on November 19, 2009. It was primarily engaged to acquire, expand, rehabilitate and maintain power generating plants, develop fuel for generation of electricity and sell electricity to any person or entity through electricity markets among others.

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.

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, 2014, except for adoption of new Standards and Interpretations enumerated below.

Effective January 1, 2015

- *PAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)*
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

- *PFRS 2, Share-based Payment – Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
 - A performance condition must contain a service condition
 - A performance target must be met while the counterparty is rendering service
 - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
 - A performance condition may be a market or non-market condition
 - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- *PFRS 3, Business Combinations – Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a 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, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). 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 are applied retrospectively and clarify that:

 - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
 - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
- *PAS 24, Related Party Disclosures – Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

- *PFRS 3, Business Combinations – Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

 - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
 - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- *PFRS 13, Fair Value Measurement – Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).
- *PAS 40, Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset

or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.
- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group is currently assessing the impact of adopting this standard.
- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after 1 January 2016.

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- *PAS 19, Employee Benefits – regional market issue regarding discount rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- *PAS 34, Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

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

PFRS 9, Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39

(*PFRS 9; 2013 version*) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of 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 derivative instrument as the hedging instrument and accounted for as costs of hedging.

The following new standard issued by the IASB has not yet been adopted by the FRSC

- **IFRS 15 Revenue from Contracts with Customers**
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

3. Preferred and Common Stock

	June 30, 2015	December 31, 2014
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	19,900,000,000	19,900,000,000
Issued and outstanding	13,277,470,000	13,277,470,000
	-	-
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.

On May 15, 2014, the Board of Directors approved the increase in the authorized capital stock of the Parent Company from P6,000,000,000.00, divided into 5,900,000,000 common shares and 100,000,000 preferred shares, both with a par value of P1.00 per share, to P20,000,000,000.00, 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. 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. It was approved and ratified by the stockholders at the annual meeting on August 5, 2014. On September 18, 2014, the Securities and Exchange Commission approved the Parent Company's application for increase in authorized capital stock by way of stock dividend declaration. The record date was set on October 17, 2014 and payment date on November 7, 2014.

On May 15, 2014, 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 was paid on June 13, 2014.

On May 14, 2015, the Board approved the declaration of (1) *regular cash dividends* in the amount of ₱0.24 per common share or a total of ₱3,186,592,800.00; and (2) *special cash dividends* of ₱0.24 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, 2014, in favor of the common stockholders of record as of May 29, 2015, and was paid on June 10, 2015.

4. Business Segments

The following tables present the net income of the specific business segments for the period ended June 30, 2015 and June 30, 2014:

SEGMENT REVENUES

<i>(in Php Millions)</i>	For the Period		Variance	%
	2015	2014		
SEMIRARA MINING AND POWER	P13,717	P13,979	(P262)	-2%
DMCI HOMES	6,992	6,483	508	8%
D.M. CONSUNJI, INC.	6,369	7,752	(1,383)	-18%
DMCI POWER (SPUG)	1,077	889	188	21%
DMCI MINING	2,166	212	1,954	921%
PARENT & OTHERS	147	152	(5)	-3%
TOTAL	P30,468	P29,467	P1,001	3%

NET INCOME AFTER NON-CONTROLLING INTERESTS

<i>(in Php Millions)</i>	For the Period		Variance	
	2015	2014	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P2,670	P1,504	1,166	78%
DMCI HOMES	1,717	1,653	64	4%
MAYNILAD	1,148	943	205	22%
DMCI MINING	454	365	89	24%
D.M. CONSUNJI, INC.	333	591	(258)	-44%
DMCI POWER (SPUG)	215	125	90	72%
PARENT & OTHERS	52	(53)	105	198%
TOTAL	P6,589	P5,128	1,461	28%

5. Operating Expenses

The following tables present the consolidated operating expenses for the period ended June 30, 2015 and June 30, 2014:

	JUNE 2015	JUNE 2014
Government Share	1,353,186,232	1,342,752,810
Salaries, Wages & Employees benefits	498,373,847	467,078,931
Advertising and Marketing Expense	340,194,055	152,366,411
Commission	330,213,447	348,351,688
Outside Services	80,545,025	108,054,848
Taxes and Licenses	343,944,381	361,950,169
Depreciation Expense	297,033,829	187,753,576
Professional Fees	116,844,441	304,206,690
Entertainment, amusement and recreation	42,563,638	35,399,778
Rental Expense	46,807,207	16,593,534
Transportation and Travel	31,771,586	29,337,125
Communication, light and water	72,523,605	67,209,679
Repairs and Maintenance	141,748,570	145,501,182
Gasoline and Oil Expense	19,544,418	8,314,013
Supplies	77,351,441	92,609,005
Insurance	57,840,192	43,038,888
Other Operating Expense	347,765,336	131,806,441
TOTAL	4,198,251,250	3,842,324,767

6. Summarized financial information of interests in related entities.

Financial information as of and for the period ended June 30, 2015 on the Company's subsidiary with material NCI follows:

Semirara Mining Corporation and Subsidiaries

Amount (in thousands):

As of:	June 30, 2015	December 31, 2014
Current assets	P 16,046,240	P 12,772,628
Non-current assets	38,410,250	39,128,748
Current liabilities	13,163,977	12,138,202
Non-current liabilities	18,153,812	17,056,963
For the period:	June 30, 2014	June 30, 2014
Revenue	P 13,716,579	P 13,978,991
Net income	4,707,520	2,646,739
Other comprehensive income	-	-
Total comprehensive income	4,707,520	2,646,739

Financial information as of and for the period ended June 30, 2015 on the Company's material interest in associate follows:

Maynilad Water Holdings Company Inc. and Subsidiary

Amount (in thousands):

As of:	June 30, 2015	December 31, 2014
Current assets	P 13,592,523	P 11,865,004
Non-current assets	75,134,619	72,414,883
Current liabilities	15,092,518	13,420,021
Non-current liabilities	33,688,828	33,465,197
Equity	37,852,803	37,394,669
For the period:	June 30, 2015	June 30, 2014
Revenue	P 9,335,736	P 8,996,473
Net income	4,222,867	3,469,004
Other comprehensive income	–	–
Total comprehensive income	4,222,867	3,469,004

Investment in DMWCI is accounted for using the equity method. For the period ended June 30, 2015 and 2014, the Company received dividends from DMWCI amounting to P505 million and P252 million, respectively. Equity in net earnings in the first six months amounted to P1.15 billion in 2015 and P0.94 billion in 2014.

Financial information as of and for the period ended June 30, 2015 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 P308 million and P272 million as of June 30, 2015 and December 31, 2014, respectively. The unaudited share in net earnings amounted to P36 million and P34 million for the period ended June 30, 2015 and 2014, respectively.

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 P1,264 million as of June 30, 2015 and December 31, 2014.

The Company does not have any material interests in joint ventures as of June 30, 2015 and December 31, 2014.

7. Basic and Diluted Earnings Per Share

The following table presents information necessary to calculate basic and diluted earnings per share on net income attributable to equity holders of the Parent Company (in thousands except basic and diluted earnings per share):

Basic and Diluted Earnings Per Share

	For the Period (2015)	For the Period (2014)	For 2 nd Quarter (2015)	For 2 nd Quarter (2014)
Net Income Attributable to Parent Company	6,589,310	5,128,857	3,530,035	2,538,698
Divided by Weighted average number of common shares	13,277,470	13,277,470	13,277,470	13,277,470
Basic EPS	P0.50	P0.39	P0.27	P0.19

A four for one stock dividend for common shares was issued on November 7, 2014.

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 Php4,643,570,071.04 and Php839,518,377.03 as of June 30, 2015 and June 30, 2014 respectively, where Php453,529,049.25 and Php285,666,714.35 were booked for the period ended June 30, 2015 and June 30, 2014 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. 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 June 30, 2015.

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 AFS investments as of September 30, 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. The Group does not have any equity instruments held as financial asset at FVPL as of June 30, 2015.

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 and to the export market (as a percentage of total coal sales volume):

	06/30/2015	12/31/2014
Domestic Market	62.47%	40.98%
Export Market	37.53%	59.02%

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 June 30 2015 and December 31, 2014 with all other variables held constant. The change in coal prices is based on 1-year historical price movements in 2015 and 2014.

<i>Based on ending coal inventory</i>	Effect on income	
	<u>before income tax</u>	
<u>Change in coal price</u>	<u>06/30/2015</u>	<u>12/31/2014</u>
Increase by 25% in 2015 and 22% in 2014	270,939,484	316,564,503
Decrease by 25% in 2015 and 22% in 2014	(270,939,484)	(316,564,503)

<i>Based on coal sales volume</i>	Effect on income	
	<u>Before income tax</u>	
<u>Change in coal price</u>	<u>06/30/2015</u>	<u>12/31/2014</u>

Increase by 25% in 2015 and 22% in 2014	1,969,766,599	8,008,029,855
Decrease by 25% in 2015 and 22% in 2014	(1,969,766,599)	(8,008,029,855)

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):

	June 30 2015				
	U.S. Dollar	Japanese Yen	UK Pounds	Euro	Php Equivalent
Assets					
Cash and cash equivalents	\$62,155	¥2,368	£120	€398	₱2,827,182
Trade receivables					
Coal mining	13,252	-	-	150	599,770
	74,407	2,368	120	548	3,426,952
Liabilities					
Accounts and other payables	116,670	-	12	-	5,200,815
Short-term loans	19,557	-	-	-	881,807
Long-term debt (including current portion)	96,286	-	-	-	4,341,525
	232,512	-	-	-	10,424,147
Net foreign currency denominated assets (liabilities)	(\$157,105)	(¥2,368)	£108	(€548)	(₱6,997,195)

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).

June 30, 2015

	Exchange rate movement	Effect on Profit	Effect on Equity
In Peso per U.S. Dollar			
Increase	P2	(₱314,210)	(₱219,947)
Decrease	(P2)	314,210	219,947
In Peso per Japanese Yen			
Increase	2	4,736	(3,315)
Decrease	(2)	(4,736)	3,315
In Peso per UK Pounds			
Increase	2	₱216	₱151
Decrease	(2)	(216)	(151)
In Peso per Euro			
Increase	2	1,096	(767)
Decrease	(2)	(1,096)	767

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 June 30, 2015 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 June 30, 2015, 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 June 30, 2015, the Group's AFS financial assets amounting to ₱79 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 ₱13 million as of June 30, 2015. The Group does not have any equity instruments held as financial asset at FVPL as of June 30, 2015.

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 June 30, 2015 and December 31, 2014, interest rates ranges from 3% to 5%.

The following table demonstrates the sensitivity of the Group's income before tax to a reasonably possible change in interest rates on June 30, 2015 and 2014, with all variables held constant, through the impact on floating rate borrowings.

Basis points (in thousands)	Effect on income before income tax	
	06.30.2015	12.31.2014
+100	(215,061)	-194,214
-100	215,061	194,214

Basis points (in thousands)	Effect on income before income tax	
	06.30.2015	12.31.2014
+100	(215,061)	-194,214
-100	215,061	194,214

The assumed movement in basis points for interest rate sensitivity analysis is based on the Group's historical changes in market interest rates on bank loans.

There was no effect on the equity other than those affecting the income before tax.

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.