

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
Third Quarter Interim Report 2016
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 September 30, 2016
2. SEC Identification No. AS095-002283 3. BIR Tax Identification No. 004-703-376

DMCI Holdings, Inc.

4. Exact name of issuer as specified in its charter

5. Philippines

6. (SEC Use Only)

Province, Country or other jurisdiction of
incorporation or organization

Industry Classification Code:

7. 3rd Floor, Dacon Building, 2281 Pasong Tamo Ext., Makati city1231

Address of principal office

Postal Code

8. Tel. (632) 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 No

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

Philippine Stock Exchange

Class "A" Shares

Preferred Shares

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements for the quarter and period ended **September 30, 2016** are contained herein.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF CONSOLIDATED OPERATIONS AND CONSOLIDATED FINANCIAL CONDITION FOR THE QUARTER AND PERIOD ENDED SEPTEMBER 30, 2016.

September 30, 2016 vs September 30, 2015

I. RESULTS OF OPERATIONS

Below is a table on the net income contributions of the Company's businesses for 2016 and 2015:

NET INCOME AFTER NON-CONTROLLING INTERESTS

<i>(in Php Millions)</i>	For the Period		Variance	
	2016	2015	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P5,383	P3,530	P1,853	52%
MAYNILAD	1,531	1,712	(181)	-11%
DMCI HOMES	1,018	2,719	(1,701)	-63%
D.M. CONSUNJI, INC.	732	361	371	103%
DMCI POWER (SPUG)	342	305	37	12%
DMCI MINING	59	643	(584)	-91%
PARENT & OTHERS	58	62	(4)	-6%
NET INCOME EXCL. ONE-TIME INVESTMENT GAINS	9,123	9,332	(209)	-2%
ONE-TIME GAIN ON SALE OF INVESTMENTS	111	530	(419)	-79%
TOTAL NET INCOME	P9,234	P9,862	P628	-6%

DMCI Holdings, Inc. reported P9.2 billion in consolidated net income during the first nine months of 2016, a 6-percent year-on-year drop due to weak profit contributions from its real estate, nickel mining and water businesses.

Net income excluding a one-time investment gain of P111 million from the sale of its 10% stake in Subic Water and Sewerage Company (Subic Water), slipped 2 percent to P9.1 billion during the same period. From 40%, subsidiary DMCI Project Developers Inc. (DMCI Homes) was left with a 30-percent interest after divesting its 10% stake in March this year.

Meanwhile, consolidated revenues from January to September were likewise flattish at P45.1 billion compared to P45.6 billion last year. Likewise, consolidated core EBITDA remained at P18.6 billion.

Net income contributions from Semirara Mining and Power Corporation (SMPC) surged 52% from P3.5 billion to P5.4 billion due to higher coal export sales and the commercial operations of Southwest Luzon Power Generation Corporation (SLPGC).

Meanwhile, despite the improvement in operational performance, net income contributions from affiliate Maynilad dropped 11 percent from P1.7 billion to P1.5 billion, following the expiration of its income tax holiday in December 2015.

Excluding the one-time investment gain from sale of Subic Water, DMCI Homes recognized a 63 percent drop in net income to P1 billion due to the deferred recognition of revenues from its completed high-rise projects, which normally take three to four years to complete.

Contrary to local industry practice, the mid-range property developer realizes sales earnings only when the unit is fully completed and at least 15 percent of the contract price has been collected.

D.M. Consunji, Inc. (DMCI) more than doubled its net income to P732 million from P361 million last year. The 103-percent growth was primarily related to the full recognition of cost overruns for a power plant in 2015.

Off-grid energy unit DMCI Power Corporation (DPC) booked a 12-percent profit increase to P342 million from P305 million, as a result of higher sales to electricity cooperatives in Calapan, Masbate and Palawan.

Depressed nickel prices and the prolonged suspension of its mining units in Palawan and Zambales sparked a 91 percent drop in profitability for DMCI Mining Corporation (DMC). From P643 million, its net income plummeted to P59 million.

DMCI Holdings and other investments income also dropped 6 percent to P58 million from P62 million due to reduced interest in Subic Water.

SEMIRARA MINING AND POWER CORPORATION (SMPC)

Below is SMPC's management discussion and analysis of results of operations and financial condition for the period ending and as of September 30, 2016 as lifted from its financial report with the SEC and PSE.

I. PRODUCTION – COMPARATIVE REPORT H1 2016 vs H1 2015

Coal

Weather conditions in the first three quarters this year remained favorable for mining operations. Augmented further by the increased capacity, total materials moved increased by 43% YoY to 91.09 million bank cubic meters (bcm), inclusive of the 40.27 million bcm pre-stripping at Molave mine from 63.61 million last year. The aggregate strip ratio slightly increased to 9.60 compared to 9.16:1 last year. However, the strip ratio in Panian significantly dropped to 5:1 as it was already closing out. Merely a half of the production capacity is deployed there for mining activities due to the lower strip ratio; the other half is deployed to Molave mine for pre-stripping activities. Total product clean coal increased by 33% to 8.26 million metric tons (tons) from 5.57 million tons last year. In addition, unwashed coal dropped by 54% YoY to 564 thousand tons from 871 thousand tons last year.

On 12 February 2016, the Department of Environment and Natural Resource (DENR) approved the Company's request to amend our Environmental Clearance Certificate (ECC) allowing us to increase our mining capacity from 8 million tons to 12 million tons. Two months after, on 29 April 2016, DENR issued another amendment further increasing maximum capacity to 16 million tons per annum.

To prepare for anticipated increase in coal production, the Company is constructing an additional conveyor system, parallel to the existing line.

Meanwhile, the Board of Investments (BOI) approved the registration of a new mine, Molave mine on 24 February 2016. Like the Narra Mine, as a BOI-registered project, revenues from Molave mine production will be entitled to full or 100% income tax holiday (ITH). Molave contains higher quality coal which can be sold to local plants that are designed to use coal fuel higher than our average 5,300 kcal coal.

During the first quarter, improvement of shipyard facilities were completed, such that there are already three shiploaders that can simultaneously operate. One of these shiploaders can accommodate 70,000 ton Panamax vessels used in our export sales. Apart from improving

loading efficiency, we are able to save around \$2 barging cost of mid-stream loading in order to load up a Panamax vessel.

Coal sales volume reached a new record high this year, increasing by 57% YoY to 9.60 million tons from 6.13 million tons last year. Clean coal ending inventory closed at 407 thousand tons, 49% lower than same period last year's ending inventory of 273 thousand tons.

The table below shows the comparative production data for YTD Q3 2016 and YTD Q3 2015.

<i>(in millions except strip ratio)</i>	ACTUAL				ACTUAL				VARIANCE	
	Q1	Q2	Q3	As of Sep 2016)	Q1	Q2	Q3	As of Sep 2015	vs Sep 2015	
PRODUCTION										
Total Materials (BCM)	30.8	36.5	23.8	91.1	26.3	27.8	9.5	63.6	27.5	43%
Pre-Stripping (BCM)	-	28.1	12.2	40.3				-	40.3	0%
Prod'n Stripping (BCM)	30.8	8.5	11.6	50.8	26.3	27.8	9.5	63.6	(12.8)	-20%
Clean Coal (MT)	3.4	2.0	2.8	8.3	2.3	2.2	1.1	5.6	2.7	48%
Strip Ratio (W:C)	7.6	3.2	3.2	5.0	9.0	10.3	7.1	9.2	(4.1)	-45%
Aggregate Strip Ratio	7.6	16.1	7.3	9.6	9.0	10.3	7.1	9.2	0.4	5%
Saleable Coal (MT)	3.4	2.0	2.8	8.2	2.3	2.1	1.0	5.6	2.7	48%
Unwashed Coal (MT)	0.3	0.2	0.1	0.6	0.4	0.3	0.2	0.9	(0.3)	-35%
Beg. Inventory (MT)	0.8	1.8	0.4	0.8	0.4	0.3	0.6	0.4	0.4	115%
End Inventory (MT)	1.8	0.4	0.4	0.4	0.3	0.6	0.3	0.3	0.1	49%

POWER

SEM-CALACA POWER CORP (SCPC)

The originally scheduled 60-day maintenance shutdown for Unit 2 has extended until mid April 2016. As a result, the unit was down until the start of Q2 this year. Total gross generation is down by 37% YoY to 1,983 GWhr from 3,163 GWhr last year. Consequently, capacity factor dropped by 38%.

Total plants' availability fell by 22% year-on-year to 9,205 hours from 11,828 hours.

Unit One

Unit 1 generated 1,014 GWh as of Q3 this year, 28% lower than last year's generation of 1,400 GWh. Average capacity dropped by 27% to 177 MW from 242 MW last year. Last year's capacity was higher due to the high grade coal production in Panian last year. Capacity factor dropped YoY to 51% from Q3 2015's 71%.

The Unit's operating hours decreased insignificantly this year to 5,714 hours compared to last year's 5,787 hours.

Unit Two

Gross generation of Unit 2 dropped by 45% YoY to 969 GWh from 1,763 GWh last year.

The unit did not generate any power in Q1 2016 while on maintenance shutdown. The maintenance shutdown which started on 19 November 2015 was originally scheduled for two months. However, it lasted until 13 April 2016.

Average Capacity dropped by 5% YoY to 278MW from 292 MW last year. Notably however, capacity stabilized to 300MW after the shutdown. Capacity factor also dropped to 49% from 89% last year.

Unit 2's availability likewise dropped to 53% YoY in the current period from 92% last year. Unplanned outages this year registered at 3,109 hours, 481% more than last year's 535 hours.

The table below shows the comparative production data for YTD Q3 2016 and YTD Q3 2015.

COMPARATIVE PLANT PERFORMANCE DATA									
AO Q3'16 VS AO Q3'15									
	Q1 '16	Q2 '16	Q3 '16	H1 '16	Q1 '15	Q2 '15	Q3 '15	H1 '15	% Inc (Dec)
Gross Generation, Gwh									
Unit 1	372	359	283	1,014	456	495	450	1,400	-28%
Unit 2	-	535	434	969	558	656	549	1,763	-45%
Total Plant	372	894	716	1,983	1,014	1,151	998	3,163	-37%
% Availability									
Unit 1	84%	92%	84%	87%	77%	91%	96%	88%	-2%
Unit 2	0%	82%	76%	53%	91%	100%	85%	92%	-42%
Total Plant	42%	87%	80%	70%	84%	96%	90%	90%	-22%
Capacity Factor									
Unit 1	57%	54%	43%	51%	70%	75%	68%	71%	-28%
Unit 2	0%	81%	65%	49%	86%	99%	83%	89%	-45%
Total Plant	28%	67%	54%	50%	78%	87%	75%	80%	-38%

SOUTHWEST LUZON POWER GENERATION CORPORATION (SLPGC)

Unlike last year when the 2 x 150 MW plants only started generating in Q3, both plants were generating in all the three quarters this year. Official declaration of commercial operations was on 26 August 2016 for both units, with a Provisional Authority to operate at 140 MW per plant.

Unit Three

Unit 3 generated 570 GWh as of Q3 this year. Average capacity is 122 MW, with a capacity factor of 58%. The unit operated for 4,661 hours this year.

Unit Four

Gross generation of Unit 4 is 550 GWh. Average Capacity is 124 MW, while capacity factor is at 56%

Unit's operating hours this year is 4,422 hours.

The table below shows the comparative production data for YTD Q3 2016 and YTD Q3 2015

COMPARATIVE PLANT PERFORMANCE DATA									
<i>Q3 '16 vs Q3 '17</i>									
	<u>Q1 '16</u>	<u>Q2 '16</u>	<u>Q3 '16</u>	<u>Tot Yr '16</u>	<u>Q1 '15</u>	<u>Q2 '15</u>	<u>Q3 '15</u>	<u>Tot Yr '15</u>	<u>% Inc (Dec)</u>
Gross Generation, GWh									
Unit 3	65	250	255	570	-	-	107	107	431%
Unit 4	152	287	111	550	-	-	8	8	6665%
Total Plant	217	537	366	1,120	-	-	115	115	870%
% Availability									
Unit 3	34%	88%	90%	71%	0%	0%	46%	15%	361%
Unit 4	54%	97%	49%	67%	0%	0%	7%	2%	2897%
Total Plant	45%	93%	69%	69%	0%	0%	26%	9%	686%
Capacity Factor									
Unit 3	20%	76%	77%	58%	0%	0%	32%	11%	429%
Unit 4	46%	87%	34%	56%	0%	0%	2%	1%	6641%
Total Plant	33%	81%	55%	57%	0%	0%	17%	6%	870%

II. MARKETING – COMPARATIVE REPORT H1 2016 vs. H1 2015

Coal

Coal sales volume registered a record high this year, increasing by 57% YoY at 9.60 million tons from 6.13 million tons in YTD Q3 last year.

Export sales accounted for 60% of total coal sales this year at 5.74 million tons, increasing by 167% from YTD Q3 2015's sales volume of 2.15 million tons. Increase in coal production allowed the Company to service more demand from export markets.

Meanwhile, local sales slightly dropped by 3% YoY to 3.86 million tons from 3.98 million tons last year, inclusive of low-grade coal of 950 thousand tons in the current period, as compared to 475 thousand tons in 2015. Power customers increased, due to delivery of low-grade coal to SLPGC whose 2 x 150 MW plants are now operating, as well as increase in off-take from other power plants.

On the other hand, sales to cement plants dropped by 40% YoY to 482 thousand tons from 802 thousand tons last year because some plants opted to buy lower-priced imported coal.

Sales to other industrial plants also decreased by 30% YoY to 208 thousand tons from 298 thousand tons last year.

Some cement plants and customers with small boilers used alternative fuel this year, thus explaining the drop in off-take of cement and other industrial plants.

Composite average FOB price per ton dropped by 17% YoY to PHP1,711 from PHP2,056 due to lower price of low-grade coal which is sold at an average price per ton of PHP851.03 and PHP795.92 in 2015 and 2016, respectively. With the higher volume of low-grade coal during the period, it dilutes further the composite average selling price. Clean coal, on the other hand, is sold at an average price per ton of PHP2,157.28 and PHP1,811.85 in 2015 and 2016, respectively.

The table below shows the comparative sales volume data for YTD Q3 2016 and YTD Q3 2015.

VOLUME (in thousand MT)										
Customer	Q1	Q2	Q3	2016	Q1	Q2	Q3	2015	Diff	%
Calaca	705	767	617	2,089	666	626	661	1,953	136	7%
GBPs	122	278	168	567	202	208	166	576	(8)	-1%
Others PPs	186	147	182	515	111	99	139	350	165	47%
Power Plants	1,012	1,192	967	3,171	980	932	966	2,878	292	10%
Cement	147	161	174	482	278	246	278	802	(320)	-40%
Others Plants	69	76	63	208	93	114	91	298	(90)	-30%
Local	1,228	1,428	1,204	3,860	1,351	1,292	1,336	3,978	(118)	-3%
Export	1,674	2,246	1,818	5,737	1,054	534	562	2,150	3,587	167%
Total	2,902	3,674	3,022	9,597	2,404	4,230	1,898	6,128	3,469	57%

POWER

SCPC

SCPC's Energy sales dropped by 22% YoY to 2,372 GWh from 3,035 GWh last year. Composite average price per Kwh also decreased by 6% YoY at PHP3.21 from PHP3.41 last year due to lower spot sales during the year. Moreover, Newcastle index, which is the benchmark for fuel pass-through, was down in the first half of the year. Last year, higher composite average price was driven by high volume of spot sales with higher price than bilateral contracts.

Average price for bilateral contracts dropped by 4% YoY to PHP3.18/KWh from PHP3.32/KWh last year due to lower Newcastle prices which are the contracts' index.

On the other hand, spot sales' average price is 45% higher YoY at PHP7.21/KWh from PHP4.99/KWh as thinner reserves pushed spot prices higher.

Of the total energy sold, 99% or 2,354 GWh were sold to bilateral contracts, while the remaining 1% were sold to the spot market.

MERALCO remained to be the single biggest customer, accounting for 92% of the total energy sales of the bilateral contracts; BATELEC I and Trans-Asia comprised 5% and 1% of total sales, respectively. Trans-Asia bilateral contracting 45MW has ended March 25, 2016

Spot Market Sales dropped by 89% YoY to 18 GWh, as against 164 GWh last year.

Of the total energy sold, 79% was sourced from own generation, while 21% 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.

The table below shows the comparative marketing data for AO Q3 2016 and AO Q3 2015.

COMPARATIVE SALES VOLUME DATA									
<i>(in GWh)</i>									
CUSTOMER	Q1 '16	Q2 '16	Q3 '16	AO Q3 '16	Q1 '15	Q2 '15	Q3 '15	AO Q3 '15	% Inc (Dec)
Bilateral Contracts	422	954	978	2,354	902	1,031	937	2,871	-18%
Spot Sales	2	12	4	17	80	65	20	164	-90%
GRAND TOTAL	424	966	982	2,371	982	1,096	957	3,035	-22%
Composite Ave Price	3.90	2.97	3.16	3.21	3.56	3.37	3.30	3.41	-6%

SLPGC

SLPGC has a total contracted capacity of 202 MW. In Q1, two contracts totaling to 102 MW are already effective, while the remaining 100MW became effecting in Q2. Most of the plants' generated energy or 967 GWh served SLPGC's contracts, while 167 GWh were sold to spot. Composite average price for the period is PHP4.26/KWh.

Bilateral contracts account for 77% of energy sold while on commissioning, while 8% is sold to SCPC as replacement power, while spot market took up 15%.

MPower accounts for 32% of the total energy sales of the bilateral contracts; VECO and GN Power comprised 23% and 22% of total sales, respectively.

Of the total energy sold, 85% was sourced from own generation, while 15% was purchased from the spot market. SLPGC 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.

The table below shows the comparative marketing data for YTD Q3 2016 and YTD Q3 2015.

COMPARATIVE SALES VOLUME DATA									
<i>(in GWh)</i>									
CUSTOMER	Q1 '16	Q2 '16	Q3 '16	Tot Yr '16	Q1 '15	Q2 '15	Q3 '15	Tot Yr '15	% Inc (Dec)
Bilateral Contracts	208	413	346	967			23	23	4058%
Spot Sales	41	94	31	167			83	83	100%
GRAND TOTAL	250	507	377	1,134	-	-	107	107	963%
Composite Ave Price	4.22	4.13	4.46	4.26			2.56	2.56	66%

III. FINANCE

A. Sales and Profitability

Consolidated Revenues, net of eliminating entries, increased by 34% YoY to PHP26.76 billion from PHP19.25 billion last year. Before elimination, Coal revenues grew by 28% YoY at PHP16.42 billion from PHP12.80 billion last year. The decline in composite average price by 18% to PHP1,711 per ton from PHP2,089 last year is offset by the 57% increase in sales volume to 9.60 million tons from 6.13 million tons. Meanwhile, SCPC Revenues dropped by 36% YoY to PHP7.63 billion from PHP10.35 billion last year. Low generation due to outage of Unit 2 in Q1 brought down sales. SLPGC on the other hand started to contribute as it became more reliably operational this year. It generated PHP4.08 billion in Revenues before eliminations, as compared to PHP273 million last year.

Consolidated Cost of Sales (COS) increased 23% YoY to PH11.15 billion from PHP9.03 billion last year mainly because of recognition of depreciation expense of SPLGC plants starting Q2. Depreciation in COS increased by 23% YoY to PHP2.08 billion from PHP1.69 billion last year.

Before eliminations, coal Cost of Sales decreased by 3% YoY to PHP7.29 billion from PHP7.49 billion last year, due to increased mining efficiencies – lower strip ratio and higher production. Thus bringing down cost of coal sold per ton at PHP738, 40% lower than last year's cost of PHP1,221 per ton. Coal depreciation decreased by 15% YoY to PHP781 million from PHP915 million last year due to lower depreciation cost allocated per ton with higher volume of production.

SCPC's Cost of Sales before elimination increased by 2% YoY to PHP5.33 billion from PHP5.23 billion; and rose by 9% YoY after elimination to PHP3.79 billion from PHP3.47 billion last year. Generation dropped by 37% YoY as Unit 2 was down for maintenance in Q1 this year. Due to the prolonged shutdown of Unit 2, the Company was exposed to replacement power cost amounting to PHP1.76 billion. As a result, Cost of Sales per KWh rose by 20% to PHP2.25 from PHP1.41 last year.

SLPGC incurred PHP1.51 billion costs representing generation costs and spot purchases to fulfill its contractual obligation with VECO, MPower, and GN Power. Depreciation of PHP457.14 is already accounted in Cost of Sales this year as the plants were already declared as commercially operational this year. Last year's costs of PHP172.17 is exclusive of depreciation expenses.

The resulting consolidated Gross Profit increased by 43% YoY to PHP14.62 billion, with coal, SCPC, and SPLGC each contributing PHP7.20 billion, PHP3.84 billion, and PHP3.58 billion, respectively. Last year's consolidated Gross Profit stood at PHP10.22 billion, PHP3.34 billion from coal and PHP6.88 billion from SCPC. Consolidated Gross profit margin improved to 57% from 53% last year.

Consolidated Operating Expenses (OPEX) increased by 50% YoY to PHP4.23 billion from PHP2.81 billion. Net of eliminating entries, the coal segment's OPEX increased by 53% YoY to PHP3.16 billion from PHP2.06 billion last year. This mainly accounts for provision for government royalties which increased to PHP2.66 billion this year from PHP1.74 billion last year as a consequence of higher revenues. Meanwhile, SCPC's after elimination OPEX, which is mainly comprised of management fees and taxes and licenses, increased by 29% YoY to PHP908.48 million from PHP704.37 million last year. SPLGC incurred PHP169.70 million OPEX, representing non-capitalizable expenses incurred during the period, rising by 400% from last year's PHP39.82 million, which was inclusive of Personnel related costs 49.98 million, Admin expenses of 55.61

million, R&M of 46.86 million. Starting Q2 this year, SLPGC did not anymore capitalize costs. Other pre-operating subsidiaries incurred combined OPEX of PHP 6.0 million.

Consolidated Forex Losses increased by 9% at PHP212.10 million, as against PHP195.01 million last year due to realized losses on foreign currency denominated transactions, net of unrealized valuation losses. The peso is weaker this year, closing at USD1: PHP48.50, as against USD1: PHP47.06 as at end of Q3 2015. Coal recorded Forex losses of PHP174.79 million as against PHP225.07 million last year as a result of the valuation of its USD denominated loans. SCPC also recorded losses of PHP 37.69 million this year versus gains of PHP31.46 million last year on its foreign currency denominated transactions. Meanwhile, SLPGC accounted for minimal gains of PHP 384.55 thousand this year, as against losses of PHP1.40 million last year.

Healthier cash balances during the period resulted to 46% increase YoY on consolidated Finance Income to PHP52.68 million from PHP36.05 million last year. Coal, SCPC, and SLPGC earned PHP23.68 million, PHP8.56 million, and PHP20.29 million Finance Income, respectively.

Consolidated Finance Costs increased 101% YoY to PHP422.43 million from PHP209.68 million last year. Although coal's interest-bearing loans dropped to PHP5.85 billion from PHP6.47 billion last year, its Finance Cost increased by 61% YoY to PHP142.07 million from PHP88.12 million last year due to higher interest rates. Meanwhile, SCPC continued to service its interest-bearing loans which increased by 30% YoY to PHP3.49 billion from PHP2.69 billion last year; its Finance Cost however dropped by 24% YoY to PHP8.56 million from PHP11.26 million last year due to re-avallment of a portion of its loan to enjoy lower interest rates. SLPGC's interest expenses surged by more than 119 times YoY to PHP211.86 million from PHP1.78 million last year as the company started to expense out its interest payments on its project finance loan after the two plants were issued a Provisional Authority to Operate by the Energy Regulations Commission on starting May 12, 2016 to November 11, 2016.

Consolidated Other Income decreased 59% YoY to PHP207.66 million from PHP506.45 million last year. The coal segment's Other Income and expense significantly dropped by 17% to PHP72.71 million from PHP89.67 million in 2015 due to one-time insurance recoveries and gain from asset disposal totaling PHP136.55million in 2015. SCPC's Other Income likewise decreased by 19% YoY to PHP72.71 million from PH89.67 million last year. Unit 2 was down in Q1 this year, hence less fly ash is sold as cement additive. SLPGC's Other Income of PHP617.42 million represents commissioning income.

The resulting consolidated Net Income Before Tax (NIBT) rose by 33% YoY to PHP10.00 billion from PHP7.55 billion last year.

Consolidated Provision for Income Tax dropped by 66% to PHP452.64 million from PHP1.34 billion last year. Coal continues to enjoy Income Tax Holiday (ITH) as a Board of Investments-registered company, while SCPC is already in tax position. As a result, coal's tax provision remained minimal at PHP4.02 million, while SCPC recognized tax exposure of PHP409.34 million, as against PHP1.33 billion last year. The drop in SCPC's tax provision is a result of drop in profitability this year. Notably however, SCPC has Deferred Tax Assets to partially cover the tax liability in the current period. SLPGC recorded final income tax of PHP39.25 million, against PHP2.38 million last year.

The resulting consolidated Net Income After Tax (NIAT) increase by 54% YoY to PHP9.56 billion from PHP6.21 billion last year. Net of eliminations, coal, SCPC, and SLPGC generated net income of PHP3.88 billion, PHP2.50 billion, and PHP3.18 billion, respectively. Before eliminations, coal, SCPC, and SLPGC recorded NIAT of PHP8.31 billion (inclusive of the Php2.50 billion cash dividend income), PHP949.67 million, and PHP2.80 billion, respectively. With higher outstanding shares after a 200% stock dividend declaration in Q3 last year, Earnings per Share (EPS) stood at PHP8.96, 54% higher than same period last year's EPS of PHP5.81.

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) and Marubeni Corporation of Japan, 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 2016, as Maynilad reported higher income from operations. From P8.89 billion, income from operations climbed 3.1% to P9.16 billion in the first nine months of 2016.

For the first nine months, billed volume grew 3.7%, from 360.72 million cubic meters (mcm) to 374.20 mcm which is faster than the 0.7% increase in water supply. Average non-revenue water for the year-to-date improved to 29.69% compared to 31.78% last year.

Continued expansion into the southern areas of Muntinlupa, Las Piñas and Cavite brought connections up to a total of 1,301,619 billed services, a 4.4% growth from the end of the same period last year.

As a result, Maynilad's water service revenue for the year rose by 7.1% from P11.31 billion in 2015 to P12.11 billion in 2016. The increase in revenues was primarily driven by the 3.7% increase in billed volume, coupled with 2.9% increase in average effective tariff. Total revenues from operations, including other fees and services such as sewer services, amounted to P15.08 billion, a 6.8% increase from P14.11 billion last year.

With total operating expenses increasing faster than revenues, income from operations grew at a slower pace of 3.1% to P9.16 billion from P8.89 billion last year. Reported net income, however, declined 31.7% to P4.83 billion due to the expiry of the company's income tax holiday (ITH) in 2015.

After adjustments at the consortium company level, the Company's equity in net earnings reported an 11% decrease from P1.71 billion last year to P1.53 billion this year due to expiry of income tax holiday. The decline was moderated by the re-measurement of the deferred tax liability recorded in the consortium level as a result of Maynilad selecting the more beneficial optional standard deduction (OSD) in computing its income taxes as opposed to the more traditional itemized deduction. As a result of the reduction in total income tax expense, the impact on DMCI's equity in net earnings amounted P261.6 million.

Rate Rebasing Update

Under Maynilad's concession agreement with the Philippine Government, Maynilad may request tariff rate adjustments based on movements in the Philippine consumer price index, foreign exchange currency differentials, a rate rebasing process scheduled to be conducted every five years (Rate Rebasing) and certain extraordinary events. Any rate adjustment requires approval by Metropolitan Water Sewerage System (MWSS) and the Regulatory Office (RO). Any tariff adjustments that are not granted, in a timely manner, in full or at all, could have a material adverse effect on Maynilad's results of operations and financial condition.

For the Fourth Rate Rebasing Period, after a two-year delay in Maynilad's water tariff for the rate rebasing for the period from 2013 to 2017, Maynilad received a favorable award in its arbitration proceedings on December 29, 2014 (Final Award). The new rate should result in a 9.8% increase in the 2013 average basic water charge of P31.28 per cubic meter, inclusive of the P1.00 Currency Exchange Rate Adjustment (CERA) which the MWSS has incorporated into the basic charge. However, the MWSS refused to implement the Final Award notwithstanding Maynilad's repeated written demands for implementation.

On February 20, 2015, Maynilad wrote a letter to the Philippine Government, through the Department of Finance (DOF), to call on the undertaking which the Republic of the Philippines

(Republic) issued in favor of Maynilad on July 31, 1997 and March 17, 2010. The undertaking provides, among other things, that the Republic shall indemnify Maynilad in respect of any loss that is occasioned by a delay caused by the Republic or any government-owned agency in implementing any increase in the Standard Rates beyond the date for its implementation in accordance with the Concession Agreement.

Following the inaction of the Philippine Government represented by the DOF in response to Maynilad's request to compel MWSS to implement the Final Award, Maynilad wrote again a letter to the Republic on March 9, 2015, through the DOF, to reiterate its demand against the undertaking. The letters dated February 20 and March 9, 2015 are collectively referred to as the "Demand Letters." Maynilad demanded that it be paid, immediately and without further delay, the P3.4 billion in revenue losses that it had sustained as a direct result of the MWSS' and the RO's refusal to implement its correct Rebasing Adjustment from January 1, 2013 (the commencement of the 4th Rate Rebasing Period) to February 28, 2015.

On March 27, 2015, Maynilad served a Notice of Arbitration and Statement of Claim upon the Republic, through the DOF. Maynilad gave notice and demanded that the Republic's failure or refusal to pay the amounts required under the Demand Letters be, pursuant to the terms of the undertaking, referred to arbitration before a three-member panel appointed and conducting proceedings in Singapore in accordance with the 1976 United Nations Commission on International Trade Law (UNCITRAL) Arbitration Rules. The arbitration panel was constituted in 2015.

On February 17, 2016, Maynilad wrote again a letter to the Republic, through the DOF, to reiterate its demand against the Undertaking and to update its claim in the amount of P5.6 billion. On March 31, 2016, Maynilad filed its Amended Statement of Claim. On April 28, 2016, the Republic, through the DOF, filed its Statement of Defense. Hearings on the arbitration will begin in December 2016 with expected resolution by first quarter of 2017.

On 25 July 2015, Maynilad filed a Petition for Confirmation and Execution of the Final Award with the Regional Trial Court of Quezon City. As of 25 July 2016, the parties have completed the presentation of their respective evidence.

DMCI HOMES

DMCI Project Developer's Inc. (PDI) reported P1.1 billion in net income in the first nine months of 2016. Excluding a one-time investment gain of P111 million from the sale of its 10% stake in Subic Water and Sewerage Company, the company contributed P1.0 billion in net earnings, a 63% drop from the previous year. Although it registered record-high sales and

reservations during the first nine months, its deferred recording of accounting revenues pulled down its overall profitability. Recognized accounting revenues fell from P11.1 billion to P8.1 billion in 2016, a 27% drop due to fewer completed units this year.

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.

From January to September, sales and reservations increased by 38% from P15.3 billion in 2015 to P21.1 billion this year buoyed by strong demand for residential condominium coming from new launches as well as existing projects. For the first nine months of 2016, the company has already launched five projects with a total estimated sales value of P25 billion compared to only four projects in 2015 with a sales value of P10 billion.

Higher costs of materials and labor recognized this year and increase in interest expense, taxes and licenses paid also contributed to the decline in profitability.

Capital expenditures dropped by 32% to P6.2 billion from P9.1 billion in 2015. Of the amount spent in 2016, 89% went to development cost and the rest to land and asset acquisition.

The company was left with a 30-percent interest in Subic Water and Sewerage Company after divesting its 10% stake in March this year.

D.M. CONSUNJI, INC.

DMCI's earnings for the first three quarters of 2016 amounted to P732 million, more than double the P361 million for the same period in 2015, despite a 25% drop in construction revenue from P10.3 billion in 2015 to P7.8 billion in 2016. Cost overruns for power plant projects were fully recognized in 2015. Likewise, the reported revenue using percentage of completion was still affected by the delayed implementation of major public infrastructure projects due to right-of-way and utility relocation issues.

EBITDA also rose by 23% year-on-year due to controlled costs on power plant projects.

The company reported a total order book (balance of work) of P20.3 billion at the end of September 2016, from P29.2 billion at the close of 2015. This balance of work excludes the Skyway Stage 3 Phase 2, which is undergoing revision in design due to right of way acquisition issues. Awarded projects and contract adjustments in the first nine months of 2016 totaled P7.6 billion. Among its newly-signed projects is City Gate, a mixed-use development of Ayala Land in

the Makati Central Business District, a 50ML water reservoir with Maynilad in Quezon City, a 2X23MW gas turbine plant of Southwest Luzon Power Generation Corp. in Batangas, Spectrum BPO Building in Ayala Alabang, NCCC Mall of NCCC Group of Companies in Buhangin, Davao City, and Six Senses Resort Phase 2, a high-end residential condominium of Federal Land, Inc. in Pasay City.

Major ongoing 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 Runway of Travellers International Hotel Group, The Viridian, The Royalton and The Imperium of Ortigas & Company, The Areté of the Ateneo de Manila University, and the Paranaque Sewer Network of Maynilad. Last September 2016, the first section of NAIA Expressway was opened for public use which improved the traffic flow in the congested areas going to the airport terminals.

DMCI POWER (SPUG)

An added growth area of the power segment is under DMCI Power Corporation (DPC), a wholly-owned subsidiary of DMCI Holdings, Inc. DPC provides off-grid power to missionary areas through long-term power supply agreements with local electric cooperatives.

As of September 30, 2016, the total installed rated capacity is 76.38MW. Out of the total, 29.61MW (12.40MW bunker-fired and 17.21MW diesel) is in Masbate, 27.52MW (diesel) in Palawan, a 4x3.89 (15.56) MW bunker-fired plant which started commercial operations on February 2015 in Oriental Mindoro and a 3x1.23 (3.69) MW diesel-fired in Sultan Kudarat. On June 2015, Sultan Kudarat Electric Cooperative (SUKELCO) and DPC entered into an Electric Supply Agreement (ESA) covering a three-year period starting on the commercial operation date of January 2016.

Due to increase in energy dispatch of the electric cooperatives to our plants and full nine months operation in Oriental Mindoro, sales volume reported in Masbate (70.82 GWh), Palawan (69.96 GWh), Mindoro (40.98 GWh) and Sultan Kudarat (1.67 GWh) totaled 183.43 GWh, an increase of 19% from a total of 154.17 GWh last year.

Consequently, the total off-grid generation revenue and net income went up by 7% and 12%, respectively. Revenue increased to P1.74 billion in the nine months of 2016 compared to P1.63 billion in 2015. Meanwhile, net income went up to P342 million compared to last year's P305 million.

Currently, a 2x4.95MW bunker-fired plant is under construction in Aborlan, Palawan. This is expected to be operational by year-end 2016.

DMCI MINING

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

Depressed nickel ore prices brought about by the reduced demand and oversupply from China coupled with the prolonged suspension of its mining units in Palawan and Zambales led to a 91% dropped in net income contributions of DMCI Mining Corporation. From P643 million in the nine months of 2015, the company reported P59 million net income during the same period this year.

Revenues amounted to P1.57 billion in the nine months of 2016 compared to P2.80 billion in the same period last year as a result of fewer nickel ore shipments and depressed nickel ore prices. Total ore shipments dropped by 25% year-on-year from 1.43 million wet metric tons (WMT) last year to 1.08 million WMT in the same period this year. The ore shipments mostly came from Berong at a composite average price of P1,486 per WMT versus P1,969 in 2015, a 25% declined in average price. Average ore grade is 1.63% in 2016 compared to 1.61% in 2015.

The segment's total depletion, depreciation and amortization amounted to P278 million in 2016 compared to P360 million in 2015 as a result of lower production using the output method of depletion accounting. Total company cash cost per WMT (under cost of sales and operating expenses) amounted to P953 per WMT in 2016 compared to P862 per WMT in 2015.

DMCI Mining Corporation is currently dealing with the Order of Suspension issued against its two (2) operating companies namely: Berong Nickel Corporation (BNC) and Zambales Diversified Metals Corporation (ZDMC), which have mine operations in Palawan and Zambales, respectively.

In any case, five (5) days prior to its receipt of the Order of Suspension, BNC had already voluntarily suspended its mine and hauling operations. This voluntary suspension is in accordance with BNC's internal protocol of halting operations during heavy rains.

Both BNC and ZDMC are coordinating with the appropriate agencies so that the issues may be resolved and their respective suspension be lifted.

Explanation of movements in consolidated income statement accounts:

Revenue

Consolidated revenue dipped by 1% to P45.1 billion during the period compared to P45.6 billion during the same period last year. The drop in real estate, construction and nickel mining revenues was cushioned by higher revenue contribution from coal, on-grid and off-grid power businesses.

Cost of Sales and Services

Consolidated cost of sales and services for the period fell by 7% to P24.6 billion during the nine months of 2016 attributed mainly to lower construction costs incurred as cost overruns for a power plant project were fully recognized in 2015.

Operating Expenses

Higher government royalties in coal business and the increase in taxes and licenses paid by the real estate, coal and on-grid power businesses for the period resulted to a 23% rise in consolidated operating expenses of the Group.

Equity in Net Earnings

Equity in net earnings of associates dropped by 11% mainly due to lower income of Maynilad following the expiration of its income tax holiday in December 2015.

Finance Income

Consolidated finance income was down by 4% during the period due to lesser real estate in-house financing as buyers have shifted more to bank financing.

Finance Costs

Consolidated finance costs rose by 95% attributed mainly to lower borrowing cost capitalized brought about by lesser expenditures on development cost by the real estate segment during the period.

Gain on Sale of Investments

This pertains to the sale of the 10% interest in Subic Water and Sewerage Company (Subic Water) and 25% interest in Private Infra Dev Corporation (PIDC) during the nine months period of 2016 and 2015, respectively. As of the end of the period, the Group's remaining interest in Subic Water is 30%.

Other Income-net

Consolidated other income fell by 39% attributed mainly to lesser rental income from Zambales port during the nine months of 2016 due to lesser mining activities in the area.

Provision for Income Tax

Lower taxable profits from the real estate, on-grid power (units 1 and 2) and nickel mining businesses resulted to the drop in consolidated provision for income tax by 58% during the period.

II. CONSOLIDATED FINANCIAL CONDITION

September 30, 2016 (Unaudited) vs December 31, 2015 (Audited)

The Company's financial condition for the period improved as consolidated total assets and total equity amounted to P152.9 billion and P79.7 billion, respectively, as of September 30, 2016. This accounted for a 3% and 7% improvement, respectively. While equity attributable to equity holders of the Parent Company rose by 4% to P65.1 billion.

Consolidated cash decreased by 11% from P19.2 billion in December 31, 2015 to P17.1 billion in September 30, 2016. Cash generated from operations improved by 38% period to period. However, cash outflows for capital expenditures in coal and power segments and loan repayments in the real estate, coal, on-grid power and construction segments causes the decrease consolidated cash balance of the Group.

Total receivables (current and non-current) dropped by 13% from P16 billion to P14 billion mainly attributed to collection of construction receivables from its infrastructure projects and more customers preferring bank financing over in-house financing in the real estate segment.

Consolidated inventories expanded by 6% to P36.4 billion coming mainly from new and ongoing construction of residential projects and the purchase of equipment parts and supplies used for power plant maintenance.

Consolidated other current assets rose by 17% brought about by higher advances to suppliers and subcontractors of the construction segment which are expected to be recouped during the construction of the projects coupled with the increase in net input VAT and unapplied credit taxes of the real estate and off-grid power segments.

Investments in associates and joint ventures increased by 8% mainly due to equity in net earnings from Maynilad.

Property plant and equipment amounted to P50.7 billion, a 3% up from last year balance which is mainly attributable to additional capital expenditures for power expansion and acquisition of equipment of the coal and power segments.

Exploration and evaluation asset accounting for the exploratory drilling and pre-stripping activities by the coal segment increased by 47% to P4.8 billion from P3.2 billion at the start of the year.

Deferred tax assets dropped by 10% mainly due to the excess of taxable income over books in construction segment.

Other noncurrent assets declined by 6% mainly due to application of deferred input VAT in the construction segment during the period.

Accounts and other payables slightly increased by 4% to P16 billion from P15.4 billion at the start of the year due mainly to the increase in government share in the coal segment.

Customers' advances and deposits expanded by 14% due to collections received from real estate customers, the corresponding revenue of which has yet to be realized under full completion method of accounting.

Payments of income taxes due coupled with lower taxable profits from real estate, on-grid power (Units 1 and 2) and nickel mining segments resulted to the drop in income tax payable by 22% from last year's balance.

Liabilities for purchased land shrank by 50% to P1.5 billion as of September 30, 2016 mainly due to payments made by the real estate segment to sellers of land.

From P3.7 billion, short-term debt grew by 24% to P4.6 billion as of the end of the period due mainly to loan availments of the power business.

Long term debt fell by 5% from P37.1 billion to P35.4 billion attributed to repayments made by the real estate and on-grid power segments during the period.

Deferred tax liabilities decreased by 7% as there are higher collection of real estate receivables compared to recognized revenues during the period.

Other noncurrent liabilities dropped by 11% mainly due to reclassification of advances and retention payables to current liabilities which are to be settled within twelve months after the end of the reporting period.

Consolidated retained earnings stood at P46.6 billion, 7% up from last year's balance despite declaration and payment of P6.4 billion cash dividends by the Parent Company during the period.

Non-controlling interest rose by 19% as a result of the non-controlling share in the consolidated net income of Semirara during the period.

III. KEY PERFORMANCE INDICATORS

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

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

SEGMENT REVENUES

<i>(in Php Millions)</i>	For the Period		Variance	
	2016	2015	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P25,767	P19,525	P6,242	32%
DMCI HOMES	8,110	11,116	(3,006)	-27%
D.M. CONSUNJI, INC.	7,782	10,336	(2,554)	-25%
DMCI POWER (SPUG)	1,738	1,628	110	7%
DMCI MINING	1,565	2,798	(1,233)	-44%
PARENT & OTHERS	181	212	(31)	-15%
TOTAL	P45,143	P45,615	(P472)	-1%

The initial indicator of the Company's gross business results are seen in the movements in the different business segment revenues. As illustrated above, consolidated revenues slightly dropped by 1% period to period. The decline in real estate, construction and nickel mining revenues was cushioned by significant improvements in coal and power revenues. (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	
	2016	2015	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P5,383	P3,530	P1,853	52%
MAYNILAD	1,531	1,712	(181)	-11%
DMCI HOMES	1,018	2,719	(1,701)	-63%
D.M. CONSUNJI, INC.	732	361	371	103%
DMCI POWER (SPUG)	342	305	37	12%
DMCI MINING	59	643	(584)	-91%
PARENT & OTHERS	58	62	(4)	-6%
NET INCOME EX ONE-TIME INVESTMENT GAINS	9,123	9,332	(209)	-2%
ONE-TIME GAIN ON SALE OF INVESTMENTS	111	530	(419)	-79%
TOTAL NET INCOME	P9,234	P9,862	P628	-6%

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 ended, the Company reported a 6% dip in consolidated net income due to reduced profitability from the real estate, nickel mining and water businesses. (See Part I. Results of Operations – different segments for a detailed discussion per business).

EARNINGS PER SHARE

Earnings per share (EPS) pertains to the company's income allocated to each outstanding share of common stock. It serves as an indicator of the company's profitability.

For the period ended, the Company's consolidated basic and diluted EPS was P0.70/share compared from the P0.74/share EPS last year. The decrease on the Company's EPS is attributed mainly to the reduced profitability of its real estate, nickel mining and water businesses for the period. (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.

As of September 30, 2016, current assets stood at P77.4 billion while current liabilities amounted P34.1 billion accounting for a current ratio of 227% or an improvement of 23% from last year.

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. Net debt to equity ratio is computed by dividing the interest-bearing loans net of cash and cash equivalents over total equity.

Total borrowings stood at P40 billion from P40.8 billion last year, which resulted to a net debt to equity ratio of 29%. (See Part II. Financial Condition for a detailed discussion).

OTHER RELEVANT FINANCIAL SOUNDNESS RATIOS

	September 30, 2016	December 31, 2015
Current Ratio	227%	185%
Net Debt to Equity Ratio	29%	29%
Asset to Equity Ratio	192%	199%
	September 30, 2016	September 30, 2015
Return on Assets	9.3%	9.2%
	9.2%*	8.9%*
Return on Parent Common Equity	14.5%	17.0%
	14.3%*	16.1%*
Interest Coverage Ratio	13.6 times	16.3 times
	13.5 times*	15.7 times*
Gross Margin (%)	45.6%	42.0%
Net Profit Margin (%)	29.9%	28.1%
	29.6%*	27.0%*

* Excluding one-time investment gains pertaining to sale of 10% interest in Subic Water and sale of 25% interest in PIDC in 2016 and 2015, respectively

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 11, 2016, 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 27, 2016. This was paid on June 10, 2016 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 thereof.
10. All necessary disclosures were made under SEC Form 17-C.

SIGNATURES

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

Issuer DMCI Holdings, Inc.

Signature and Title



Herbert M. Consunji

Executive Vice President & Chief Finance Officer

Signature and Title



Brian T. Lim

Vice President – Senior Finance Officer

Signature and Title



Ma. Luisa D. Austria

Accounting Officer

Date

November 14, 2016

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	September 30, 2016	December 31, 2015 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	₱17,094,323	₱19,150,603
Available-for-sale financial assets	76,273	76,900
Receivables - net	11,732,658	12,836,956
Costs and estimated earnings in excess of billings on uncompleted contracts	3,853,143	2,015,033
Inventories	36,408,753	34,407,763
Other current assets	8,197,979	7,030,352
Total Current Assets	77,363,129	75,517,607
Noncurrent Assets		
Noncurrent receivables	2,229,573	3,162,701
Investments in associates, joint ventures and others	12,383,743	11,457,732
Investment properties	211,416	288,542
Property, plant and equipment	50,733,313	49,440,223
Exploration and evaluation asset	4,776,560	3,238,442
Goodwill	1,637,430	1,637,430
Deferred tax assets - net	487,937	543,859
Pension assets – net	941,637	958,979
Other noncurrent assets	2,181,699	2,311,660
Total Noncurrent Assets	75,583,308	73,039,568
	₱152,946,437	₱148,557,175

LIABILITIES AND EQUITY

Current Liabilities		
Short-term debt	4,614,934	₱3,707,354
Current portion of liabilities for purchased land	562,062	2,201,291
Accounts and other payables	15,964,113	15,393,747
Billings in excess of costs and estimated earnings on uncompleted contracts	3,144,374	2,095,481
Customers' advances and deposits	6,468,804	5,692,271
Current portion of long-term debt	3,028,722	11,291,955
Income tax payable	351,151	448,439
Total Current Liabilities	34,134,160	40,830,538

(Forward)

	2016	2015 (Audited)
Noncurrent Liabilities		
Long-term debt - net of current portion	₱32,337,414	₱25,763,651
Liabilities for purchased land - net of current portion	949,083	816,135
Deferred tax liabilities - net	3,381,049	3,629,076
Pension liabilities - net	147,652	142,200
Other noncurrent liabilities	2,310,387	2,600,395
Total Noncurrent Liabilities	39,125,585	32,951,457
Total Liabilities	73,259,745	73,781,995
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-in capital	17,949,868	17,949,868
Retained earnings	46,570,879	43,709,847
Premium on acquisition of non-controlling interests	(417,530)	(161,033)
Remeasurements on retirement plans - net of tax	699,491	699,491
Net accumulated unrealized gains on AFS financial assets	21,435	21,435
Cumulative translation adjustment	285,105	285,105
	65,109,248	62,504,713
Non-controlling interests	14,577,444	12,270,467
Total Equity	79,686,692	74,775,180
	₱152,946,437	₱148,557,175

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Period Ended September 30, 2016 and 2015 and
Quarter Ended September 30, 2016 and 2015
(Amounts in Thousands, except for Earnings Per Share figures)

	For the period		For the quarter	
	2016	2015	2016	2015
REVENUE				
Electricity sales	₱14,062,493	₱12,253,136	₱5,380,528	₱3,984,782
Coal mining	13,442,351	8,899,739	4,424,971	2,374,158
Real estate sales	8,110,302	11,115,994	1,717,626	4,124,151
Construction contracts	7,781,954	10,335,947	2,295,422	3,962,509
Nickel mining	1,564,929	2,797,543	421,064	631,560
Merchandise sales and others	180,775	212,326	61,437	69,893
	45,142,804	45,614,685	14,301,048	15,147,053
COSTS OF SALES AND SERVICES				
Electricity sales	6,284,444	4,641,086	2,550,550	1,372,874
Coal mining	6,244,014	5,555,776	2,426,902	1,983,986
Real estate sales	4,703,676	5,781,686	883,016	2,338,417
Construction contracts	6,569,716	9,486,861	1,783,556	3,688,431
Nickel mining	643,283	824,243	127,206	202,652
Merchandise sales and others	126,812	153,981	43,137	51,113
	24,571,945	26,443,633	7,814,367	9,637,473
GROSS PROFIT	20,570,859	19,171,052	6,486,681	5,509,580
OPERATING EXPENSES	7,302,150	5,937,289	2,189,906	1,739,038
	13,268,709	13,233,763	4,296,775	3,770,542
OTHER INCOME (EXPENSES)				
Equity in net earnings of associates	1,575,039	1,766,289	446,506	582,085
Finance income	310,368	324,643	92,993	102,205
Finance costs	(806,641)	(413,608)	(103,467)	12,815
Gain on sale of investment	131,409	562,727	–	562,727
Other income - net	404,209	664,299	144,491	216,128
INCOME BEFORE INCOME TAX	14,883,093	16,138,113	4,877,298	5,246,502
PROVISION FOR INCOME TAX	1,392,804	3,310,334	474,362	1,234,806
NET INCOME	₱13,490,289	₱12,827,779	₱4,402,936	₱4,011,696
NET INCOME ATTRIBUTABLE TO				
Equity holders of the Parent				
Company	₱9,234,218	₱9,861,757	₱2,993,128	₱3,272,446
Non-controlling interests	4,256,071	2,966,022	1,409,808	739,250
	₱13,490,289	₱12,827,779	₱4,402,936	₱4,011,696
EARNINGS PER SHARE				
ATTRIBUTABLE TO EQUITY				
HOLDERS OF THE PARENT				
COMPANY-BASIC AND				
DILUTED	₱0.70	₱0.74	₱0.23	₱0.25

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

For the Period Ended September 30, 2016 and 2015 and

Quarter Ended September 30, 2016 and 2015

(Amounts in Thousands)

	For the period		For the quarter	
	2016	2015	2016	2015
NET INCOME	₱13,490,289	₱12,827,779	₱4,402,936	₱4,011,696
OTHER COMPREHENSIVE INCOME (LOSS)				
Items to be reclassified subsequently to profit or loss				
Cumulative translation adjustment	–	(15,056)	–	(15,056)
Changes in fair values of AFS financial assets	–	460	–	460
	–	(14,596)	–	(14,596)
Items not to be reclassified to profit or loss in subsequent periods				
Remeasurement gains on retirement plans	–	–	–	–
Income tax effect	–	–	–	–
	–	–	–	–
OTHER COMPREHENSIVE INCOME	–	(14,596)	–	(14,596)
TOTAL COMPREHENSIVE INCOME	₱13,490,289	₱12,813,183	₱4,402,936	₱3,997,100
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	₱9,234,218	₱9,846,939	₱2,993,128	₱3,257,628
Non-controlling interests	4,256,071	2,966,244	1,409,808	739,472
	₱13,490,289	₱12,813,183	₱4,402,936	₱3,997,100

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Period Ended September 30, 2016 and 2015 and For the Year Ended December 31, 2015

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company											Total	Non-controlling Interests	Total Equity
	Capital Stock	Additional Paid-in Capital	Total Paid-in Capital	Unappropriated Retained Earnings	Appropriated Retained Earnings	Premium on Acquisition of Non-controlling Interest	Remeasurements on Retirement Plans	Net Accumulated Gain (Loss) on Available-for-Sale Financial Assets	Cumulative Translation Adjustment					
For the Period Ended September 30, 2016														
Balances as of January 1, 2016	₱13,277,474	₱4,672,394	₱17,949,868	₱43,709,847	₱-	(₱161,033)	₱699,491	₱21,435	₱285,105	₱62,504,713	₱12,270,467	₱74,775,180		
Comprehensive income														
Net income	-	-	-	9,234,218	-	-	-	-	-	9,234,218	4,256,071	13,490,289		
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-		
Total comprehensive income	-	-	-	9,234,218	-	-	-	-	-	9,234,218	4,256,071	13,490,289		
Cash dividends declared	-	-	-	(6,373,186)	-	-	-	-	-	(6,373,186)	(1,867,229)	(8,240,415)		
Repurchase of noncontrolling shares of a subsidiary	-	-	-	-	-	(256,497)	-	-	-	(256,497)	(94,365)	(350,862)		
Noncontrolling interest on new business	-	-	-	-	-	-	-	-	-	-	12,500	12,500		
Balances at September 30, 2016	₱13,277,474	₱4,672,394	₱17,949,868	₱46,570,879	₱-	(₱417,530)	₱699,491	₱21,435	₱285,105	₱65,109,248	₱14,577,444	₱79,686,692		
For the Period Ended September 30, 2015														
Balances as of January 1, 2015	₱13,277,474	₱4,672,394	₱17,949,868	₱37,248,367	₱-	(₱161,033)	₱877,774	₱13,057	₱260,252	₱56,188,285	₱10,404,173	₱66,592,458		
Comprehensive income														
Net income	-	-	-	9,861,757	-	-	-	-	-	9,861,757	2,966,022	12,827,779		
Other comprehensive income	-	-	-	-	-	-	-	238	(15,056)	(14,818)	222	(14,596)		
Total comprehensive income	-	-	-	9,861,757	-	-	-	238	(15,056)	9,846,939	2,966,244	12,813,183		
Cash dividends declared	-	-	-	(6,373,186)	-	-	-	-	-	(6,373,186)	(1,959,389)	(8,332,575)		
Noncontrolling interest on new business	-	-	-	-	-	-	-	-	-	-	2,449	2,449		
Balances at September 30, 2015	₱13,277,474	₱4,672,394	₱17,949,868	₱40,736,938	₱-	(₱161,033)	₱877,774	₱13,295	₱245,196	₱59,662,038	₱11,413,477	₱71,075,515		
For the Year Ended December 31, 2015														
Balances as of January 1, 2015	₱13,277,474	₱4,672,394	₱17,949,868	₱37,248,367	₱-	(₱161,033)	₱877,774	₱13,057	₱260,252	₱56,188,285	₱10,404,173	₱66,592,458		
Comprehensive income														
Net income	-	-	-	12,834,666	-	-	-	-	-	12,834,666	4,088,150	16,922,816		
Other comprehensive income	-	-	-	-	-	-	(178,283)	8,378	24,853	(145,052)	(7,919)	(152,971)		
Total comprehensive income	-	-	-	12,834,666	-	-	(178,283)	8,378	24,853	12,689,614	4,080,231	16,769,845		
Cash dividends declared	-	-	-	(6,373,186)	-	-	-	-	-	(6,373,186)	(2,213,937)	(8,587,123)		
Balances at December 31, 2015	₱13,277,474	₱4,672,394	₱17,949,868	₱43,709,847	₱-	(₱161,033)	₱699,491	₱21,435	₱285,105	₱62,504,713	₱12,270,467	₱74,775,180		

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Period Ended September 30, 2016 and 2015
(Amounts in Thousands)

	September 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱14,883,093	₱16,138,113
Adjustments for:		
Depreciation, depletion and amortization	3,355,450	3,034,350
Finance cost	806,641	413,608
Net unrealized foreign exchange loss	204,960	39,611
Movement in net retirement asset	22,794	2,106
Gain on sale of investments	(131,409)	(562,727)
Finance income	(310,368)	(324,643)
Equity in net earnings of associates and joint ventures	(1,575,039)	(1,766,289)
Other noncash adjustments	5,042	(19,099)
Operating income before changes in working capital	17,261,164	16,955,030
Decrease (increase) in:		
Receivables	2,092,920	(1,463,711)
Cost and estimated earnings in excess of billings	(1,838,110)	(774,303)
Inventories	(1,355,270)	(3,491,309)
Other current assets	(1,168,047)	1,608,086
Increase (decrease) in:		
Accounts and other payables	569,869	(2,245,406)
Billings in excess of costs and estimated earnings	1,048,893	584,337
Customer advances and deposits	776,533	(39,961)
Liabilities for purchased land	(1,506,281)	1,429,910
Cash generated from operations	15,881,671	12,562,673
Interest received	300,965	324,643
Income taxes paid	(1,682,197)	(2,011,705)
Interest paid and capitalized as cost of inventory	(306,430)	(608,527)
Net cash provided by operating activities	14,194,009	10,267,084
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property, plant and equipment	(5,368,287)	(3,429,970)
Exploration and evaluation asset	(1,001,701)	-
Investment properties	(27,664)	(76,924)
Investments in associates, joint ventures and others	(16,470)	(13,400)
Available for sale financial assets	-	(3,900)
Proceeds from disposals of:		
Investments in associates, joint ventures and others	210,583	-
Investment properties	3,000	68,835
Property, plant and equipment	80	87,452
Financial assets at fair value through profit or loss	-	70,000
Dividends received	548,429	542,022
Interest paid and capitalized as part of property, plant and equipment	(14,351)	-
Decrease (increase) in other noncurrent assets	90,868	(141,529)
Net cash used in investing activities	(5,575,513)	(2,897,414)

(Forward)

September 30

	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Long-term debt	₱10,838,024	8,860,051
Short-term debt	4,909,000	503,829
Payments of:		
Long-term debt	(12,619,481)	(6,805,920)
Short-term debt	(4,001,420)	(932,319)
Dividends to equity holders of the Parent Company	(6,373,186)	(6,373,186)
Dividends to non-controlling interests	(1,867,229)	(1,959,389)
Interest	(806,641)	(388,661)
Repurchase of noncontrolling shares of a subsidiary	(350,862)	-
Increase (decrease) in other noncurrent liabilities	(290,008)	405,813
Net cash used in financing activities	(10,561,803)	(6,689,782)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	(112,973)	157,533
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(2,056,280)	837,421
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
	19,150,603	15,229,768
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
	₱17,094,323	₱16,067,189

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 and its subsidiaries (collectively referred to herein as the Group) is primarily engaged in general construction, coal and nickel 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 consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on November 10, 2016.

2. Summary of Significant Accounting Policies

Basis of Preparation

The interim unaudited condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2015.

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

Statement of Compliance

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

Basis of Consolidation

The unaudited condensed 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

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

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

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

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

A change in the ownership interest of a subsidiary, without 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 ENK Plc. and some of the related entities which are incorporated in England and Wales and Netherlands):

	September 30, 2016			December 31, 2015		
	Direct	Indirect	Effective Interest	Direct	Indirect	Effective Interest
	(In percentage)					
<u>General Construction:</u>						
D.M. Consunji, Inc. (DMCI)	100.00	–	100.00	100.00	–	100.00
Beta Electric Corporation (Beta Electric) ¹	–	53.95	53.95	–	53.95	53.95
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>On-Grid 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
<u>Manufacturing</u>						
Semirara Claystone, Inc. (SCI) ^{3*}	–	56.32	56.32	–	56.32	56.32
<u>Off-Grid Power</u>						
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
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
Fil-Euro Asia Nickel Corporation (FEANC) ⁵	–	100.00	100.00	–	100.00	100.00
Heraan Holdings, Inc. (HHI) ⁵	–	100.00	100.00	–	100.00	100.00
Zambales Nickel Processing Corporation (ZNPC) ⁵	–	100.00	100.00	–	100.00	100.00
Zamnorth Holdings Corporation (ZHC) ⁵	–	100.00	100.00	–	100.00	100.00
ZDMC Holdings Corporation (ZDMCHC) ⁵	–	100.00	100.00	–	100.00	100.00
ENK Plc. (ENK)	–	–	–	100.00	–	100.00
European Nickel Iberia SL (EN Iberia) ⁶	–	–	–	–	100.00	100.00
European Nickel Spain SL (EN Spain) ⁶	–	–	–	–	100.00	100.00
Rusina Mining Ltd. (Rusina) ⁶	–	–	–	–	100.00	100.00
European Nickel Holland BV (EN Holland) ⁶	–	–	–	–	100.00	100.00
European Nickel Philland BV (EN Philland) ⁶	–	–	–	–	100.00	100.00

(Forward)

	September 30, 2016			December 31, 2015		
	Direct	Indirect	Effective Interest (In percentage)	Direct	Indirect	Effective Interest
European Nickel PLC - Regional Operating Headquarters (EN ROHQ) ⁶	-	-	-	-	100.00	100.00
Enickel Holdings, Inc. (EHI) ⁶	-	-	-	-	100.00	100.00
Enickel Berhold, Inc. (EBI) ⁶	-	-	-	-	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
Zenith Mobility Solutions Services, Inc. ²	-	51.00	51.00	-	51.00	51.00
<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 September 30, 2016 and December 31, 2015

¹ DMCI's subsidiaries

² PDI's subsidiaries

³ SMPC'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. DMCI's secondary purpose, among others, is to engage in the real estate business.

Beta Electric

Beta Electric is a domestic corporation incorporated and registered with the Securities and Exchange Commission (SEC) on March 21, 1973. Beta Electric is primarily engaged in the installation of electrical backbone and related systems thereto for building construction. It is also engaged in the general business of trading, buying or selling of electrical equipment items and commodities related thereto.

Manufacturing and others

Oriken

Oriken Dynamix Company, Inc. (Oriken) was registered with the SEC on September 16, 2005. Oriken's primary purpose is to manufacture, buy and sell ready mix concrete of every class and description. As of December 31, 2015 and 2014, Oriken is non-operational.

DMCI Training

DMCI Training was registered with the SEC on August 15, 2006. The primary purpose of DMCI Training 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 taught, developed and trained in a well-rounded theoretical and practical method.

Coal 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. SMPC is a publicly listed entity in the Philippines. It has coal mining operations in Semirara Island in Caluya, Antique.

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.

On-Grid Power

SCPC

SCPC, a wholly-owned subsidiary of SMPC, was registered with the SEC on November 19, 2009. It is 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. It currently operates 2 units of coal-fired power plants located in Calaca, Batangas with a combined operating capacity of 600 MW.

SLPGC

On August 31, 2011, SLPGC, a wholly-owned subsidiary of SMPC, was incorporated to operate electric power plants and to engage in business of a power generation company. Its 2x150 MW plant is located in Calaca, Batangas.

SCRC

SCRC is a stock corporation registered with the 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.

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 9 of Republic Act 9136, otherwise known as the Electric Power Industry Reform Act (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. SEUI 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, indentor, commission merchant, factors or agents, upon consignment of all goods, wares, merchandise or products natural or artificial.

Off-Grid Power

DPC

DPC was incorporated and 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 EPIRA of 2001.

DMCI Masbate

DMCI Masbate was incorporated and 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 was incorporated and registered with the 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. DMCI Palawan has not yet started commercial operations as of September 30, 2016.

Nickel Mining

DMC

DMC was incorporated 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.

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.

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.

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, 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.

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.

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.

Zambales Diversified Metals Corp. (ZDMC)

ZDMC was incorporated and registered with the SEC on September 14, 2007. ZDMC 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.

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. ZCMC is primarily engaged in exploring for and evaluation of mining resources in the Philippines.

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.

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.

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.

Montague Resources Phil. Corp. (MRPC)

MRPC 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.

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.

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.

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.

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.

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.

ENK Plc. (ENK)

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 (D&A). The Parent Company owns 60% of ENK as of December 31, 2013. ENK has the following 100% owned foreign and local subsidiaries:

On March 25, 2014, the Parent Company purchased from D&A the remaining 40% interest in

ENK and its subsidiaries for approximately ₱3.12 billion, making ENK and its wholly-owned foreign and local subsidiaries, wholly-owned subsidiaries of the Parent Company. 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 ₱1,637.43 million.

On March 31, 2016, the BOD of the Parent Company approved the restructuring of ENK Plc. (UK). The dissolution and liquidation of ENK Plc. (UK) is part of the ongoing restructuring of the Group's nickel mining subsidiaries in order to simplify the structure of the nickel segment and liquidate non-operating subsidiaries. On July 1, 2016, the Group has completed the restructuring of ENK Plc. (UK). The local subsidiaries which controls the mining assets are now owned by DMCI Mining. As of September 30, 2016 and December 31, 2015, the Parent Company's investment in ENK Plc. (UK) amounted to nil and ₱5.26 billion, respectively.

Real estate development

PDI

PDI was incorporated and registered with the SEC on April 27, 1995. PDI is organized to deal and engage in the development of residential subdivisions and construction of condominium and housing units. PDI offers range of products from middle-income to high-end housing and condominium projects.

Below are the subsidiaries of PDI and the nature of their operations:

- a) Hampstead Gardens Corporation - real estate developer
- b) DMCI Homes, Inc. - real estate brokerage
- c) Riviera Land Corporation - real estate developer
- d) DMCI Homes Property Management Corporation - real estate developer
- e) DMCI-PDI Hotels, Inc. - hotel operator
- f) Zenith Mobility Solution Services, Inc. - mobility services provider of the Group incorporated in 2015

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended standards and improvements to PFRS which the Group has adopted starting January 1, 2015. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements of the Group.

- Amendments to Philippine Accounting Standards (PAS) 19, *Defined Benefit Plans: Employee Contributions*
- Annual Improvements to PFRSs 2010 - 2012 Cycle
 - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
 - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
 - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
 - PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
 - PAS 24, *Related Party Disclosures - Key Management Personnel*
- Annual Improvements to PFRSs 2011 - 2013 Cycle
 - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
 - PFRS 13, *Fair Value Measurement - Portfolio Exception*
 - PAS 40, *Investment Property*

Standards Issued But Not Yet Effective

The Group has not applied the following PFRS, PAS and Philippine Interpretations which are not yet effective as of December 31, 2015. This list consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Unless otherwise indicated, adoption of these standards and interpretations are not expected to have any significant impact on the consolidated financial statements.

No definite adoption date prescribed by the SEC and Financial Reporting Standards Council (FRSC)

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception (Amendments)*
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests (Amendments)*
- PFRS 14, *Regulatory Deferral Accounts*
- PAS 1, *Presentation of Financial Statements - Disclosure Initiative (Amendments)*
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*
- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*
- Annual Improvements to PFRSs (2012-2014 cycle)
 - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
 - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
 - PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
 - PAS 19, *Employee Benefits - Regional Market Issue regarding Discount Rate*
 - PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Effective January 1, 2018

- PFRS 9, *Financial Instruments*

In July 2014, the International Accounting Standards Board (IASB) issued the final version of International Financial Reporting Standards (IFRS) 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Group did not early adopt PFRS 9.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

In addition, the IASB has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Group is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- *IFRS 15, Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 by the IASB 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 principals 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, 2018. Early adoption is permitted.

The Group is engaged in selling activities of real estate projects while construction is in progress or even before it has started. The standard is expected to impact the revenue recognition on these precompleted real estate sales whether revenue will be recognized at a point-in-time or over time. If there will be a change in revenue recognition, this will also impact the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings account. 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.

- *IFRS 16, Leases*

On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces IAS 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statements of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

3. Equity

Capital Stock

As of September 30, 2016 and December 31, 2015, the Parent Company's capital stock consists of:

	2016	
	Shares	Amount
Preferred stock - ₱1 par value		
Authorized:	100,000	₱100,000
Issued and outstanding:		
Balance at beginning and end of year	4	₱4
Common stock - ₱1 par value		
Authorized:	19,900,000	₱19,900,000
Issued and outstanding:		
Balance at beginning and end of year	13,277,470	₱13,277,470
	2015	
	Shares	Amount
Preferred stock - ₱1 par value		
Authorized:	100,000	₱100,000
Issued and outstanding:		
Balance at beginning and end of year	4	₱4
Common stock - ₱1 par value		
Authorized:	19,900,000	₱19,900,000
Issued and outstanding:		
Balance at beginning and end of year	13,277,470	₱13,277,470

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

On December 18, 1995, the Parent Company launched its Initial Public Offering where a total of 1.13 billion common shares were offered at an offering price of ₱9.12 per share.

Increase in Authorized Capital Stock

On August 5, 2014, the SEC approved the increase in authorized capital stock of the Parent Company from ₱6,000.00 million divided into ₱5,900.00 million common shares and ₱100.00 million preferred shares both with par value of ₱1.00 per share, to ₱20,000.00 million divided into ₱19,900.00 million common shares and ₱100.00 million preferred shares both with a par value of ₱1.00 per share.

Retained Earnings

On May 11, 2016, the BOD approved the declaration of (1) *regular cash dividends* in the amount of ₱0.24 per common share or a total of ₱3,186.59 million; and (2) *special cash dividends* of ₱0.24 per common share or a total of ₱3,186.59 million, or a grand total of ₱6,373.19 million out of the unrestricted retained earnings of the Parent Company as of December 31, 2015, in favor of the common stockholders of record as of May 27, 2016, and was paid on June 10, 2016.

On May 14, 2015, the BOD approved the declaration of (1) *regular cash dividends* in the amount of ₱0.24 per common share or a total of ₱3,186.59 million; and (2) *special cash dividends* of ₱0.24 per common share or a total of ₱3,186.59 million, or a grand total of ₱6,373.19 million out of the unrestricted retained earnings of the Parent Company 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.

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.

4. **Business Segments**

The following tables present the net income of the specific business segments for the period ended September 30, 2016 and 2015:

Segment Revenues

(in PHP Millions)	For the period		Variance	%
	September 2016	September 2015		
Semirara Mining and Power Corporation	₱25,767	₱19,525	₱6,242	32%
DMCI Homes	8,110	11,116	(3,006)	-27%
D.M. Consunji, Inc.	7,782	10,336	(2,554)	-25%
DMCI Power (SPUG)	1,738	1,628	110	7%
DMCI Mining	1,565	2,798	(1,233)	-44%
Parent and others	181	212	(31)	-15%
	₱45,143	₱45,615	(₱472)	-1%

Net income after non-controlling interests

(in PHP Millions)	For the period		Variance	%
	September 2016	September 2015		
Semirara Mining and Power Corporation	₱5,383	₱3,530	₱1,853	52%
Maynilad	1,531	1,712	(181)	-11%
DMCI Homes	1,018	2,719	(1,701)	-63%
D.M. Consunji, Inc.	732	361	371	103%
DMCI Power (SPUG)	342	305	37	12%
DMCI Mining	59	643	(584)	-91%
Parent and others	58	62	(4)	-6%
Net income ex one time investment gains	9,123	9,332	(209)	-2%
One time gain on sale of investments	111	530	(419)	-79%
	₱9,234	₱9,862	(₱628)	-6%

5. Operating Expenses

The following tables present the consolidated operating expenses for the period ended September 30, 2016 and 2015:

	2016	2015
Government share	₱2,614,333	₱1,740,310
Salaries, wages and employee benefits	793,441	772,334
Taxes and licenses	688,469	470,594
Outside services	506,849	497,718
Advertising and marketing	449,882	505,772
Commission	446,383	468,951
Depreciation, depletion and amortization	446,047	461,291
Repairs and maintenance	374,084	202,798
Communication, light and water	99,976	116,426
Supplies	86,157	59,104
Insurance	85,468	84,767
Transportation and travel	74,807	64,984
Rent	61,880	95,093
Entertainment, amusement and recreation	52,940	56,306
Environment and community development	36,119	24,585
Excise taxes	33,227	55,808
Association dues	31,290	60,055
Royalties	15,616	28,333
Provision for doubtful accounts	7,192	–
Miscellaneous expense	397,990	172,060
	₱7,302,150	₱5,937,289

6. Summarized Financial Information of Interests in Related Entities

Financial information as of and for the period ended September 30, 2016 and December 31, 2015 on the Group's subsidiary with material non-controlling interest (NCI) follows:

Semirara Mining and Power Corporation and Subsidiaries (SMPC)

	September 30, 2016	December 31, 2015
Statements of Financial Position		
Current assets	₱17,981,754	₱14,869,002
Noncurrent assets	44,456,801	77,767,444
Current liabilities	14,236,325	14,726,877
Noncurrent liabilities	16,333,181	33,228,991
Equity	31,869,049	44,680,578
	September 30, 2016	September 30, 2015
Statements of Comprehensive Income		
Revenue	₱25,766,539	₱19,252,323
Net income	9,549,710	6,209,032
Other comprehensive income	–	–
Total comprehensive income	9,549,710	6,209,032

On August 15, 2016, the Board of Directors of SMPC approved a buyback program not to exceed twenty million (20,000,000) shares or ₱2 billion for a period of sixty (60) days commencing at the opening of the trading in the Exchange beginning on August 18, 2016. In consultation with PSE Trading Participants, SMPC's management will determine the prices and the terms under which said shares will be purchased from time to time. SMPC Board subsequently extended the buy-back period by another 60 days, until December 17, 2016. As of the end of September 30, 2016, SMPC spent a total of ₱350.86 million for the purchase of 3,143,790 shares. As a result of the repurchase of non-controlling shares by SMPC, the Parent Company's interest increased to 56.49%.

Financial information as of and for the period ended September 30, 2016 and December 31, 2015 on the Group's material interest in associate follows:

Maynilad Water Holdings Company, Inc. and Subsidiaries

	September 30, 2016	December 31, 2015
Statements of Financial Position		
Current assets	₱12,990,553	₱14,869,002
Noncurrent assets	80,999,571	77,767,444
Current liabilities	14,271,886	14,726,877
Noncurrent liabilities	31,019,540	33,228,991
Equity	48,698,698	44,680,578
	September 30, 2016	September 30, 2015
Statements of Comprehensive Income		
Revenue	₱15,220,094	₱14,242,840
Net income	5,630,414	6,296,260
Other comprehensive income	—	—
Total comprehensive income	5,630,414	6,296,260

Investment in Maynilad Water Holdings Company, Inc. (MWHCI) is accounted for using the equity method. For the period ended September 30, 2016 and 2015, the Company received dividends from MWHCI amounting to ₱510.54 million and ₱505.73 million, respectively. Equity in net earnings in the nine months ended amounted to ₱1,530.91 million in 2016 and ₱1,711.95 million in 2015.

Financial information as of and for the period ended September 30, 2016 and December 31, 2015 on the Group's immaterial interest in associate follows:

Subic Water

On January 22, 1997, PDI subscribed to 3.26 million shares at the par value of ₱10 per share for an aggregate value of ₱32.62 million in Subic Water, a joint venture company among Subic Bay Metropolitan Authority (SBMA), a government-owned corporation, Olongapo City Water District, and Cascal Services Limited (a company organized under the laws of England).

On March 23, 2016, the Group sold 915,580 shares in Subic Water to the City of Olongapo for a total consideration of ₱210.58 million resulting to a gain on partial sale of investment amounting to ₱131.41 million. The shares represent 10% of the outstanding capital stock of Subic Water. The Group still owns a total of 30% of Subic Water's outstanding capital stock after the sale.

The investment in Subic Water is accounted for as an investment in an associate using the equity method. The carrying amount of the investment in associate amounted to P228.98 million and P299.02 million as of September 30, 2016 and December 31, 2015, respectively. The unaudited share in net earnings amounted to P44.13 million and P54.34 million for the period ended September 30, 2016 and 2015, respectively.

7. Earnings Per Share

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

Basic/diluted earnings per share

	For the period (2016)	For the period (2015)	For 2 nd Quarter (2016)	For 2 nd Quarter (2015)
Net income attributable to equity holders of Parent Company	P9,234,218	P9,861,757	P2,993,128	P3,272,446
Divided by weighted average number of common shares	13,277,470	13,277,470	13,277,470	13,277,470
Basic and diluted earnings per share	P0.70	P0.74	P0.23	P0.25

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 Group 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 Group. These projects are bid out to various contractors and are awarded on arms length transactions. The interrelated contracts amounted to P5,254.05 million and P4,225.37 million as of September 30, 2016 and 2015 respectively, while booked revenues from these contracts amounted to P977.15 million and P591.24 million for the period ended September 30, 2016 and 2015, respectively.
- d. An affiliate had transactions with the Group for services rendered relating to the Group's coal

operations. These include services for the confirmatory drilling for coal reserve and evaluation of identified potential areas, exploratory drilling of other minerals within the Island, dewatering well drilling along cut-off wall of Panian mine and fresh water well drilling for industrial and domestic supply under an agreement.

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

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

9. Financial Risk Management Objectives and Policies

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

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

a. *Liquidity Risk*

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

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

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

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

b. *Market Risk*

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in equity prices, market prices, interest rates and foreign currency exchange rates.

The sensitivity analyses have been prepared on the following bases:

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

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at September 30, 2016 and December 31, 2015.

Equity Price Risk

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

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

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, 2016 due to a reasonably possible change in equity indices, with all other variables held constant, will have an increase on equity by ₱11.44 million if equity indices will increase by 15%. An equal change in the opposite direction would have decreased equity by the same amount.

Commodity Price Risk

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

Coal

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

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

There can be no assurance that world coal prices will be sustained or that domestic and

international competitors will not seek to replace the Group in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Group's profits.

To mitigate this risk, the Group continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved. Also, in order to mitigate any negative impact resulting from price changes, it is the Group's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin. The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract.

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

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

	September 30, 2016	December 31, 2015
Domestic market	40.22%	45.82%
Export market	59.78%	54.18%

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of September 30, 2016 and December 31, 2015 with all other variables held constant. The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on one-year historical price movements in 2016 and 2015.

	<u>Effect on income before income tax</u>	
	September 30, 2016	December 31, 2015
Change in coal price (in thousands)		
<i>Based on ending coal inventory</i>		
Increase by 33% in 2016 and 15% in 2015	₱646,037	₱416,498
Decrease by 33% in 2016 and 15% in 2015	(646,037)	(416,498)
<i>Based on coal sales volume</i>		
Increase by 33% in 2016 and 15% in 2015	5,404,301	2,452,398
Decrease by 33% in 2016 and 15% in 2015	(5,404,301)	(2,452,398)

Interest Rate Risk

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

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates, with all variables held constant, through the impact on floating rate borrowings:

Basis points (in thousands)	Effect on income before income tax	
	September 30, 2016	December 31, 2015
+100	(P185,364)	(P194,214)
-100	185,364	194,214

The sensitivity analyses shown above are based on the assumption that the interest movements will be more likely be limited to hundred basis points upward or downward fluctuation in both 2016 and 2015. The forecasted movements in percentages of interest rates used were derived based on the Group's historical changes in the market interest rates on unsecured bank loans.

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

Foreign Currency Risk

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

The Group does not have any foreign currency hedging arrangements.

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

	September 30, 2016				
	U.S. Dollar	Japanese Yen	UK Pounds	E.M.U Euro	Equivalent in PHP
Financial assets					
Cash and cash equivalents	\$46,069	¥2,126	£125	€68	P2,230,158
Receivables	9,012	–	–	–	437,089
	55,081	2,126	125	68	2,667,247
Financial liabilities					
Accounts payable and accrued expenses	(11,849)	–	–	–	(574,682)
Long-term loans	(83,922)	–	–	–	(4,070,232)
	(95,771)	–	–	–	(4,644,914)
	(\$40,690)	¥2,126	£125	€68	(P1,977,667)

The following tables demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and equity as of September 30, 2016:

	Exchange rate movement	Effect on profit
In Peso per US Dollar		
Increase	P2	(P81,380)
Decrease	(2)	81,380
In Peso per Japanese Yen		
Increase	2	4,251
Decrease	(2)	(4,251)
In Peso per UK Pound		
Increase	2	250
Decrease	(2)	(250)

	Exchange rate movement	Effect on profit
In Peso per Euro		
Increase	2	137
Decrease	(2)	(137)

There is no impact on the Group's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on movement in dollar average exchange rates.

c. Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's maximum exposure to credit risk for the components of the statement of financial position at September 30, 2016 and December 31, 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. As of September 30, 2016 and December 31, 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 bilateral contracts and 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.

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

Construction contracts

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

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

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

Cash and Cash Equivalents

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

AFS Financial Assets

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

Receivables

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

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

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

Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Receivable balances are monitored on an ongoing basis to ensure

timely execution of necessary intervention efforts, such as raising the case to the Group's legal department. Regular monitoring of receivables resulted to manageable exposure to bad debts.

Security and Refundable Deposits

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

As of September 30, 2016, the aging analysis of the Group's receivables presented per class follows:

	September 30, 2016						Impaired assets	Total
	Neither past nor impaired	Past due but not impaired						
		<30 days	30-60 days	61-90 days	91-120 days	>120 days		
Receivables								
Trade								
Real estate	₱4,152,143	₱59,691	₱1,795	₱43,258	₱3,338	₱268,184	₱-	₱4,528,409
General								
construction	1,205,867	2,328,628	282,643	404,571	-	-	2,775	4,224,484
Electricity sales	2,753,186	101,602	67,766	7,662	2,073	513,500	713,956	4,159,745
Coal mining	752,243	-	226,310	-	-	28,429	30,618	1,037,600
Nickel mining	116,141	19,519	-	-	-	-	70,926	206,586
Merchandising and others	15,948	-	17,170	7,672	5,007	12,361	2,921	61,079
Receivables from related parties	92,288	-	-	-	-	-	-	92,288
Other receivables	424,955	2,213	-	173	5,236	40,659	686,676	1,159,912
	₱9,512,771	₱2,511,653	₱595,684	₱463,336	₱15,654	₱863,133	₱1,507,872	₱15,470,103

Fair Value of Financial Instruments

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

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

The fair values of financial assets at FVPL are based on quoted market rates.

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.

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

Financial liabilities

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

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

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

