26 January 2009

PHILIPPINE STOCK EXCHANGE
Disclosure Department
4/F PSE Center
Exchange Road
Ortigas Center, Pasig City

Attention: **ATTY. PETE M. MALABANAN**
Head, Disclosure Department

Gentlemen:

We hereby submit the Company's amended Third Quarter Interim Report for 2008 (SEC Form 17-Q).

The Company included the Financial Instruments and Financial Risk Disclosures in the Notes to Financial Statements (Note 6) as directed by the Securities and Exchange Commission.

Thank you.

Very truly yours,

Aldric G. Borlaza
Finance Officer

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)

3 R D F L R . D A C O N B L D G . 2 2 8 1
P A S O N G T A M O E X T . M A K A T I C I T Y

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

HERBERT M. CONSUNJI
Contact Person

888-3000
Company Telephone Number

(Last Wednesday of July)

1	2	3	1

Month Day
Fiscal Year

SEC Form 17-Q
Third Quarter Interim Report 2008
"Amended"
FORM TYPE

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Month Day
Annual Meeting

N.A.
Secondary License Type, If Applicable

C F D
Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders   Domestic   Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

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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, 2008**

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

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

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

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

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

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

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares, Php 1.00 Par	1,127,747,000
Preferred Shares, Php 1.00 Par	4,380
Common Shares, Php 1.00 Par	150,000,000

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

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

Yes [X] No [ ]

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

Philippine Stock Exchange — Class "A" Shares
Preferred Shares

12. Indicate by check mark whether the registrant:

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

Yes [X] No [ ]

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

Yes [X] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements for the quarter and period ended **September 30, 2008** are contained herein.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF CONSOLIDATED OPERATIONS AND CONSOLIDATED FINANCIAL CONDITION FOR THE QUARTER AND PERIOD ENDED SEPTEMBER 30, 2008

I. RESULTS OF OPERATIONS

DMCI Holdings, Inc. (the "Company") reported a consolidated operating income of P 2.3 billion for the 9 month period this year, or 35% higher than the P1.7 billion income reported in 2007 due mainly to the exceptional growth in the water and real estate sectors. This was however reduced significantly to P1.2 billion by the equity share in the extraordinary and non-operating charges from the water business. Quarter income was grossly higher due to adjustments made last year to reverse recognition of extraordinary income in the water business. Net contributions from the construction and coal mining businesses remained flat compared to the previous year.

WATER

The Company's investment in the water sector, operated under Maynilad Water Services, Inc. and owned via consortium with Metro Pacific, reported an impressive growth in operating level income from P1.1 billion to P2 billion of which P479 million and P839 million accrues to the Company.

Water operations improved in all levels. Billed volume was up 13.4%, water supply was higher by 4% and non-revenue water (NRW) slid by 1.5%. Consequently, period revenue from water operations was up by P478 million, 8% more than last year. Non-cash opex showed a 15% increase due mainly from hihger capex and depreciation coupled with higher amortization of concession fees in preparation for volume growth. Cash opex, on the other hand, remained flat with just a marginal 2% growth despite improved services.

Extraordinary and non-operating items present in the Company's water business greatly affected operating level results. The adoption of a new concession accounting principle for 2008 accounted for a net charge of P787 million (the Company's share is P331 million). This net charge is mainly the result of the forex losses from the recognition of dollar denominated future concession fee payables, the recognition of which is a feature of the new accounting standard. Note however that the possible capitalization of these forex losses is still being evaluated under the justification of proper matching of revenues and costs, the forex part of which is recoverable thru the water tariff. Furthermore, non-operating charges related in the acquisition of the water business (shared equally with MPIC), amounting to P1.6 billion, significantly reduced the yield on the operating level. The main accounts under these non-operating charges are forex losses (P824 million), interest expense (P376 million) and fair value/ goodwill amortization/ adjustments (P477 million) which is shared equally with MPIC. Interest expense and forex losses will be significantly reduced if not eliminated as the corresponding loans from acquisition are expected to be settled by year end.

Notwithstanding the extraordinary and non-operating items in the water business, the Company is confident that it has now reached a working formula towards the growth and improvement of the water operations. Initiatives toward operational improvement and changing corporate cultures are now showing results. The Company and its partner are very optimistic with the challenges and opportunities prevalent in Maynilad.

REAL ESTATE

The Company's real estate business is reported under its wholly owned real estate company, DMCI Project Developers, Inc. (PDI) under the brand name DMCI Homes. The real estate segment recognized significant growth for the period. Real estate revenues of P3.5 billion were up by 71% from last year while income of P748 million grew by 28%. Better sales volume from new projects and the higher selling price provided much of the growth.

The Company notes that it has been using the completed contract method for recognizing housing revenues which is in compliance with International Accounting Standards but is different from the percentage of completion method adopted by most of its counterparts in the local real estate industry.

Notable sales from existing projects: Manors at Celebrity Place, Raya Gardens Condominiums, Mahogany Place Subdivision and Rosewood Pointe Homes accounted for 40% of all real estate revenues with P1.4 billion and was up by 29% from last year. On the other hand, completion of units in the new projects: Alta Vista Boracay, Dansalan Gardens Condominiums, Riverfront Residences and Cypress Towers, contributed a total of P950 million or 26% of the real estate sales booked for the period. Old projects such East Ortigas Mansions, Mayfield Park Residences and Vista De Lago, all of which are now reputable residential communities, were essentially sold out and only contributed marginal and tail end revenues for the period. Moving forward, the Company continues to develop new projects that are expected to provide the continuous revenue contributions for the Company's real estate business.

Selling prices for the new and existing projects are marginally higher than the old projects as this year's residential unit mix include high rise units which cost more than the previous mid rise developments. Moreover, building materials for the current work in progress units have also gone up in the 2nd quarter of 2008 but subsequently went down towards the end of the 3rd quarter. With these, the Company still sees its prices as approximately 10-15% below competitors, an edge it enjoys as a triple-A construction company and a market driven real estate developer. Consequently, gross margins for the real estate segment have gone down as well.

Operating expenses in the real estate segment were significantly higher due to the increased marketing/ selling and the organizational development activities. This was one of the main contributors to the jump in consolidated general and administrative expenses on a quarter to quarter basis. The Company is currently installing measures to manage and stream line real estate overhead costs.

Though the Company's residential segment continues to experience an up-trend in business, the Company has experienced a slowdown in its sales and reservations for the latter part of the 3rd quarter. It is aware of the global adversities prevalent in the international real estate sector, most predominantly in the US but is yet to conclude that this is the result of such adversities. The Company sees that an effective shortage in fully complete inventory can be the cause to such slow down. With the completion of new units and the release of new projects, an extended slow down in sales velocity would provide more clarity towards the effect of the US financial meltdown. Moreover, the Company would like to point out that its direct US sales only account for approximately 2% of its total sales to date.

CONSTRUCTION

The construction business, reported under wholly-owned construction company, D.M. Consunji, Inc. (DMCI), reported a slight 5% slide in net contributions for the period. Nine month construction revenues were up by 37% but cost was higher by 53%. This was caused mainly by change orders (costs already booked but revenues pending approval), increased works from outside contracts and construction from the water business.

Revenues from Shangrila Boracay totalled P945 million for the period, while remaining work from Moldex Grand Tower, Robinsons One Adriatico and Cybergate Tower accounted for a sizeable share of

the revenues for the period. In addition, construction and engineering services from Maynilad, which already contributed P339 million in 2007, added P720 million of revenues for the first 9 months of 2008. The Company would like to stress however that the contracts awarded by Maynilad are bidded and contracted on an arms length transaction basis. Notwithstanding, The Company is confident that control and reaction time from the coordination of its internal construction segment is beneficial to the improvement of Maynilad's requirements. Back-log work as of the end of the first half showed an amount of P2.6 billion compared to P1.95 billion at the end of 2007 due to the inclusion of the LRT North Extension and new Maynilad contracts in the 3rd quarter.

Contributions from the other non-traditional construction operations such as equipment rental and sales, plus the ready-mix concrete business were also helpful in providing gross contributions for the construction business.

General and administrative expenses for DMCI were 20% lower from last year. Construction overhead is expected to be at low levels consistent with the Company's cost reduction guidance, more so with the construction industry becoming more diversified and competitive.

As the construction sector grows evident by the increased work activity, the Company is now undertaking organizational development to prepare for the expected infrastructure boom. On the other hand, the Company currently applies most of its construction capabilities with the other (and newer) more recurring business ventures such as mining, water utility, real estate development, and power generation. Notwithstanding, the Company is still providing engineering expertise and remains a stalwart provider of excellent construction services but will be selective in its external projects evaluation.

COAL

The Company's coal mining business, operated by 56%-owned, publicly listed Semirara Mining Corp (SMC), reported flat results for the first nine months of 2008 compared to 2007. Despite higher revenues and gross margins coming from a 30% increase in coal prices and 7% total volume growth delivered by coal exports, the resulting increase in Government royalties curtailed improved results. This Government royalty, which is part of operating expenses and based on gross revenues, grew by 245%.

Below is SMC's management discussion and analysis of financial condition and results of operations for the period and quarter ending September 30, 2008 and 2007 for a more detailed discussion:

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

2008 NINE-MONTH OPERATION

The arrival of new mining equipment enabled the Company to increase total material movement despite adverse weather conditions at the mine site. Year-to-date material movement registered at 27,918,308 bank cubic meters (bcm). As operations focused on pit stabilization after the occurrence of a minor slide in the pit in the second quarter, run-of mine (ROM) coal production slowed down in the current quarter that resulted to a nine-month volume of 2,632,324 metric tons (MTs), inclusive of washable coal of 504,608 MTs. Net total product coal registered at 2,406,176 MTs.

In anticipation of higher demand for coal, the Company acquired 16 units 100-tonner dump trucks, 3 units excavators (1 unit 16 cubic meter capacity and 2 units 12 cubic meter capacity) and complementing support equipment that included motor graders, bulldozers and wheel dozers as at the end of the third quarter. Eight more 100-tonner dump trucks arrived shortly after the close of the current period and another 1 unit 16-cubic meter excavator is already due to arrive in the last quarter.

Moreover, drilling equipment were also purchased to facilitate the exploratory drilling activities beyond the ultimate pit limit of the active mine, the Panian pit. Resident geologists further explored areas where coal reserves are indicated .

The 4 MW bunker-fired generator set that was commissioned to power dewatering pumps at the start of the year became very useful, as the rainy season is particularly long this year and brought heavy downpour in the island.

As a result of the heavy rains, a portion of the pit partially caved in and disrupted coal production in the third quarter. As a result, the Company declared a force majeur on 2 July 2008. As more rains were experienced during the succeeding period, the force majeur was not yet lifted as of end of the 3rd quarter

As a result of the force majeur, production slid down in the third quarter. With the continuous strong demand for Semirara coal, inventory closed at a low level of 28,368 MTs. Despite the almost depleted inventory level, the Company was not able to cater to some orders. As a result sales volume, which is already a record high at 2,738,300 MTs, could have been more higher. Around 400,000 MTs on contracted export tonnage still remains undelivered as at end of the 3rd quarter. The company is optimistic that this will be fully delivered before the year-ends.

At a composite average price of P2,342/MT, Coal Revenues amounted to P6.414 billion as at the end of the end of the nine-month period. Average heating value recorded at 9,582 BTU/lb. On the other hand, Coal Handling operations at the Calaca coal yard raked in additional Revenues of P30.912 million. The resulting Total Revenues of P6.445 billion is almost at the same level of 2007 full year Revenues.

Cost of Sales, inclusive of P271.449 million Shipping, Loading and Hauling Costs and Coal Handling Cost of P36.805 million, recorded at P5.071 billion. The Non-Cash portion of this amount is 22% at P1.110 billion. Cost of Coal Sold/MT is P1,851.72.

The resulting Gross Margin was recorded at P1.374 billion, posting a Gross Profit Ratio of 21.3%.

Operating Expenses totaled to P563.154 million. The bulk of the pie is represented by Government Share of P474.437 million, which is 7.4% of Coal Sales. General Administrative Expenses of P88.718 million accounted for Philippine Stock Exchange annual listing fees, business permit fees, filing fees, and other overhead, inclusive of executive officers' compensation. The resulting Operating Income amounted to P810.931 million, representing 12.6% of Revenues.

Other Income of P53.683 million represented income from sale of electricity generated by company-owned power plant to the local cooperative, and insurance claims for partial damage of equipment.. Meanwhile, the Company accounted for Interest and Financing Charges of P83.365 million for its short and long-term loan availments. Also, due to foreign exchange fluctuation from P41.28 : $1 at the beginning of the year to P47.09 : $1 as at the end of the third quarter, the Company incurred net Realized Foreign Exchange loss of P16.019 million and net Unrealized Foreign Exchange Loss of P11.132 million for the USD8.42 million outstanding balance of US dollar-denominated loans valued at P41.28: USD1.0 at beginning of the year offset by reversal of booked unrealized gain on USD11.2 million short-term placements which was used to pay off USD obligations of new equipment acquisitions.

Non-recurring income of P10.677 million was recognized from sale of fully depreciated mining equipment, offset by Philippine Ports Authority charges amounting to P34 million, partial payment of which were lodged under protest. The resulting Net Income Before Tax posted at P764.775 million. Although, the Company successfully registered with the Board of Investments, and was consequently granted Income Tax incentives, Income Tax for the period was fully provided for, as tax holiday will only apply for sales over 2.7 million MTs. As a result of lower sales, lower production but higher production and other operating cost, 3rd quarter tax position is at minimum corporate income tax (MCIT) of P5.35 million, however, the year-to-date tax position is at regular corporate income tax of P193.938 million, thus reflecting a negative P0.704 million for the quarter to adjust year-to-date provision. Net Income After Tax registered at P570.837 million as at the end of Q3.

2008 NINE-MONTH FINANCIAL CONDITION

The Company's balance sheet remained strong as at the end of the period although Total Assets of P6.215 billion posted a slight 3% dip from beginning balance of P6.423 billion. The decline is mainly caused by the drop in Cash and Cash Equivalents; Coal inventory; and Property, Plant and Equipment partially offset by increase in materials and parts inventory and recognition of financial lease assets.

Cash and Cash Equivalents decreased by 36% from P1.651 billion beginning balance to P1.052 as at the end of Q3 due mainly to termination of US dollar short term placements to pay-off mining equipment acquired during the period which amounted to around USD 11.2 million. On the other hand, Total Receivables went up by 25% from P1.116 billion to P1.395 billion as at the end of the period. Trade Receivables accounted for P1.283 billion, 72% of which represents receivables from the National Power Corporation (NPC), while Receivables from Related Parties and Other receivables accounted for P98.793 million and P13.817 million, respectively.

The steep drop in Coal Inventory valued at P50.783 million from P570.807 million as at the start of the year was slightly offset by the increase in Materials and Part Inventory from P881.864 million to 1.011 billion. As a result, Total Inventories reflected a decrease from P1.453 billion as at the start of the period to P1.062 billion as at the end of Q3.

Meanwhile, Prepaid Expenses and Other Current Assets mainly consists of the erroneously withheld Value Added Taxes by NPC on coal deliveries. The posted
16% increase from P215.241 million to P249.531 million at the end of the period. was caused by increase in prepaid insurance and unapplied creditable withholding taxes.

Total Current Assets registered at P3.759 billion, 15% lower than the beginning balance of P4.435 billion.

On the other hand, Non-Current Assets posted a 24% increase at P2.456 billion from balance at the start of the year of P1.988 billion. The recognition of additional depreciation was reflected in the decrease in Property, Plant and Equipment from P1.904 billion to P1.587 billion. On the other hand, additional equipment amounting to P638.03 million (net of depreciation) was booked under Financial Lease Assets as these mining equipment were subjected to sale and leaseback transactions. Additional cash infusion to the Company's investments in a nickel mine and the group's power company resulted to an increase in Investments from P80.871 million to P225 million, no additional investment was made during the 3rd quarter Finally, Deferred Charges and Other Non-Current Assets went up to P5.984 million from P2.869 million beginning balance, representing additional software costs.

Total Liabilities rose by 18% at P2.139 billion from P1.808 billion beginning balance. The increase was mainly triggered by the Company's capacity expansion program which set off availment of financing arrangements for the new CAPEX seconded by rise in government share due to improved operating efficiency and procurement of more materials and parts for rehabilitation of mine site facilities and other site development projects

The bulk in Current Liabilities of P1.277 billion is represented by Accounts and Other Payables amounting to P941.653, which included Government Share payable of P377 million, accrued materials payable of P325 million, and consigned parts payable of P116 million.

Continuous amortization of Long-Term Debt brought down its Current Portion from P730.171 million to P141.643 million. On the other hand, the Company entered into sale and leaseback arrangements for its new mining equipment that resulted to the recognition of Finance Lease Payables, balance of the Current Portion of which is P146.118 million.

Meanwhile, Payable to Related Parties amounted to P15.239 million, reflecting payables generated from use of affiliates' equipment to support its Calaca Coal Handling Operations.

Customers' Deposit recorded a significant increase by 269% from P8.867 million as at the start of the year to P32.734 million coming from advance payment from customer for coal orders.

The 79% increase in Non-Current Liabilities from beginning balance of P482.049 million to P862.039 million was mainly caused by the sale and leaseback transaction entered into by the Company which recorded a Financial Lease Payable – Net of Current Portion of P336.046 million. Long-Term Debt – Net of Current Portion likewise posted an 11% increase from P397.581 million to P441.526 million, mainly resulting from unrealized forex loss as of Sept. 30, 2008

Stockholders' Equity reflected a 10% decrease at P4.604 billion from beginning balance of P5.144 billion despite generating a Net Income of P570.837 million for the nine-month period. This is a result of the declaration and payment of Cash Dividends made in the first quarter of the year amounting to P1.11 billion.

The company's assets and liabilities are traditional in nature, which are valued at cost except for foreign denominated loans and US dollar collections which are valued using the closing rate at balance sheet date applied to the outstanding balance as of the period recognizing gain or loss on foreign exchange translation (please see Note 1 – Summary of Significant Accounting Policies in the Notes to Financial Statements and Annex B and C for information on company's liquidity and risk).

2008 COMPARATIVE REPORT

I. PRODUCTION

Heavy rains at the mine site hampered operations. However, with the employment of new mining equipment, operations managed to move significant amount of materials during the quarter at 8,697,087 bcm, reflecting a 6% and 13% decline from Q1 and Q2 material movement of 9,279,804 bcm and 9,940,985 bcm, respectively. Notably, this volume is 34% higher than Q3 2007 material movement of 6,472,619 bcm. Despite the slump in Q3, year-to-date total material movement still posted a 15% improvement at 27,918,308 over the comparable nine-month period last year's volume of 24,233,081 bcm.

Minor slides in the pit brought about by heavy rains directed operations to slope stabilization which required the diversion of some mining equipment for this activity. The combined effect of this plus the actual slow down of mining operations due to the heavy downpour tempered current quarter's ROM coal production to 754,092 MTs. Added to Q1 and Q2 coal production of 1,065,387 MTs and 812,845 MTs, YTD ROM coal produced was lodged at 2,632,324 MTs, 4% lower than Q3 2007 YTD production of 2,743,179 MTs. Current period's ROM coal production was also lower by 4% compared to Q3 2007 production of 851,000 MTs.

As a consequence of higher material movement vis-à-vis lower coal production, YTD strip ratio rose to 9.89:1 compared to Q3 2007 YTD figure of 8.12:1. Current quarter's strip ratio was lower than Q2 2007 level of 11.52:1, but higher than Q1 2008 and Q3 2007 strip ratio of 8:1 and 6.89:1, respectively.

Accordingly, YTD net total product coal also registered a 5% decline at 2,406,176 MTs from 2,530,091 MTs last year. Q3 volume is lowest this year at 655,232 MTs, compared to Q1 and Q2 production of 1,003,542 MTs and 747,401 MTs, respectively. Likewise, this is 17% lower than Q3 2007 volume of 787,705 MTs.

Demand remained strong during the quarter. Thus, coal inventory was significantly low at 28,368 MTs, posting a 95% decrease compared to end of Q3 2007 inventory level of 535,062 MTs.

II. MARKETING

Semirara coal continued to strengthen its market acceptance. Proof to this is the significant increase in demand for the product. Strong global demand for coal in general further advanced the Company's goal to maintain a highly diversified market base. Its successful foray in the export market provided the Company more market options that helped improved the value of its product. Although the export market is an important segment of the Company's market portfolio, its force majeure situation caused opportunity loss during the quarter as it was compelled to turn down some orders. Nevertheless, export sales share in the total pie as at the end of the first three quarters of the year was significant at 35%. Total YTD export volume sold is more than double at 965,726 MTs this year, compared to Q3 2007 YTD export sales of 454,401 MTs. Current quarter's export sales amounted to 123,389 MTs, while Q1 and Q2 volume were recorded at 453,670 MTs and 388,667 MTs.

Meanwhile, due to problems in Calaca plants operations, volume delivered to the formerly main customer of the Company declined to almost minimum level. This greatly contributed to the slump in local sales from 2,096,767 MTs 2007 YTD to 1,772,575 MTs as at the end of the Q3 2008.

However, combined with the export sales, total sales volume for this year managed to post a 7% growth at 2,738,301 MTs from 2,551,171 MTs in the first nine months of 2007.

Power plants are still the major users of Semirara coal, accounting for 39% of total sales or 1,064,389 MTs. Remarkably however, this is a 40% decrease compared to 2007 YTD sales to the power industry of 1,769,997, representing 69% of total sales.

On a positive note, sales to the cement companies recorded a 146% growth at 539,608 MTs, with 20% market share, as at the end of Q3 this year from 219,637 MTs which represented 9% of sales in the previous year. Moreover, other industrial plants likewise posted a growth by 57% at 168,578 as at the end of the current period, compared to 2007 YTD volume of 107,135 MTs.

The continuous increase in market share of non-traditional markets is a welcome development for the Company. Developing a wide market range has been a primary marketing goal in the past few years.

The market of Semirara coal is not seen to decline until the year ends. The world coal prices may drop due to demand and supply chain in the world market resulting from the drop of crude oil prices and economic recession but still the company is confident to deliver more coal as it has remaining undelivered volume on contracted tonnages with a number of customers for 2008.

III. FINANCE

A. Sales and Profitability

The confluence of higher sales volume and increased YTD composite FOB average selling price at P2,342/MT, which is 30% higher than 2007 level, resulted to an upsurge in Coal Revenues to P6.412 billion for the first three quarters of the current year. This is a hefty 39% improvement of YTD Q3 2007 Coal Revenue generation of P4.603 billion.

On a quarter-on-quarter comparison, FOB average selling price notably inched up steadily. Current quarter's FOB average selling price of P2,717/MT is 11% higher than Q2 price of P2,444/MT, 41% more than Q1 level of P1,923, and 59% better than Q3 2007 average price of P1,704/MT. This increase in price is attributed to high international coal prices, and further augmented by the appreciation of the US dollar against the peso.

On the other hand, due to inflation which is significantly caused by the rising oil prices, Cost of Coal Sold/MT shot up to P1,733 for the nine-month period. This recorded an increase of 24% over the previous year's YTD Cost of Coal Sold/MT of P1,402. High strip ratio this year also contributed to the

increased cost. High unit cost of increased sales volume reflected a 40% increase in Cost of Sales from P3,619 billion for the first three quarters of last year to P5.071 billion this year. Mine site operating cost, including minesite overhead costs is expected to rise in the last quarter as programmed materials and parts for various mine rehabilitation projects were already delivered. The company has started conscious efforts to rehabilitate the mine site to mitigate the negative notion of the impact of mining to the environment and create sustainable good quality of life to the local community of Semirara island.

Meanwhile, Operating Expenses which comprised of Government Share and General and Administrative Expenses also posted a sizeable increase by 179% from P202.168 million last year to P563.154 million in the current period. This is primarily attributed to increased operating efficiency which translated to higher Government Share, and expanded operations which correspondingly brought up General and Administrative Expense.

Healthy cash level invested in short-term instruments primarily boosted Other Income by 99% from P27.008 million last year to P53.683 million this period. On the other hand, lower interest-bearing loan balances correspondingly cut Interest and Financing Charges by 24% from P109.570 million to P83.365 million for the first three quarters this year. Fluctuation in foreign exchange prompted the Company to recognize realized and unrealized Forex Losses for its dollar loans, slightly tempered by Forex Gains for its dollar-denominated export revenues.

The expected cash inflow from exports in the last quarter this year will again provide natural hedge against currency fluctuations as available dollar will be utilized to pay foreign obligations. Meanwhile, the carrying values of the company's financial liability would not vary significantly from its fair value because of regular interest repricing, quarterly for long-term loans and monthly for short-term loans, except for one foreign loan which is repriced semi-annually with a balance of about $4.9 million whose last amortization payment will be due September 2010 (Annex B).

After full Provision of Regular Corporate Income Taxes, YTD Net Income After Taxes in the current year of P570.837 million is slightly higher by 1% compared to the reported NIAT of P565.040 million in the comparable period last year.

YTD EBITDA remained strong at P1.875 billion, despite posting a 9% drop from YTD Q3 2007 EBITDA of P2.061 billion.

B. Solvency and Liquidity

Despite substantial cash outflows for investing and financing activities, the Company managed to maintain a healthy Ending Cash Level of P1.052 billion.

Operating activities for the first three quarters of the year generated net cash of P1.285 billion, registering a 7% dip from operation's cash generation of P1.384 billion. This is mainly attributed to the finance lease transactions entered into by the Company for its new Capex that effectively increased other assets by P740.670 million. Also, due to cost escalation and increased Government Share, Before Tax Income this year is lower by 9% at P764.775 million, compared to YTD Q3 2007 income of P837.857. The aforementioned events that had negative impact on cash generation this year was tempered by the decrease in growth of Trade Receivables, despite the increase in coal sales. This is an effect of improved collection period. Export sales that are covered by sight letter of credits, and have thus short collection period, now takes a sizeable share in the Company's market.

Meanwhile, Investing Activities used up P711.052 million during the first three quarters of this year. P608.522 reflected additions to Property, Plant and Equipment, while P144.129 million was spent on the Company's investment to the nickel and power industries. With less Capex and investments in 2007, augmented by the recouped Temporary Investments of P300 million, YTD Q3 2007 generated P163.985

million from investing activities, while full year 2007 recognized cash generation from investments of P15.439 million.

Moreover, the Company also spent P1.173 billion of cash for its Financing activities. The bulk of P1.248 billion was used to pay its liabilities, while P1.110 billion was distributed as Cash dividends.

As a result, a Net Decrease in Cash of P598.600 million for the first nine months of operation this year was recorded. Beginning Cash Balance of P1.651 was then reduced to P1.052 at the close of the period.

Current Ratio, which demonstrates the Company's liquidity condition remained healthy at 2.94x. About 30% of the current assets are readily convertible to cash, 70% can be converted to cash in 30-60 days. The readily convertible cash can cover to pay off current liabilities. Although current ratio recorded a drop from yearend 2007 Current Ratio of 3.34x, it posted an improvement over H1 2008 level of 2.08x. Meanwhile, the Company's Debt-to-Equity Ratio improved to 0.35:1 as at the end of Q3 this year from 0.51:1 yearend 2007 and 0.66:1 H1 2008.

Higher Net Income translated to a corresponding increase in Earnings Per Share (EPS) from P2.036 as at Q3 2007 to P2.057 in the current comparable period.

IV. PERFORMANCE INDICATORS:

1. Average Selling Price *– The Company was initially compelled to price Semirara coal at a discount while it was trying to gain more market acceptance from non-traditional local buyers and export markets, especially that Semirara coal is considered to be of lower quality. The steady increase in the average FOB selling price is therefore an indicator that the Company is successfully penetrating these markets. The success in exporting coal helped bring up prices, since the Company gained more leverage in pricing its coal for local deliveries.*

2. Debt to Equity Ratio *- Despite its aggressive expansion activities that required huge investments in mining equipment, and despite its generous cash dividend policy, the Company managed to maintain a low Debt to Equity Ratio. This clearly shows that the Company's solvency condition is stable and that the Company can well afford to consider more investment opportunities that could increase further shareholders' value.*

3. Capital Expenditures *– The Company's efforts to bring in more mining equipment, amidst shortage in the market, paid off when challenging weather conditions threatened to significantly impair production. With more equipment to deploy, the Company managed to hold its fort in maximizing production while doing rehabilitative activities for portions of the pit that registered slides during heavy rains. Moreover, with the acquisition of more drilling equipment, the Company is able to conduct more exploratory drilling activities beyond the ultimate pit limit of the current active mine.*

4. Expanded Market *– The Company has already sucessfully weaned itself from dependence on a single customer. Moreover, it is continuously developing new markets for Semirara coal. In fact, demand for coal during the nine-month period is more than the production volume of the Company, thus it reported an almost depleted inventory level as at the end of Q3. The challenge for the Company is to strengthen the new markets that it caters, especially the export markets, which offers a vast opportunity for growth and expansion.*

5. Improved coal quality *– The low quality of Semirara coal has over time became less of an issue for the Company's customers. The average heating value for the nine months deliveries is at 9,582 btu. This is reflected in the continuous stream of coal orders, some of which the Company were not able to supply anymore. Clearly, the continuous efforts extended by the Company to improve its product has paid off. Nevertheless, management is persistently looking for more ways to enhance the quality of Semirara coal to further improve product value and increase product premium.*

NICKEL

One of the Company's new business is nickel direct shipping ore operations reported under DMCI Mining Corp (DMCI Mining). DMCI Mining went into a joint venture with Australian listed exploration company, Rusina Mining Ltd. early in 2007 to mine and ship nickel (and chromite) ore in the old Acoje mine located in Sta. Cruz, Zambales, around 250 km north of Metro Manila. Normal operations started early this year and DMCI Mining has shipped nickel ore mostly to China. For the first half of this year DMCI Mining has shipped approximate **275 thousand** wet metric tons of nickel ore, with a majority grade of around 1.7% nickel content, and a total aggregate amount of around US$10 million. As a result, DMCI Mining reported a revenue of P439 million and a net income of P58 million for the nine month period.

The Company notes that nickel direct shipping ore deliveries and prices have gone down and is expecting a continuous drop in the nickel metals market. This is due to the production downgrade of nickel users and stainless steel producers all over the world including China. DMCI Mining has P158 million worth of nickel stock in its inventory and is now exploring other markets like Japan, Australia and India. The Company and DMCI Mining has temporarily suspended laterite nickel mining operations accounting for the current market conditions but is starting to look at mining the chromite deposits with the opportunities still available in the chromite metals market.

OTHERS

The Company's consolidated operations for the period now includes income from noncurrent assets held for sale worth P73 million. The Company, late in 2007, converted its receivables worth P957 million into equity in AG&P, thereby increasing its ownership. However, the Company's board decided that AG&P will be sold and as such AG&P is reported on a one-line basis in the consolidated financial statements. This however maybe reverted back into full consolidation due to the high probability that its sale will not be completed within this year.

AG&P is the oldest construction company in the Philippines specializing in steel fabrication. It currently has major projects for Goro Nickel composed of modular steel works and fabrication being done here and the hook-up and commissioning of these modular steel structures in New Caledonia. The contract amount of this Goro Nickel project is around US$100 million.

II. FINANCIAL CONDITION

The Company's financial condition for the period marginally increased as total assets increased by 14.9% from the end of 2007.

Cash increased by 2.6% due mainly to the normal cash transactions on a consolidated operating level but was offsetted by purchases of coal mining equipment, investments into the power and nickel businesses.

Total receivables (current and non-current) went up 7.4% as a result of improved sales in the real estate and coal businesses. Real estate receivables are termed up to a maximum of 10 years and coal sales are normally collected in 60-90 days.

The notable coal take-up from improved local demand and growing coal exports reduced coal inventory accounting while the continuous work in progress and completed units in the real estate segment accounted for the practically all of the 35% increase in consolidated inventory for the Company.

Investments were up as a result of the Company's share in net operations of unconsolidated equity investments and additional investments into the power generation and nickel mining businesses.

Depreciation from coal equipment was counteracted by acquisitions of new coal mining equipment accounting for the significantly 19% increase in the Company's consolidated property, plant & equipment.

Accounts & other payables increased as a result of trade operations, deferred revenues and accruals. Customers' deposits relate to real estate clients that have purchased units but have yet to reach revenue recognition status. Customers' deposits decreased as sales from these customers have reached full recognition status (20% collected and unit fully complete) and as such, the appropriate revenue and receivables have been recorded.

Long term liabilities (including current portion) increased due to liabilities incurred in the receivable discounting on a w/ recourse basis. These discounted receivables are mostly long term in tenure that reach 10 years max.

Non-current assets and liabilities associated with assets held for sale are from AG&P which is consolidated under the net-line basis due to its specific identification of future disposal. AG&P assets and liabilities increased from normal operations.

Current ratio increased from 2.21 to 2.57 evident of the Company's drive towards liquidity. Debt repayment capability remains healthy and well within industry averages. Debt to equity ratio inched from 0.69 to 0.83 as total liabilities increased. The Company notes that the debt to equity ratio is still below 1, indicating a strong owner base with a very strong gearing position. The debt to equity ratio is also well within industry averages as the Company strives to maintain its financial risk position relative to the interest of its stockholders.

III. KEY PERFORMANCE INDICATORS

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

a) Change in Coal Sales
b) Change in Real Estate Sales
c) Change in Construction Revenues
d) Change in Net Income
e) Change in Current Ratio
f) Change in Debt to Equity Ratio

CHANGE IN COAL SALES

With the emergence of coal mining as a significant business of the Company, it is imperative that the Company discuss thoroughly its coal business through its now 56% owned coal mining subsidiary, SMC. A clear indicator of performance in the coal mining business is any change in Coal Sales. This will show how this period's coal mining business fared with respect to the same period in the previous year/s (*see Part I. Results of Operations-Coal Mining for a detailed discussion*).

CHANGE IN REAL ESTATE SALES

The real estate business is currently becoming another significant contributor for the Company operations. Any change will indicate an improvement or deterioration in the Company's real estate business for the period. Currently the Company is intently looking at the changes in its real estate

operations as an indication of performance (*see Part I. Results of Operations-Real Estate for a detailed discussion*).

CHANGE IN CONSTRUCTION REVENUE

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

CHANGE IN NET INCOME

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

CURRENT RATIO

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

DEBT TO EQUITY RATIO

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

PART II--OTHER INFORMATION

1. This interim financial report is in compliance with generally accepted accounting principles;
2. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements;
3. The company's operation is a continuous process. It is not dependent on any cycle or season;
4. A cash dividend was declared at the amount of Php 0.10 per common share to be paid on May 30, 2008 to the holders of record of May 12, 2008.
5. There were no subsequent events that have not been reflected in the financial statements for the period that the company have knowledge of;
6. There are no contingent accounts in the balance sheet of the corporation;
7. Except for interest payments on loans, which the Company can fully service, the only commitment that would have a material impact on liquidity are construction guarantees. These are usually required from contractors in case of any damage / destruction to a completed project.
8. Any known trends or any known demands, commitments, events or uncertainties that will result in or that will have a material impact on the registrant's liquidity. - **NONE**
9. The Company recognizes that the continuing slump in the property sector would keep both real estate sales and construction revenues moderate. Nonetheless, the Group's venture into middle-income housing development is expected to significantly contribute to revenues and income.

SIGNATURES

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

Issuer DMCI Holdings, Inc.

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

Signature and Title **Aldric G. Borlaza**
Finance Officer

Ma. Luisa C. Austria
Accounting Officer

Date January 26, 2009

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

For the period ended September 30, 2008 and December 31, 2007

(Amounts in Thousands of Philippine Pesos,

Except Par Value and Number of Shares)

	SEPTEMBER 2008 (UNAUDITED)	AUDITED 2007
ASSETS		
Current Assets		
Cash and cash equivalents	3,633,012	3,539,648
Available-for-sale financial assets - net	143,481	202,673
Receivables - net	3,630,276	2,860,780
Costs and estimated earnings in excess of billings on uncompleted contract	0	140,681
Inventories - net	8,644,126	6,375,959
Other current assets	311,884	568,934
Total Current Assets	16,362,779	13,688,675
Noncurrent Assets held for sale	3,065,693	2,976,609
	19,428,472	16,665,284
Noncurrent Assets		
Noncurrent receivables - net	1,572,734	1,983,314
Investments in associates, jointly controlled entities and others - net	5,858,499	5,055,377
Investment properties - net	2,018,415	2,057,446
Property, Plant and Equipment - net	3,507,042	2,933,158
Deferred tax assets	0	207,507
Other non-current assets - net	1,000,066	161,119
Total Noncurrent Assets	13,956,756	12,397,921
Total Assets	33,385,228	29,063,205
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Bank Loans	138,282	40,311
Current portion of liabilities for land purchased	0	169,088
Accounts and other payables	4,910,818	2,766,999
Current portion of long-term debt	329,195	1,843,239
Billings in Excess of Costs on Uncompleted Contracts	0	30,888
Customers' deposits	724,779	1,271,184
Income Tax Payable	265,917	58,968
Total Current Liabilities	6,368,991	6,180,677
Liabilities directly associated with noncurrent ssets held for sale	2,165,513	2,327,976
	8,534,504	8,508,653
Noncurrent Liabilities		
Long-Term Debt - net of current portion	5,091,414	2,022,067
Liabilities for land purchased - net of current portion		433,851
Payables to related parties	1,391,749	450,686
Deferred Tax Liability	113,212	273,441
Pension Liabilities	35,077	127,411
Other Noncurrent Liabilities	4,750	16,955
Total Noncurrent Liabilities	6,636,202	3,324,411
Total Liabilities	15,170,706	11,833,064
Equity		
Equity attributable to equity holders of the parent:		
Paid-up capital	7,421,414	7,421,640
Deposit for future subscription	0	0
Retained earnings	8,903,901	7,701,472
Net unrealized gain (loss) on available-for sale financial assets	0	(35,880)
Preferred shares held in treasury	0	0
	16,325,315	15,087,232
Minority Interest		
Minority interests - net of interests attributable to noncurrent assets held for sale	1,889,206	2,121,838
Minority interests attributable to noncurrent assets held for sale	0	21,071
Total Equity	18,214,521	17,230,141
	33,385,228	29,063,205

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

For the period ended September 30, 2008 and 2007 and for the quarter ended September 30, 2008 and 2007

(Amounts in Thousands of Philippine Pesos)

	For the period		For the quarter	
	2008	**2007**	**2008**	**2007**
REVENUE				
Construction Contracts	3,388,068	2,466,989	1,175,553	1,063,483
Coal Sales	6,444,650	4,658,842	1,696,463	1,809,802
Real Estate Sales	3,523,717	2,055,694	1,692,670	567,615
Nickel Ore Sales	439,612	-	(1,584)	-
Merchandise Sales and others	357,132	111,842	135,726	31,526
	14,153,179	**9,293,367**	**4,698,828**	**3,472,426**
COST OF SALES AND SERVICES				
Construction contracts	2,782,700	1,820,055	894,186	708,343
Coal Sales	5,070,565	3,612,233	1,435,438	1,511,959
Real Estate Sales	2,073,662	896,773	919,982	27,542
Cost of Nickel Ore Sales	238,556	-	1,279	-
Merchandise Sales and others	289,880	74,931	110,349	21,721
	10,455,363	**6,403,992**	**3,361,234**	**2,269,565**
GROSS PROFIT	**3,697,816**	**2,889,375**	**1,337,594**	**1,202,861**
OPERATING EXPENSES	(1,523,058)	(939,992)	(355,926)	(202,062)
	2,174,758	1,949,383	981,668	1,000,799
OTHER INCOME (CHARGES)				
Equity in ordinary earnings of associates, jointly controlled entities and others	835,553	478,696	1,073,195	(977,086)
Finance Income	332,013	162,613	175,644	59,426
Gain on sale of investments	6,490	0	6,490	0
Finance costs	(183,667)	(182,390)	(67,836)	(131,444)
Other income - net	93,876	223,316	1,536	77,442
INCOME FROM OPERATIONS	3,259,023	2,631,618	2,170,697	29,137
PROVISION FOR INCOME TAX	719,629	659,937	343,370	286,234
INCOME AFTER TAX	**2,539,394**	**1,971,681**	**1,827,327**	**(257,097)**
INCOME ASSOCIATED WITH NONCURRENT ASSETS HELD FOR SALE - net of tax	73,526	0	38,764	0
INCOME BEFORE MINORITY	**2,612,920**	**1,971,681**	**1,866,091**	**(257,097)**
Minority Interest	265,153	235,957	61,304	65,378
INCOME AFTER MINORITY (NOTE 4)	**2,347,767**	**1,735,724**	**1,804,787**	**(322,475)**
EXTRAORDINARY ITEMS-net of tax				
EQUITY SHARE IN EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE ADOPTED IN WATER SEGMENT	(331,000)		(331,000)	
EQUITY SHARE IN NON OPERATING ITEMS OF WATER SEGMENT	(814,339)		(814,339)	
TOTAL EXTRAORDINARY ITEMS	(1,145,339)	0	(1,145,339)	0
NET INCOME (LOSS) (NOTE 4)	**1,202,428**	**1,735,724**	**659,448**	**(322,475)**
Earnings per Common share				
Basic	0.45	0.65	0.25	(0.12)
Diluted	0.00	-	-	-

DMCI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITE
FOR THE PERIOD ENDED SEPTEMBER 30, 2008 AND 2007

	SEPTEMBER 2008	SEPTEMBER 2007
CAPITAL STOCK		
Cumulative and convertible		
Preferred stock - P1 par value		
Authorized - 100,000,000 shares		
Issued - 2,400,000 shares	2,400,000	2,400,000
Retirement of preferred shares	(2,395,620)	2,395,520
	4,380	4,480
Common stock - P1 par value		
Authorized - 5,900,000,000 shares		
Issued - 2,255,494,000 shares	2,255,494,000	2,255,494,000
Additional Subscription	400,000,000	400,000,000
	2,655,494,000	2,655,494,000
ADDITIONAL PAID-IN CAPITAL		
Balance at the beginning	2,402,459,371	2,403,783,826
Retirement of Preferred Shares	-	(1,099,000)
Additional Paid-n capital of new subscribed shares	2,363,456,700	2,363,456,700
	4,765,916,071	4,766,141,526
DEPOSITS FOR FUTURE SUBSCRIPTION		-
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of the period	7,701,472,463	5,103,727,747
Net income(loss) for the period	1,202,428,265	1,735,724,416
Accrued dividends declared	-	(242,349,400)
Balance at end of the period	8,903,900,728	6,597,102,763
Cumulative Translation Adjustment	-	39,872,880
PREFERRED SHARES HELD IN TREASURY		
Balance at beginning of the period	-	-
Acquisitions for the period	(225,555)	-
Redemption/Retirement of preferred shares	225,555	-
Balance at end of the period	-	-
TOTAL STOCKHOLDERS' EQUITY	**16,325,315,179**	**14,058,615,649**

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended September 30, 2008 and 2007

(Amounts in Thousands of Philippine Pesos)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss)/ Income	1,467,581	1,735,724
Adjustments to reconcile net income (loss) to net cash:		
Equity in net losses (earnings) of affiliates, depreciation, depletion amortization and other non-cash items (net)	(494,424)	238,158
Income (Loss) applicable to Minority Interest	265,153	(235,957)
Changes in assets and liabilities:		
Decrease / (Increase) in :		
Receivables- net	(358,916)	(235,607)
Inventories - net	(2,268,167)	(1,093,073)
Prepaid expenses and other current assets	257,050	86,357
Increase/ (Decrease) in :		
Accounts payable and accrued expenses	1,428,326	202,965
Current portion of long-term debt	(1,514,044)	(642,147)
Non current liabilities	3,149,328	(986,721)
Billings in excess of cost of uncompleted contracts	109,793	(3,550)
Income Tax Payable	206,949	236,984
Net cash provided by operating activities	2,248,629	(696,867)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Available for sale investments	59,192	188,094
Investments - net	(764,091)	(495,629)
Property, plant and equipment - net	(573,884)	334,324
Deferred charges and other assets - net	(720,524)	(404,682)
Net cash provided by investing activities	(1,999,307)	(377,893)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:		
Notes payable	97,971	188,621
Additional subscription of common shares		
Capital Stock at P 1.00 par value	0	400,000
Additional paid-in capital	0	2,362,357
Deposit for future subscription	0	0
Acquisition for preferred shares to treasury	0	0
Redemption of preferred shares		
Capital Stock at P 1.00 par value	0	(1)
Additional paid-in capital	(226)	(1,099)
Redemption of preferred shares from treasury	0	0
Payment of Dividends	0	(242,349)
Net increase (decrease) in minority interest	(253,703)	92,930
Net cash provided by financing activities	(155,958)	2,800,459
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	93,364	1,725,699
CASH AND CASH EQUIVALENTS, BEGINNING	3,539,648	1,251,911
CASH AND CASH EQUIVALENTS, ENDING	3,633,012	2,977,610

DMCI HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

The consolidated financial statements of DMCI Holdings, Inc. and Subsidiaries as of December 31, 2007 and 2006 and for each of the three years in the period ended December 31, 2007 were endorsed for approval by the Audit Committee on April 23, 2008 and authorized for issue by the Board of Directors (BOD) on April 24, 2008.

2. Summary of Significant Accounting policies

Basis of Preparation
The consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale financial (AFS) assets that have been measured at fair value. The Company's functional and presentation currency is the Philippine Peso (₱).

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of December 31, 2007 and 2006 and for each of the three years in the period ended December 31, 2007. Under PFRS, it is acceptable to use, for consolidation purposes, the financial statements of subsidiaries for fiscal periods differing from that of the Company if the difference is not more than three months.

All intra-company balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intra-company transactions that are recognized in assets are eliminated in full.

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

Minority interests 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 and consolidated statement of changes in equity and within equity in the consolidated balance sheet, separately from equity holders' of the Company.

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

* Organized on January 29, 1998 and October 16, 2006, respectively, and has not yet started commercial operations.
[1] Also engaged in real estate development
[2] DMCI's subsidiaries
[3] PDI's subsidiaries

Power Supply Agreement (PSA)
In 2006, the Company incorporated DMCI Energy Resources Unlimited, Inc. (DMCI Energy) that will handle its power business in line with plans to increase the Group's exposure in this sector. DMCI Energy will put up coal-fired power plants and participate in the privatization of the power supply of off-grid islands and remote villages.

The privatization of Small Power Utilities Group (SPUG) Areas was mandated by Department of Energy (DOE) Circular No. 2004-01-001 issued on January 26, 2004. The circular called for the periodic assessment of the requirements and prospects of bringing power generation and associated power delivery systems to commercial viability on an area-by-area basis, including a program to encourage private sector participation in the SPUG areas. In line with this, the Company participated in the bid of Masbate SPUG. On January 15, 2007, the National Power Corporation (NPC) bids and awards committee has awarded the Masbate's SPUG rights to DMCI HI. Initially, the BOD, in its meeting on January 15, 2007, approved the assignment and transfer of all the rights, interests and liabilities over the PSA with Masbate Electric Cooperative to DMCI Energy. On November 26, 2007, however, the BOD constituted DMCI Masbate Power Corporation (DMCI Masbate) as the new Project Company for its Masbate Power Project in lieu of DMCI Energy. Accordingly, the BOD approved the assignment and transfer of all the Company's rights, interests, liabilities and obligations in the Masbate Power Project, including those arising from the PSA, executed on May 4, 2007, between the Company and Masbate Electric Cooperative, Inc., as well as those rights, interests, liabilities and obligations by virtue of the Bidding Process of the Private Sector Participation in Power Generation in the Province of Masbate in favor of DMCI Masbate.

On January 26, 2007, in a special meeting of the BOD, the members of the BOD approved the change in name of the Company from DMCI Energy Resources Unlimited Inc. to DMCI Power Corporation (DPC). The SEC approved the Company's application for the change in name on
February 2, 2007.

Semirara Mining Corporation (Semirara)
On February 4, 2005, Semirara successfully completed its international offer of 89,866,000 shares. The offered shares comprised 42,991,000 existing shares held by the Company and 46,875,000 new shares. Concurrently, the Company offered 15,180,000 existing shares to all of the trading participants of the Philippine Stock Exchange. As a result of these offers, the Company recognized gains aggregating ₱2,016.91 million in 2005.

On May 13, 2006, the Company sold 16.50 million Semirara shares resulting to ₱356.05 million gain.

On November 14, 2007, the BOD approved the assignment of certain shares of stock of Semirara which are held by the Company in favor of DACON Corporation ('DACON') in full/partial payment/settlement of the Company's liabilities to DACON.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended PFRS and Philippine Interpretations during the year.

- PFRS 7, *Financial Instruments: Disclosures*
- Philippine Accounting Standards (PAS) 1, *Amendment - Presentation of Financial Statements*
- Philippine Interpretation IFRIC 8, *Scope of PFRS 2*

- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
- Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment*
-

The principal effects of these changes are as follows:

PFRS 7, *Financial Instruments: Disclosures*
PFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces disclosure requirements in PAS 32, *Financial Instruments: Disclosure and Presentation* and PAS 30, *Disclosure in the Financial Statements of Banks and Similar Financial Institutions*. It is applicable to all entities that report under PFRS.

The Group adopted the amendment to the transitional provisions of PFRS 7, as approved by the Financial Reporting Standards Council of the Philippines, which gives transitory relief with respect to the presentation of comparative information for the new risk disclosures about the nature and extent of risks arising from financial instruments. Accordingly, the Group does not need to present comparative information for the disclosures required by paragraphs 31- 42 of PFRS 7, unless the disclosure was previously required under PAS 32. Adoption of PFRS 7 resulted in additional disclosures, which are included throughout the consolidated financial statements. These disclosures include presenting the different classes of loans and receivables
(see Note 6), rollforward of allowance for doubtful accounts (see Note 6), credit quality of financial assets (see Note 35), aging of past due but not impaired financial assets (see Note 35), and sensitivity analysis as to changes in interest and foreign exchange rates (see Note 35).

PAS 1, *Amendment - Presentation of Financial Statements*
The amendment to PAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The new disclosures are shown in Note 22 to the consolidated financial statements.

Philippine Interpretation IFRIC 8, *Scope of PFRS 2*
This Interpretation requires PFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. The adoption of this Philippine Interpretation has no impact on the consolidated financial statements as the Group has no share-based payments.

Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
Philippine Interpretation IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, this Philippine Interpretation has no impact on the financial position or performance of the Group.

Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment*
The Group adopted the Interpretation beginning January 1, 2007, which prohibits the reversal of impairment losses on goodwill and AFS equity investments recognized in the interim financial reports even if impairment is no longer present at the annual balance sheet date. Adoption of the Interpretation did not have any significant impact on the consolidated financial statements.

<u>Future Changes in Accounting Policies</u>
The Group has not applied the following new and amended PFRS and Philippine Interpretations which are not yet effective for the year ended December 31, 2007:

PAS 1, *Presentation of Financial Statements (Revised) (effective for annual periods beginning on or after January 1, 2009)*
The revised standard requires that the statement of changes in equity includes only transactions with owners and all non-owner changes are presented in equity as a single line with details included in a separate statement.

In addition, the amendment to PAS 1 provides for the introduction of a new statement of comprehensive income that combines all items of income and expense recognized in the consolidated statement of income together with 'other comprehensive income'. The revisions specify what is included in other comprehensive income, such as actuarial gains and losses on defined benefit pension plans and changes in the asset revaluation reserve. Entities can choose to present all items in one statement, or to present two linked statements, a separate consolidated statement of income and a statement of comprehensive income. The Group will assess the impact of the Standard on its current manner of reporting all items of income and expenses.

PAS 23, *Borrowing Costs (Effective for annual periods beginning on or after January 1, 2009)*
The Standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

In accordance with the transitional requirements of the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009. The Group assessed that the adoption of this Standard will have no impact on the consolidated financial statements.

Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions (Effective for annual periods beginning on or after March 1, 2007)*
This Philippine Interpretation requires arrangements whereby an employee is granted rights to a Group's equity instruments to be accounted for as an equity-settled scheme by the Group even if: (a) the Group chooses or is required to buy those equity instruments (e.g. treasury shares) from another party, or (b) the shareholders of the Group provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to equity instruments of the parent. The adoption of this Philippine Interpretation will have no impact on the Group's financial statements.

PFRS 8, *Operating Segments (Effective for annual periods beginning on or after January 1, 2009)*
This Amendment was issued as part of the convergence project with the United States (US) Financial Accounting Standards Board. This new standard replaces PAS 14, *Segment Reporting* and adopts a management approach to segment reporting as required in the US Standard SFAS 131 - *Disclosures about Segments of an Enterprise and Related Information*. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the consolidated balance sheet and consolidated statement of income and entities will need to provide explanations and reconciliations of the differences. The Group will assess the impact of the adoption of this standard.

Philippine Interpretation IFRIC 12, "*Service Concession Arrangements" (effective January 1, 2008)*
This Interpretation establishes the accounting to be applied for certain infrastructure that is constructed, acquired or provided by the grantor for the purposes of meeting the concession. Philippine Interpretation IFRIC 12 prescribed the accounting for the rights which the Operator receives from the Grantor using either:

Financial Asset Model. Wherein the Operator shall recognize a financial asset to the extent that it has an unconditional contractual right to receive cash from the Grantor. The Operator has an unconditional right to receive cash if the Grantor contractually guarantees to pay the Operator;

Intangible Asset Model. Wherein the Operator shall recognize an intangible asset to the extent that it received a right to charge the users (not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service); or

Mixed Model. If the Operator is paid by the users, but the Grantor guarantees a certain minimum amount to be paid to the Operator, the Financial Asset Model is used to the extent of such amount.

This Interpretation becomes applicable for financial years beginning on or after January 1, 2008.

Based on Maynilad Water Services, Inc.'s (Maynilad) assessment, its Concession Agreement with MWSS would qualify under the intangible asset model. The adoption of this Interpretation will require Maynilad to recognize the fair value of the entire concession fees to be paid during the entire concession period, which would result in the increase in total assets with a corresponding increase in liabilities. Currently, Maynilad only recognizes concession fees that are paid and due (currently presented as "concession assets"). In addition, the infrastructure and concession assets will no longer be recognized as such but will form part of the intangible assets. These intangible assets will then be amortized using the straight-line method over the life of the Concession Agreement.

Based on Maynilad's preliminary estimates, the adoption of IFRIC 12 will result in an increase in total assets and total liabilities as of January 1, 2008 of ₱1.4 billion and ₱9.3 billion, respectively, and a decrease in retained earnings by ₱7.9 billion (net of tax effect of ₱ 2.8 billion). With the Parent Group's effective equity interest of 42% in Maynilad, the

estimated effect of adopting IFRIC 12 will be a decrease in retained earnings as of January 1, 2008 of ₱73.3 billion (net of tax effect).

Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes (Effective for annual periods beginning on or after July 1, 2008)*
This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the awards credits and deferred over the period that the award credits are fulfilled. The Group does not expect this Interpretation to have a significant impact on the consolidated financial statements as no such scheme currently exists.

Philippine Interpretation IFRIC 14, *PAS 19 - Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2008)*
This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group does not expect this Interpretation to have a significant impact on the consolidated financial statements.

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

Financial Instruments
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial assets are initially recognized at fair value. Except for FA at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: FA at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables. The Group classifies its financial liabilities as financial liabilities at FVPL and other financial liabilities at amortized cost. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2007 and 2006, the Group's financial instruments are of the nature of AFS financial asset, loans and receivables and other financial liabilities.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income.

Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

Determination of fair value
The fair value for financial instruments traded in active markets at the consolidated balance sheet date is based on its quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation methodologies. Valuation methodologies include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Day 1 profit
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 profit) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where the valuation technique used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as FA at FVPL AFS financial assets. These are included in current assets if maturity is within 12 months from the consolidated balance sheet date; otherwise, these are classified as noncurrent assets. This accounting policy relates to the consolidated balance sheet caption ”Receivables”.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate and transaction costs. The amortization is included in “Interest income” in the consolidated statement of income.

AFS financial assets
AFS financial assets are those non-derivative financial assets that are designated as AFS FA or are not classified in any of the three preceding categories. After initial measurement, AFS FA are measured at fair value with unrealized gains or losses being recognized directly in equity under net unrealized gain on AFS financial assets. account When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized in the consolidated statement of income. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognized in the consolidated statement of income when the right to receive has been

established. The Group's AFS financial assets pertain to quoted and unquoted securities (see Note 5).

Other financial liabilities
Other financial liabilities include interest bearing loans and borrowings. All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, short-term and long-term debts are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized under the "Other income" and "Other expense" accounts in the consolidated statement of income when the liabilities are derecognized or impaired, as well as through the amortization process.

Impairment of Financial Assets
The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statement of income during the period in which it arises. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated

allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, customer type, customer location, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Assets carried at cost
If there is an objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS financial assets
In case of AFS financial assets classified as equity investments, impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income under "Other charges" account. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in consolidated changes in equity.

In the case of AFS financial assets classified as debt instruments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of "Interest income" in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the consolidated statement of income.

Offsetting
Financial assets and financial liabilities are only offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

<u>Derecognition of Financial Assets and Liabilities</u>

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset has expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risk and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

<u>Inventories</u>

Inventories are valued at the lower of aggregate cost or net realizable value (NRV). NRV is the estimated replacement cost or the selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Coal inventory

The cost of coal inventory is determined using the weighted average production cost method. The cost of extracted coal includes all stripping costs and other mine related costs incurred during the period and allocated on per metric ton basis by dividing the total production cost with the total volume of coal produced. Except for shiploading cost, which is a component of total minesite cost, all other costs are charged to production cost.

Materials-in-transit
Cost is determined using the specific identification basis.

Spare parts and other supplies
The cost of equipment parts, materials and supplies is determined principally by the average cost method (either by moving average or weighted average production cost).

Real estate held for sale and development
Real estate held for sale and development consists of residential units for sale and development, subdivision land for sale and development, and undeveloped land carried at the lower of aggregate cost or NRV. Costs include those costs of acquisition, development, improvement and construction of the real estate projects. Borrowing costs in 2004 are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future. NRV is the selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale such as commissions.

Noncurrent Assets Held for Sale
The Group classifies assets as held for sale (disposal group) when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The related results of operations and cash flows of the disposal group that qualified as discontinued operation are separated from the results of those that would be recovered principally through continuing use, and prior years' consolidated statement of income and cash flows are re-presented. Results of operations and cashflows of the disposal group that qualified as discontinued operation are presented in the consolidated statements of income and cashflows as items associated with noncurrent assets held for sale.

Investments in Associates, Jointly Controlled Entities and Others
Investments in associates and jointly controlled entities (investee companies) are accounted for under the equity method of accounting.

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Under the equity method, the investments in the investee companies are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies, less any impairment in value. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The consolidated statement of income reflects the share of the results of the operations of the investee companies. Profit and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties, except land, are stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the cost of day-to-day servicing of an investment property.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of income in the year in which it arises.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to consolidated statements of income in the period in which the costs are incurred.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, as evidenced by commencement or owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. When the Group completes the construction or development of a self constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

Depreciation is calculated on a straight-line basis using the following estimated useful lives from the time of acquisition of the investment properties. The estimated useful lives of the investment properties follow:

	Years
Condominium units	5
Buildings and improvement	5-25

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost, less any impairment in value.

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

Construction in progress included in property, plant and equipment is stated at cost. This includes the cost of the construction of property, plant and equipment and other direct costs.

Depreciation and amortization of assets commences once the assets are put into operational use.

Depreciation and amortization of property, plant and equipment are calculated on the straight-line basis over the following estimated useful lives (EUL) of the respective assets or the remaining contract period, whichever is shorter:

	Years
Land improvements	5-17
Power plant, buildings and building improvements	5-25
Construction equipment, machinery and tools	5-10
Office furniture, fixtures and equipment	3-5
Transportation equipment	4-5
Conventional and continuous mining properties and equipment	2-13
Leasehold improvements	5-7

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of income in the year the item is derecognized.

Decommissioning and site rehabilitation costs
The Group is legally required to fulfill certain obligations as required under its Environmental Compliance Certificate (ECC) issued by Department of Environment and Natural Resources (DENR). The Group recognizes the present value of the liability for these obligations and capitalizes the present value of these costs as part of the balance of the related property, plant and equipment accounts which are depreciated on a straight-line basis over the EUL of the related

property, plant and equipment or the contract period, whichever is shorter. The decommissioning and site rehabilitation costs is determined based on PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The Group recognizes the liability for these obligations as “Provision for the decommissioning and site rehabilitation” under “Other noncurrent liabilities” in the consolidated balance sheet.

Mine Exploration and Development Costs
Cost incurred for exploration and development of mining properties are deferred as incurred. These deferred costs are charged to expense when the results of the exploration activities are determined to be negative or not commercially viable. When exploration results are positive or commercially viable, these deferred costs are capitalized under “Conventional and continuous mining properties and equipment”.

Mine development costs are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the consolidated statement of income in the year the item is derecognized.

Intangible Assets
Intangible assets acquired separately are capitalized at cost and these are shown as part of the other noncurrent assets account in the consolidated balance sheet. Following initial recognition, intangible assets are measured at cost less accumulated amortization and provisions for impairment losses, if any. The useful lives of intangible assets with finite life are assessed at the individual asset level. Intangible assets with finite life are amortized over their useful life. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier where an indicator of impairment exists.

Costs incurred to acquire and bring the computer software (not an integral part of its related hardware) to its intended use are capitalized as part of intangible assets. These costs are amortized over their estimated useful lives ranging from 3 to 5 years. Costs directly associated with the development of identifiable computer software that generate expected future benefits to the Group are recognized as intangible assets. All other costs of developing and maintaining computer software programs are recognized as expense when incurred.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

Impairment of nonfinancial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying a mount

of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually as of December 31 either individually or at the cash generating unit level, as appropriate.

Treasury Shares
Treasury shares are recorded at cost and are presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (1) additional
paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued; and, (2) retained earnings.

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

Construction contracts
Revenue from construction contracts is recognized under the percentage-of-completion method of accounting and is measured principally on the basis of the estimated completion of a physical proportion of the contract work. Contracts to manage, supervise, or coordinate the construction

activity of others and those contracts wherein the materials and services are supplied by contract owners are recognized only to the extent of the contracted fee revenue. Revenue from cost plus contracts is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. The amount of such loss is determined irrespective of whether or not work has commenced on the contract; the stage of completion of contract activity; or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract. Changes in contract performance, contract

conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements that may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined. Profit incentives are recognized as revenue when their realization is reasonably assured.

The asset “Costs and estimated earnings in excess of billings on uncompleted contracts,” represents total costs incurred and estimated earnings recognized in excess of amounts billed. The liability “Billings in excess of costs and estimated earnings on uncompleted contracts” represents billings in excess of total costs incurred and estimated earnings recognized. Contract retentions are presented as part of “Trade receivable” under the “Receivables” account in the consolidated balance sheet.

Real estate
Real estate sales are generally accounted for under the full accrual method. Under this method, the gain on sale is recognized when: (a) the collectibility of the sales price is reasonably assured; (b) the earnings process is virtually complete; and (c) the seller does not have a substantial continuing involvement with the subject properties. The collectibility of the sales price is considered reasonably assured when: (a) the buyers have actually confirmed their acceptance of the related loan applications after the same have been delivered to and approved by either the banks or other financing institutions for externally-financed accounts; or (b) the full down payment comprising a substantial portion of the contract price is received and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

If the above criteria is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the “Customers’ deposits” account in the liabilities section of the consolidated balance sheet.

Interest income
Revenue is recognized as interest accrues using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

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

Rendering of services
Service fees from coal handling activities are recognized as revenue when the related services have been rendered.

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

Dividend income
Revenue is recognized when the Group's right to receive payment is established.

Rental income
Rental income arising from operating leases on investment properties and construction equipment is accounted for on a straight-line basis over the lease terms.

Borrowing Costs
Borrowing costs are generally expensed as incurred. Interest on borrowed funds used to finance the construction of a qualifying asset to the extent incurred during the period of construction is capitalized as part of the cost of the qualifying asset. The capitalization of these borrowing costs as part of the cost of the qualifying asset: (a) commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the qualifying asset for its intended use are in progress; and (b) ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. The capitalized borrowing costs of are amortized using the straight-line method over the estimated useful life of the qualifying asset.

Foreign Currency Transactions
The Group's financial statements are presented in Philippine pesos, which is the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the consolidated balance sheet date. All differences are taken to consolidated statement of income during the period of retranslation.

Retirement Cost
The Group's pension costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailments or settlements.

The net pension liability recognized by the Group in respect of the defined benefit pension plan is the lower of: (a) the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains or

losses and past service costs that shall be recognized in later periods; or (b) the total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related pension liability.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

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

Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Income Tax

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the

temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) and unused net operating loss carry over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused NOLCO can be utilized except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each consolidated balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at the consolidated balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

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

Earnings Per Share

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

Diluted EPS is computed by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products. Financial information on business segments is presented in Note 34 to the consolidated financial statements.

Provisions
A provision is recognized only when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

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

3. Preferred and Common Stock

The changes in the number of shares follow:

	September 30, 2008	December 31, 2007
Preferred stock - ₱1 par value cumulative and convertible to common stock		
Authorized number of shares	**100,000,000**	**100,000,000**
Issued and outstanding		
Balance at beginning of year	**4,480**	**144,480**
Cancellation/retirement of issued preferred shares	**(100)**	**(140,000)**
Balance at end of year	**4,380**	**4,480**
Common stock - ₱1 par value		
Authorized number of shares	**5,900,000,000**	**5,900,000,000**
Issued and outstanding	**2,655,494,000**	**2,255,494,000**
Additional subscription	**-**	**400,000,000**

Preferred shares held in treasury		
Balance at beginning of year	**-**	**(1,000)**
Redemption of preferred shares	**(100)**	**-**
Cancellation/retirement of issued preferred shares	**100**	**1,000**
Balance at end of year	**-**	**0**

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

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

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

In 2004, the Group issued PNs amounting to ₱139 million (net of payments of ₱99 million in 2004) for the redemption of 310,700 preferred shares, respectively, under Option A.

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

In 2003, the Group issued PNs amounting to ₱244 million for the redemption of 202,355 preferred shares under Option B.

As of June 30, 2008, there were no other redemption under options A and B and the outstanding liabilities to preferred shareholders who opted for options A and B have been fully paid.

Option C - Asset for Share Exchange

Redemption of preferred shares in exchange for residential and office units, equipment and/or accounts receivable at a valuation of ₱1,112 per share (purchase price), equivalent to the original issue price of the preferred shares plus accumulated and current dividends. The exchange shall be carried out with the subject assets valued at their selling price or fair market value. In the event that the total value of the assets elected by the preferred shareholders exceeds the total purchase price of the preferred shares, the resulting residual amount shall be paid by such shareholders to the Company in cash. Conversely, should the total purchase price exceeds the asset value, the residual amount shall be paid by the Company to the shareholders through either of Options A, B or D.

As of December 31, 2004, the Company redeemed 659,279 preferred shares under Option C in exchange for Asian Hospital, Inc. (AHI) shares; certain construction equipment owned by DMCI amounting to ₱50 million and other certain assets of the Group amounting to ₱586 million in favor of Dacon Corporation (Dacon), a major stockholder; proceeds from sale of various condominium units owned by Constress and PDI totaling to ₱56 million in favor of certain preferred shareholders; and condominium units owned by PDI with an aggregate value of ₱6 million in favor of certain preferred shareholders. As of June 30, 2008 there have been no other redemptions under Option C.

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

As of December 31, 2006 and 2005, the Group redeemed 3,050 and 149,210 preferred shares, respectively, under Option D. From then, as of June 30, 2008, there have been no other redemptions under Option D.

Appropriation
Retained earnings is restricted to the extent of the acquisition cost of the treasury shares amounting to ₱1.10 million and ₱187.21 million as of December 31, 2006 and 2005, respectively. No retained earnings have been currently appropriated as of June 30, 2008 for acquisition of treasury shares.

Dividends declared
On April 24, 2008 and April 3, 2007 the Parent Company's BOD approved and declared cash dividend of ₱0.10 per share or ₱265.55 million and ₱225.55 million respectively to stockholders of record as of May 12, 2008 and April 30, 2007, respectively. The cash dividend shall be paid on May 30, 2008 and was paid on May 28, 2007 respectively as well.

4. **Business Segments**

The following tables present the net income of the specific business segments for the period and quarter ended September 30, 2008 and 2007 (amounts in thousand):

Net Income After Minority

	For the period		For the Quarter	
	2008	2007	2008	2007
General Construction	327,417	344,052	156,254	205,199
Coal Mining	315,661	329,480	70,537	90,949
Water Services	839,000	478,766	1,073,218	(977,035)
Infrastructure and Real Estate Development	747,773	582,677	464,453	321,305
Nickel Mining	58,888	-	13,541	-
Parent Company and Others	59,028	748	26,784	37,107
Less: Extraordinary Items in Water Services	(1,145,339)	-	-	-
	1,202,428	**1,736,423**	**659,448**	**(322,475)**

5. **Related Party Transactions**

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

(a) Comprehensive surety, corporate and letters of guarantee issued by the Company and DMCI for various credit facilities granted to and for full performance of certain obligations by certain related parties.
(b) Certain assets of the Group, associates and other related parties were placed under accommodation mortgages to secure the indebtedness of the Group, its associates and other related parties.
(c) Interest and non interest-bearing cash and operating advances made by the Group to and from various associates and other related parties.
(d) Engineering and construction works of the water business is contracted to the construction segment of the Company. These projects are bidded out to various contractors and are awarded on arms length transactions. The interrelated contracts amounted to Php 1,346,196,408.20 and Php 597,880,776 as of September 30, 2008 and December 31, 2007 respectively, where Php 720,907,713.10 and Php 229,525,306.82.16 were booked for the period September 30, 2008 and September 30, 2007 respectively.

6. **Financial Instruments and Financial Risk**

Fair value information
For interim reporting purposes, financial assets and liabilities are recognized at historical cost which is the fair value of the consideration given (in the case of the asset) or received (in the case of liability). Debt issuance costs are included in the initial measurement of all financial assets and liabilities except those that are designated as fair value through profit and loss.

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 foreign currency risk, credit risk, liquidity risk, interest rate risk and commodity price risk. The Group's BOD reviews and approves policies for managing each of these risks.

Foreign exchange risk
The Group's foreign exchange risk results primarily from movements of the Philippine Peso against the United States Dollar. Majority of revenues are generated in Pesos and some of the capital expenditures are in US$. Approximately 46% and 7% of debts as of December 31, 2007 and September 30, 2008, respectively, were denominated in US$.

Credit risk
The Group's exposure to credit risk arises from default of the counterparties which include certain financial institutions, real estate buyers, subcontractors and suppliers. Credit risk management involves dealing only with institutions or individuals for which credit limits have been established, and with subcontractors and suppliers whose paying and performance capabilities are rigorously screened. The Treasury policy sets a credit limit for each counterparty. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to the credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company 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.

Liquidity risk
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. As part of its liquidity risk management, 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.

Interest rate risk
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.

DMCI HOLDINGS, INC.
AGING OF ACCOUNTS RECEIVABLE
AS OF SEPTEMBER 30, 2008

TYPE OF ACCOUNTS RECEIVABLE	T O T A L	1 MONTH	2 -3 MONTHS	4 - 6 MONTHS	7 MONTHS TO 1 YEAR	1 - 2 YEARS	3 - 5 YEARS	5 YEARS - ABOVE	Past Due Accts & Items for Litigation
A. TRADE RECEIVABLE - CONTRACT									
D.M. Consunji, Inc.	1,237,290,349.20	1,088,860,850.85	4,421,380.22	108,506,342.62	18,474,935.02	17,026,840.49	-	-	-
DMCI International, Inc.	24,686,393.00						24,686,393.00		
OHKI-DMCI Corporation	2,966,841.00	-	2,966,841.00	-	-				
Oriken Dynamix Company, Inc.	2,785,212.00	-	2,785,212.00						
Beta Electric Corporation	48,591,167.08	32,074,009.20	3,563,505.55	12,953,652.33		-			
Racon Haven Automation	5,548,869.85				549,768.45	4,999,101.40			
Sub-total	1,321,868,832.13	1,120,934,860.05	13,736,938.77	121,459,994.95	19,024,703.47	22,025,941.89	24,686,393.00	-	-
DMCI Project Developers, Inc.	662,112,665.00	62,618,522.00	51,907,044.00	43,711,279.00	121,559,921.00	149,252,230.00	104,361,103.00	128,702,566.00	
Semirara Mining Corporation	1,303,592,160.00	422,675,553.00	680,001,860.00	188,351,729.00	5,566,387.00	624,584.00	6,372,047.00		
DMCI Mining Corporation	6,215,754.00	6,215,754.00							
Wire Rope Corporation of the Philippines	58,095,147.00	50,309,242.92	1,531,658.05	3,695,741.73	1,663,871.30				894,633.00
Sub-total	2,030,015,726.00	541,819,071.92	733,440,562.05	235,758,749.73	128,790,179.30	149,876,814.00	110,733,150.00	128,702,566.00	894,633.00
RETENTION RECEIVABLE - TRADE									
D.M. Consunji, Inc.	317,859,306.49	317,859,306.49							-
Beta Electric Corporation	46,845,678.89	46,845,678.89							
Raco Haven Automation	7,326,779.15	7,326,779.15							
Sub-total	372,031,764.53	372,031,764.53	-	-	-	-	-	-	-
Total Contract/Retention Receivable - Trade	3,723,916,322.66	2,034,785,696.50	747,177,500.82	357,218,744.68	147,814,882.77	171,902,755.89	135,419,543.00	128,702,566.00	894,633.00
Less: Allowance for Doubtful Accounts	152,157,789.75								
Net Trade Receivable	**3,571,758,532.91**								

B. NON-TRADE RECEIVABLES	
ADVANCES -	
Oriken Dynamix Company, Inc.	1,792,771.00
Beta Electric Corporation	9,327,884.68
	11,120,655.68
DMCI Mining Corporation	7,887,796.00
DMCI Project Developers, Inc.	24,178,300.00
DMCI Power Corporation	15,330,694.61
	47,396,790.61
Sub-total	58,517,446.29
AFFILIATES -	
D.M. Consunji, Inc.	429,165,016.98
DMCI-Laing Construction, Inc.	26,867,614.40
Beta Electric Corporation	325,461.04
	456,358,092.42
DMCI Holdings, Inc.	22,726,972.12
DMCI Project Developers, Inc.	968,301,818.44
Semirara Mining Corporation	92,849,247.80
	1,083,878,038.36
Sub-total	1,540,236,130.78

OTHER RECEIVABLES -	
D.M. Consunji, Inc.	4,222,312.43
Raco Haven Automation	1,221,655.98
	5,443,968.41
DMCI Holdings, Inc.	3,474,337.39
DMCI Project Developers, Inc.	9,762,486.00
Semirara Mining Corporation	13,817,256.00
	27,054,079.39
Sub-total	32,498,047.80
Total Non-trade Receivables	1,631,251,624.87
Less: Allowance for Doubtful Accounts	-
Net Non-trade Receivables	**1,631,251,624.87**
TOTAL RECEIVABLES	**5,203,010,157.78**

DMCI HOLDINGS, INC.
ACCOUNTS RECEIVABLE DESCRIPTION
September 30, 2008

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

Normal Operating Cycle

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