COVER SHEET

A S O 9 5 0 0 2 2 8 3

SEC Registration Number

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

(Company's Full Name)

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C H I N O   R O C E S   A V E . M A K A T I   C I T Y

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

HERBERT M. CONSUNJI	8888-3000
Contact Person	Company Telephone Number

(3rd Tuesday of May)

1 2	3 1	**SEC Form 17-Q** **Third Quarter Interim Report 2021**	0 5	1 8
Month	Day	FORM TYPE	Month	Day
Fiscal Year			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

Remarks: Please use BLACK ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended **September 30, 2021**

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

DMCI Holdings, Inc.

4. Exact name of issuer as specified in its charter

5. Philippines   6. (SEC Use Only)

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

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

Address of principal office   Postal Code

8. Tel. (632) 8888-3000   Fax : None

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	No. of Shares Outstanding	Amount
Common Shares	Php13,277,470,000.00	Php13,277,470,000.00
Preferred Shares	960.00	960.00
TOTAL	Php13,277,470,960.00	Php13,277,470,960.00

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

Yes [X] No [ ]

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

Philippine Stock Exchange	Class "A" Shares
	Preferred Shares

12. Indicate by check mark whether the registrant:

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

Yes [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 as of and for the period ended **September 30, 2021** are contained herein.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF CONSOLIDATED OPERATIONS AND CONSOLIDATED FINANCIAL CONDITION AS OF AND FOR THE PERIOD ENDED SEPTEMBER 30, 2021

September 30, 2021 (Unaudited) vs September 30, 2020 (Unaudited)

I. RESULTS OF OPERATIONS

The table below summarizes the performance of DMCI Holdings, Inc. (PSE: DMC), its subsidiaries and associate for the period ended September 30, 2021 and 2020.

- D.M. Consunji, Inc. (DMCI), a wholly-owned subsidiary, is one of the leading engineering-based integrated construction firms in the country. It operates in four key construction segments: building, energy, infrastructure, as well as utilities and plants. It also has separate business units for equipment management, concrete production and steel fabrication (Project Support).

- DMCI Project Developers, Inc. (DMCI Homes), a wholly owned subsidiary, is one of the leading mid-segment developers in the Philippines, offering best-in-class amenities and value-for-money properties in Metro Manila and other key urban areas.

- Semirara Mining and Power Corporation (SMPC), a majority-owned subsidiary (56.65%), is the the largest coal producer in the Philippines. It is the only power generation company in the country that produces its own fuel (coal). Its two wholly owned operating subsidiaries—Sem-Calaca Power Corporation (SCPC) and Southwest Luzon Power Generation Corporation (SLPGC)—provide baseload power to the Luzon and Visayas grids.

- DMCI Power Corporation (DMCI Power), a wholly-owned subsidiary, is one of the largest off-grid energy suppliers in the Philippines. It currently operates and maintains thermal, bunker and diesel power plants in parts of Masbate, Oriental Mindoro and Palawan.

- DMCI Mining Corporation (DMCI Mining), a wholly-owned subsidiary, operates open-pit mines in Palawan and Zambales. It has two operating nickel mining assets—Berong Nickel Corporation (BNC) and Zambales Diversified Metals Corporation (ZDMC).

- Maynilad Holdings Corporation, a 27%-owned associate, owns 93% of Maynilad Water Services, Inc. (Maynilad). Maynilad is an agent and contractor of the Metropolitan Waterworks and Sewerage System (MWSS) for the West Zone of the Greater Manila Area. It is the largest private water concessionaire in terms of customer base in the Philippines and serves 17 cities and municipalities in Metro Manila and Cavite Province.

CONSOLIDATED NET INCOME AFTER NON-CONTROLLING INTERESTS

in Php millions except EPS	July to September (Q3)			January to September (9M)		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
I. SMPC (56%)	2,282	432	428%	5,948	1,692	252%
II. DMCI Homes	900	1,042	-14%	3,225	1,080	199%
III. Maynilad (25%)	406	379	7%	1,124	1,226	-8%
IV. DMCI Mining	165	68	143%	983	252	290%
V. DMCI Power	158	148	7%	428	403	6%
VI. D.M. Consunji Inc.	101	(189)	153%	585	(97)	703%
VII. Parent and others	(2)	3	-167%	15	(54)	128%
Core Net Income	4,010	1,883	113%	12,308	4,502	173%
Nonrecurring Items	(17)	(7)	-183%	1,168	(592)	297%
Reported Net Income	3,993	1,876	113%	13,476	3,910	245%
EPS (reported)	0.30	0.14	113%	1.01	0.29	245%

Q3 2021 vs Q3 2020 Consolidated Highlights

- Reported net income more than doubled (113%) from Php 1.88 billion to Php 3.99 billion on recovering demand and record-setting prices for coal, nickel and electricity, combined with higher accomplishments by the construction business. This translated to an earnings per share of Php 0.30 for the period.

- Excluding nonrecurring items, the group recorded its highest-ever third-quarter core net income of Php 4.01 billion, 113% up from Php 1.88 billion. Nonrecurring items in 2021 and 2020 pertain to Maynilad's severance and donation expenses, respectively.

- SMPC and DMCI Homes accounted for 79% of core net income.

9M 2021 vs 9M 2020 Consolidated Highlights

- Reported net income soared by 245% from Php 3.91 billion to Php 13.48 billion as all subsidiaries delivered strong results due mainly to favorable market conditions and higher construction accomplishments.

- Excluding nonrecurring gain in 2021 mainly due to deferred tax remeasurement because of CREATE Act and nonrecurring loss in 2020 owing to Davao project sales cancellations, core net income expanded nearly three times from Php 4.50 billion to Php 12.31 billion, an all-time high for the group.

- SMPC, DMCI Homes and Maynilad constituted 84% of core net income.

Q3 2021 vs Q3 2020 Subsidiaries and Associate Performance

I. Semirara Mining and Power Corporation (SMPC)

Core income contribution from SMPC jumped by 428% from Php 432 million to Php 2.28 billion largely due to the phenomenal results of the coal segment amid the weak performance of the power segment.

The vertical integration strategy of the company also worked to its advantage as the power segment benefited from elevated coal prices at the consolidated level while securing its fuel source. To elaborate:

Coal Segment

- **Record-high prices.** Global supply disruptions and the looming energy crunch in China, India and Europe pushed Newcastle coal prices to record-high levels, closing the quarter at USD181.12. As a result, Semirara coal average selling price (ASP) spiked by 82% from P1,558/MT to P2,831/MT.
- **Higher sales volume.** Coal shipments expanded by 44% from 2.7 million metric tons (MMT) to 3.9 MMT. The 50-percent drop in fuel consumption by the power segment and Q3 beginning inventory of 1.8 MMT allowed SMPC to more than double (108%) its exports to 2.7 MMT despite a marked decline in coal production.
- **Lower production and inventory.** Heavy rains caused a 39-percent drop in coal production from 3.3 MMT to 2.0 MMT. It also led to a slowdown in Molave East Block 4 pre-stripping activities, raising aggregate (actual) strip ratio from 12.7 to 17.5. At the end of the quarter, high-grade coal inventory dropped 97% from 3.4 MMT to 100,000 MT.

Power Segment

- **Reduced plant availability.** SCPC availability plunged by 52% from 98% to 47%, following the 11-day outage of Unit 1 and 81-day outage of Unit 2. SLPGC's availability declined by 7% from 67% to 62% due to the 75-day extended planned outage of Unit 1.
- **Lower output.** The combined 167-day outage sank overall plant output by 44% from 1,657 gigawatt hours (GWh) to 873 GWh. SCPC generation contracted by 59% from 1,133 GWh to 466GWh while SLPGC generation slipped by 6% from 434 GWh to 407 GWh.
- **Lower sales.** Overall power sales shrank by 34% from 1,563 GWh to 1,032 GWh. SCPC accounted for 94% of the overall decline.
- **Elevated prices.** Overall ASP soared by 55% from Php 2.64/KWh to Php 4.09/KWh mainly due to a bilateral contract quantity (BCQ) of SCPC which had a fuel pass-through provision and sales to the Wholesale Electricity Spot Market (WESM). Higher selling prices during the period cushioned the impact of lower sales volume.

SMPC standalone revenues climbed by 94% from Php 7.21 billion to Php 14.00 billion. Cash costs grew at a slower pace on lower coal production, accelerating reported net income growth by 435% from Php 750 million to Php 4.01 billion.

II. DMCI Project Developers Inc. (DMCI Homes)

Core net income contribution from DMCI Homes declined by 14% from Php 1.04 billion to Php 900 million due to the following factors:

- **Faster revenue recognition.** Revenues went up by 4% from Php 5.65 billion to Php 5.85 billion on higher construction accomplishments and down payment recognition from new accounts.
- **Steady cost of sales (COS).** COS grew in line with revenues from Php 4.05 billion to Php 4.22 billion.
- **Higher operating expenses (OPEX).** OPEX climbed by 16% from Php 533 million to Php 617 million owing to higher utilities and association dues recognized from unsold RFO units.

The company also reported the following operational highlights:

- **Recovering sales and reservations.** Units sold increased by 29% from 872 to 1,128, of which 633 were residential units and 495 were parking slots. Meanwhile, total sales value improved by 14% from Php 3.43 billion to Php 3.91 billion.
- **Lower ASP.** ASP per unit declined by 25% from Php 7.45 million to Php 5.58 million because of the launch of Alder Residences last year which had larger units and consequently, higher selling prices. However, ASP per square meter inched up by 7% from Php 105,000 to Php 112,000.
- **Healthy inventory.** Total Inventory expanded by 56% from Php 25.4 billion to Php 39.7 billion as more ready-for-occupancy (RFO) units became available during the period. RFO units accounted for 77% of total inventory. Pre-selling units also rose due to newly-opened units in Allegra Garden Place (Soraya Tower) and The Oriana in Q1 and Q2, respectively.

III. Maynilad Water Services, Inc. (Maynilad)

Core net income contribution from associate Maynilad improved by 7% from Php 379 million to Php 406 million. The company's reported standalone core net income rose by 4% from Php 1.64 billion to Php 1.70 billion. Its performance was attributable to the following factors:

- **Lower billed volume.** Billed volume sank by 6% from 137.7 million cubic meters (MCM) to 129.6 MCM on lower overall demand following the reimposition of Enhanced Community Quarantine (ECQ) status in August and continued restrictions because of COVID-19.
- **Lower average effective tariff.** Average effective tariff slipped by 3% from Php 42.90 to Php 41.40 as commercial consumption contracted anew because of the recent ECQ.
- **Higher cash costs.** Total cash costs swelled by 9% from Php 1.58 billion to Php 1.72 billion primarily due to higher utilities expense, outside services, sludge hauling and water treatment chemicals.
- **Lower noncash OPEX.** Noncash items eased by 8% from Php 1.19 billion to Php 1.09 billion with the absence of expected credit loss provisions.

The company recognized nonrecurring expenses of Php 66 million in 2021 largely due to donations and severance pay versus Php 51 million of donations in 2020.

IV. DMCI Mining Corporation (DMCI Mining)

Core net income contribution from DMCI Mining surged by 143% from Php 68 million to Php 165 million despite a 21-percent contraction in standalone revenues from Php 430 million to Php 338 million due to the combined effect of the following:

- **Reduced production and shipment.** Total production plunged by 41% from 453,000 wet metric tons (WMT) to 268,000 WMT mainly due to the Berong mine depletion and poor weather conditions. For the same reasons, combined shipment fell by 45% from 382,000 WMT to 211,000 WMT.
- **Improved ASP.** ASP increased by 19% from USD 27/WMT to USD 32/WMT on elevated market prices because of strong demand from China.
- **Lower average nickel grade**. Most of the sold nickel were mid-grade, averaging at 1.32% compared to 1.42% last year. However, prices for mid-grade nickel jumped by 19% from USD 26/WMT to USD 31/WMT.
- **Cost-efficient operations.** COS declined slower than revenues (-12% vs -21%) from Php 111 million to Php 98 million while OPEX increased by 19% from Php 101 million to Php 121 million. Both movements were attributable to fixed costs incurred amid lower sales because of poor weather conditions.
- **Higher depreciation and forex gain.** Depreciation tumbled by 86% from Php 84 million to Php 12 million on lower shipment and accelerated depreciation of Berong mine. A forex gain of Php 82 million was also booked versus a forex loss of Php 23 million last year.

The company also reported the following operational highlights:

- **Inventory uptick.** Total inventory edged higher (8%) from 417,000 WMT to 450,000 WMT, as ZDMC inventory doubled from 54,000 WMT to 108,000 WMT. BNC inventory ended slightly lower (-6%) from 363,000 WMT to 342,000 WMT.
- **Higher capital expenditures (capex).** Capex grew 6,500% from Php 1 million to Php 66 million as ZDMC acquired additional heavy equipment to boost its in-house production capacity.
- **Berong mine final rehabilitation.** BNC has started the decommissioning and final rehabilitation of its Berong mine in Palawan. As proposed by the Local Government Unit during the public consultation, over 100 hectares of the depleted mine can be converted to an eco-tourism site and agro-forestry area.

V. DMCI Power Corporation (DMCI Power)

DMCI Power posted a 7-percent upswing in core net income contribution from Php 148 million to Php 158 million due to the combined effect of the following:

- **Improved dispatch**. Total energy dispatch climbed by 8% from 94.5 GWh to 101.7 GWh, largely driven by higher sales from Oriental Mindoro and Palawan plants. Energy sales in Oriental Mindoro rose by 22% from 18.1 GWh to 22.1 GWh due to limited output of renewable energy (RE) power plants in the area. Palawan sales grew by 7% from 42.3 GWh to 45.3 GWh while sales in Masbate remain unchanged.

- **Better ASP.** Overall ASP improved by 19% from Php 11.5/KWh to Php 13.7/KWh due to the net effect of higher fuel costs for both bunker and diesel and lower fuel cost for coal.
- **Elevated COS.** COS grew by 30% from Php842 million to Php1.1 billion, trending higher than revenues because of the increase in the cost of bunker and diesel fuel, as well as other expenses due to the operation and maintenance of the 15MW Masbate thermal plant.

VI. D.M. Consunji, Inc. (DMCI)

DMCI swung back to profitability as core net income contribution soared by 153% from a net loss of Php 189 million to a net income of Php 101 million. Its recovery was due to the combined net effect of the following:

- **Higher construction accomplishments.** Revenues recovered by 20% from Php 3.88 billion to Php 4.67 billion on higher accomplishments from infrastructure projects and looser quarantine restrictions, softened by prudent revenue recognition.
- **Improved gross profit (GP).** Gross earnings improved from gross loss of 0.26% to GP of 7% as COS grew slower than revenues owing to lower expenses related to COVID-19.
- **Decline in OPEX.** OPEX decreased by 14% from Php 127 million to Php 110 million on reduced COVID-19 related expenses.

The company also reported the following updates:

- **Strong order book.** DMCI's order book increased by 2% from Php 50.5 billion in Q2 2021 to Php 51.7 billion in Q3 2021, with the addition of Php 3.9 billion-worth of new contracts and Php 1.3 billion-worth of change orders.
- **Increased capex.** Capex spiked by 75% from Php 118 million to Php 207 million as the company acquired additional heavy equipment for its ongoing projects.
- **Higher ending cash balance.** Additional loan availments and improved collections raised the company's cash balance as of end of September 2021 to Php 2.0 billion, 53% higher than the Php 1.4 billion reported as of end of December 2020.

Parent and Others

Parent and other investments booked a net loss of Php 2 million compared to net income Php 3 million last year mainly due to higher expenses and lower interest income from placements.

Outlook

The DMCI Group expects elevated coal and nickel prices to magnify the impact of more shipments in the last quarter. The recent downgrade of Metro Manila to Alert Level 2 is also seen to drive business activities and commercial consumption, translating to higher spot electricity prices and average effective water tariff.

Tapering COVID-19 cases and widespread vaccination are also likely to jumpstart domestic tourism, new investments and international border reopening, which bodes well for the off-grid, construction and real estate businesses. Supply chain bottlenecks and COVID-19 containment costs are also expected to ease with greater workforce mobility.

Over the medium-term, improving regulatory conditions could fast track the Mineral Production Sharing Agreement (MPSA) applications of SMPC and DMCI Mining, leading to higher reserves, enhanced sustainability and the start of a new business (cement) for the group.

Explanation of movement in consolidated income statement accounts:

Revenues
Consolidated revenues for the first nine months of 2021 improved by 82% from Php 43.9 billion to Php 80.0 billion owing to strong revenue contributions from SMPC, DMCI Homes and DMCI.

Improved collection and higher construction accomplishments raised the sales revenues of DMCI Homes while higher coal sales and market prices boosted SMPC revenues. Meanwhile, DMCI revenues surged on higher project accomplishments.

Cost of Sales and Services
Cost of sales and services during the period increased by 61%, slower than the recorded revenue growth. This resulted in higher gross profit margin, which was due mainly to improved global coal and nickel prices.

Operating Expenses
Government royalties for the period amounted to Php 4.0 billion, 211% up from Php 1.3 billion last year as the coal business recorded higher profits. Excluding government royalties, operating expenses incurred during the first nine months increased by 11% to Php 5.0 billion due mainly to higher salaries and wages and taxes and licenses.

Equity in Net Earnings
Equity in net earnings of associates increased by 6% as a result of higher income take up from Maynilad.

Finance Income
Consolidated finance income decreased by 22% due mainly to lower interest income from placements.

Finance Cost
Consolidated finance costs slightly grew by 2% due to higher loan availments during the period

Other Income-net
Other income increased by 121% due to the higher sales forfeitures and cancellation during the period coupled with the gain resulting from the sale of land.

Provision for Income Tax
Higher taxable income resulted in a 52-percent jump in consolidated provision for income tax (both current and deferred) during the period.

II. CONSOLIDATED FINANCIAL CONDITION

September 30, 2021 (Unaudited) vs December 31, 2020 (Audited)

The Company's financial condition for the period improved as total assets reached P220 billion, a 7% increase from December 31, 2020. Meanwhile, consolidated total equity increased by 9% to Php 111 billion following dividend declaration in the first half of the year.

Consolidated cash increased by 28% from Php 18.9 billion to Php 24.2 billion owing to higher coal and nickel sales and proceeds of sale of land which was offset by dividend payment and disbursement to suppliers and vendors.

Receivables decreased by 9% from Php 20.4 billion to Php 18.5 billion due mainly to the collection from unit owners.

Contract assets (current and non-current) increased by 69% as accomplishments in the real estate and construction businesses improved.

Consolidated inventories slightly declined from Php 53.9 billion to Php 53.0 billion following lower coal inventory of SMPC slightly offset by higher construction materials and supplies.

Other current assets jumped by 17% to Php 9.2 billion due mainly to advances to suppliers and prepaid taxes to be amortized during the year.

Investments in associates and joint ventures grew by 4% due mainly to income take-up from Maynilad.

Property, plant and equipment stood at Php 60.3 billion from Php 62.0 billion as depreciation and depletion more than offset capital expenditures for the first half of 2021.

Investment properties and right-of-use assets decreased by 9% and 100%, respectively, due to depreciation and amortization.

Other noncurrent assets grew by 4% due mainly to higher refundable deposits.

The 7-percent increase in accounts and other payables is mainly attributable to accruals of production related expenses and higher government share payable to DOE.

Contract liabilities (current and non-current) increased by 4% to Php 17.4 billion due mainly to receipt of downpayment and advances from customers.

From Php 51.9 billion, total debt (under short-term and long-term debt) rise by 8% to Php 55.9 billion following the net loan availment of DMCI Homes, DMCI Power and DMCI.

Liabilities for purchased land decreased by 18% as a result of net payment of land previously acquired for real estate development.

Income tax payable fell by 55% due to payment of taxes during the first nine months of the year.

Deferred tax liabilities slightly increased by 1% on higher booked income compared to taxable income of real estate sales.

Pension liabilities decreased by 27% following the retirement contributions made during the year.

Other noncurrent liabilities decreased by 8% due mainly to amortization of lease liabilities and realization of deferred rent income.

Consolidated retained earnings stood at Php 71.5 billion at the end of September 2021, 11% growth from Php 64.4 billion at the close of 2020 after generation of Php 13.5 billion net income and declaration of Php 6.4 billion Parent dividends.

Non-controlling interest rose by 12% as a result of the non-controlling share in net income reduced by dividends to non-controlling interest of SMPC.

III. KEY PERFORMANCE INDICATORS

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

a) Segment Revenues
b) Segment Net Income (after Noncontrolling Interests)
c) Earnings Per Share
d) Return on Common Equity
e) Net Debt to Equity Ratio

SEGMENT REVENUES

	For the Period		Variance	
(in Php Millions)	2021	2020	Amount	%
Semirara Mining and Power Corporation	38,033	19,876	18,158	91%
DMCI Homes	18,862	9,499	9,363	99%
D.M. Consunji, Inc.	16,467	9,582	6,885	72%
DMCI Power	3,415	3,125	290	9%
DMCI Mining	2,998	1,622	1,376	85%
Parent and Others	250	208	41	20%
Total Revenues	**80,025**	**43,912**	**36,113**	**82%**

The initial indicator of the Company’s gross business results is seen in the movements in the different business segment revenues.

As shown above, consolidated revenues jumped by 82% due to higher coal sales volume and selling price. Higher accomplishments in real estate and construction, coupled with better electricity and nickel sales, pushed revenues further.

CONSOLIDATED NET INCOME AFTER NON-CONTROLLING INTERESTS

(in Php Millions)	For the Period		Variance	
	2021	2020	Amount	%
Semirara Mining and Power Corporation	5,948	1,692	4,256	252%
DMCI Homes	3,225	1,080	2,145	199%
Maynilad	1,124	1,226	(102)	-8%
DMCI Mining	983	252	731	290%
D.M. Consunji, Inc.	585	(97)	682	703%
DMCI Power	428	403	25	6%
Parent and Others	15	(54)	69	128%
Core Net Income	12,308	4,502	7,806	173%
Non-recurring Items	1,168	(592)	1,760	297%
Reported Net Income	**13,476**	**3,910**	**9,566**	**245%**

The net income (after non-controlling interest) of the Company was driven by the improved results of all its subsidiaries. Topline improved on the solid recovery of coal and nickel prices, which resulted in better gross margin. Higher real estate sales recognition and ramped up of construction activities further pushed net income higher. Gain on sale of land and impact of CREATE law also contributed to the 245-percent growth in net income.

EARNINGS PER SHARE

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

The Company's consolidated basic and diluted EPS was Php 1.01/share for the first nine months ended September 30, 2021, a 245% growth from Php 0.29/share EPS year-on-year.

RETURN ON COMMON EQUITY

Return on common equity is defined as the amount of net income a company earns per amount of shareholders equity. It is one of the common metrics used by investor to determine how effectively their capital is being reinvested. It is arrived at by dividing the net income share of the parent company over the average parent equity. The Company's return on common equity stood at 16% and 5% for the first nine months of 2021 and 2020, respectively.

NET DEBT TO EQUITY RATIO

As a stockholder/investor, financial position and stability would be an important aspect. The Company tests its solvency and leverage exposure through the net debt to equity ratio. This test indicates the Company's ownership of creditors vs. owners/investors. Net debt to equity ratio is computed by dividing the interest-bearing loans net of cash and cash equivalents over total equity.

Total borrowings stood at Php 55.9 billion from Php 51.9 billion last year, which resulted to a net debt to equity ratio of 0.29:1 and 0.33:1 as of September 30, 2021 and December 31, 2020, respectively.

FINANCIAL SOUNDNESS RATIOS

	September 30, 2021	December 31, 2020
Current Ratio	2.37 times	2.31 times
Net Debt to Equity Ratio	0.29 times	0.33 times
Asset to Equity Ratio	1.98 times	2.02 times
	September 30, 2021	**September 30, 2020**
Return on Assets	9%	3%
Return on Common Equity	16%	5%
Interest Coverage Ratio	10 times	10 times
Gross Profit Margin	32%	23%
Net Profit Margin	23%	12%

PART II--OTHER INFORMATION

1. The Company's operation is a continuous process. It is not dependent on any cycle or season;
2. Economic and infrastructure developments in the country may affect construction business; Interest rate movements may affect the performance of the real estate industry; Mining activities are generally hinged on the commodities market and affected by weather conditions. Businesses not affected by known cycle, trends or uncertainties are power and water.
3. On March 29, 2021, the BOD of the Parent Company declared cash dividends amounting Php 0.13 regular dividends per common share and Php 0.35 special dividends per common share for a total of Php 6.37 billion in favor of the stockholders of record as of April 15, 2021 and was paid on April 26, 2021.
4. On March 5, 2020, the BOD of the Parent Company declared cash dividends amounting Php 0.23 regular dividends per common share and Php 0.25 special dividends per common share for a total of Php 6.37 billion in favor of the stockholders of record as of March 23, 2020 and was paid on April 3, 2020.
5. There are no undisclosed material subsequent events and transferring of assets not in the normal course of business that have not been disclosed for the period that the Company has knowledge of;
6. There are no material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation has been disclosed in the notes to financial statements.
7. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
8. Except for interest payments on loans, which the Company can fully service, the only significant commitment that would have a material impact on liquidity are construction

guarantees. These are usually required from contractors in case of any damage/ destruction to a completed project.

9. 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
10. The Group does not have any offering of rights, granting of stock options and corresponding plans therefore.
11. All necessary disclosures were made under SEC Form 17-C.

SIGNATURES

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

Issuer	DMCI Holdings, Inc.
Signature and Title	**Herbert M. Consunji** Executive Vice President & Chief Finance Officer
Signature and Title	**Mary Grace M. Garcia** Finance Officer
Date	November 8, 2021

DMCI HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	**₱24,231,593**	₱18,918,450
Receivables - net (Note 9)	**18,515,682**	20,422,255
Current portion of contract assets	**19,470,454**	11,282,073
Inventories	**52,957,961**	53,895,389
Other current assets	**9,207,967**	7,902,971
Total Current Assets	**124,383,657**	112,421,138
Noncurrent Assets		
Contract asset - net of current portion	**10,967,584**	6,706,034
Investments in associates and joint ventures (Note 6)	**17,205,140**	16,590,561
Investment properties	**121,288**	132,663
Property, plant and equipment	**60,304,312**	62,023,797
Exploration and evaluation asset	**235,192**	229,060
Pension assets - net	**738,059**	708,040
Deferred tax assets - net	**935,852**	938,621
Right-of-use assets	**–**	183,094
Other noncurrent assets	**4,630,858**	4,460,531
Total Noncurrent Assets	**95,138,285**	91,972,401
	₱219,521,942	₱204,393,539
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt	**₱1,246,795**	₱5,800,060
Current portion of liabilities for purchased land	**694,654**	849,024
Accounts and other payables	**26,583,737**	24,813,775
Current portion of contract liabilities and other customers' advances and deposits	**14,534,537**	11,361,748
Current portion of long-term debt	**9,187,329**	5,425,745
Income tax payable	**146,639**	325,733
Total Current Liabilities	**52,393,691**	48,576,085

(Forward)

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Noncurrent Liabilities		
Contract liabilities - net of current portion	**₱2,832,297**	₱5,311,878
Long-term debt - net of current portion	**45,484,729**	40,663,165
Liabilities for purchased land - net of current portion	**964,323**	1,170,582
Deferred tax liabilities - net	**5,006,011**	4,952,056
Pension liabilities - net	**574,742**	782,884
Other noncurrent liabilities	**1,592,365**	1,734,118
Total Noncurrent Liabilities	**56,454,467**	54,614,683
Total Liabilities	**108,848,158**	103,190,768
Equity (Note 3)		
Equity attributable to equity holders of the Parent Company:		
Paid-in capital	**17,949,868**	17,949,868
Treasury shares - Preferred	**(7,069)**	(7,069)
Retained earnings	**71,494,952**	64,391,833
Premium on acquisition of non-controlling interests	**(817,958)**	(817,958)
Remeasurements on retirement plans - net of tax	**149,316**	149,316
Net accumulated unrealized gains on equity investments designated at FVOCI	**99,131**	99,131
Other equity	**(118,800)**	(118,800)
	88,749,440	81,646,321
Non-controlling interests	**21,924,344**	19,556,450
Total Equity	**110,673,784**	101,202,771
	₱219,521,942	₱204,393,539

DMCI HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

For the Period and Quarter Ended September 30, 2021 and 2020
(Amounts in Thousands, except for Earnings Per Share figures)

	For the period		For the quarter	
	Jan to Sep 2021	Jan to Sep 2020	**Jul to Sep 2021**	Jul to Sep 2020
REVENUE (Notes 4 and 8)				
Coal mining	**₱26,758,712**	₱10,988,379	**₱9,719,401**	₱3,084,538
Real estate sales	**18,861,630**	9,498,512	**5,850,773**	5,650,355
Construction contracts	**16,466,979**	9,582,220	**4,709,076**	3,563,164
Electricity sales	**14,689,561**	12,012,011	**5,671,821**	5,215,533
Nickel mining	**2,998,327**	1,622,270	**338,378**	430,303
Merchandise sales and others	**249,599**	208,460	**75,691**	94,843
	80,024,808	43,911,852	**26,365,140**	18,038,736
COSTS OF SALES AND SERVICES				
Coal mining	**14,490,454**	7,334,557	**5,110,673**	2,705,629
Real estate sales	**13,732,495**	7,867,921	**4,222,060**	4,049,454
Construction contracts	**15,300,018**	9,177,218	**4,432,460**	3,576,948
Electricity sales	**9,437,343**	8,431,832	**3,803,208**	3,683,458
Nickel mining	**1,066,110**	711,229	**98,699**	186,097
Merchandise sales and others	**184,306**	151,040	**56,463**	66,953
	54,210,726	33,673,797	**17,723,563**	14,268,539
GROSS PROFIT	**25,814,082**	10,238,055	**8,641,577**	3,770,197
OPERATING EXPENSES (Note 5)	**9,016,319**	5,769,265	**3,284,046**	1,627,083
	16,797,763	4,468,790	**5,357,531**	2,143,114
OTHER INCOME (EXPENSES)				
Equity in net earnings of associates (Note 6)	**1,303,009**	1,231,152	**403,037**	382,239
Finance income	**297,368**	379,830	**87,760**	92,995
Finance costs	**(906,647)**	(892,410)	**(347,052)**	(178,384)
Other income - net	**1,619,277**	732,543	**620,870**	351,955
INCOME BEFORE INCOME TAX	**19,110,770**	5,919,905	**6,122,146**	2,791,919
PROVISION FOR INCOME TAX	**963,463**	635,556	**372,565**	576,538
NET INCOME	**₱18,147,307**	₱5,284,349	**₱5,749,581**	₱2,215,381
NET INCOME ATTRIBUTABLE TO				
Equity holders of the Parent Company (Note 4)	**₱13,476,305**	₱3,910,437	**₱3,993,440**	₱1,876,457
Non-controlling interests	**4,671,002**	1,373,912	**1,756,141**	338,924
	₱18,147,307	₱5,284,349	**₱5,749,581**	₱2,215,381
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY-BASIC AND DILUTED (Note 7)	**₱1.01**	₱0.29	**₱0.30**	₱0.14

DMCI HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Period and Quarter Ended September 30, 2021 and 2020
(Amounts in Thousands)

	For the period		For the quarter	
	Jan to Sep 2021	Jan to Sep 2020	**Jul to Sep 2021**	Jul to Sep 2020
NET INCOME	**₱18,147,307**	₱5,284,349	**₱5,749,581**	₱2,215,381
OTHER COMPREHENSIVE INCOME (LOSS)				
Items to be reclassified subsequently to profit or loss				
Changes in fair values of investments in equity instruments designated at FVOCI	**–**	–	**–**	–
	–	–	**–**	–
Items not to be reclassified to profit or loss in subsequent periods				
Remeasurement gains on retirement plans	–	–	–	–
Income tax effect	–	–	–	–
	–	–	–	–
OTHER COMPREHENSIVE INCOME	**–**	–	**–**	–
TOTAL COMPREHENSIVE INCOME	**₱18,147,307**	₱5,284,349	**₱5,749,581**	₱2,215,381
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company (Note 4)	**₱13,476,305**	₱3,910,437	**₱3,993,440**	₱1,876,457
Non-controlling interests	**4,671,002**	1,373,912	**1,756,141**	338,924
	₱18,147,307	₱5,284,349	**₱5,749,581**	₱2,215,381

DMCI HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Period Ended September 30, 2021 and 2020
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company											
	Capital Stock (Note 3)	**Additional Paid-in Capital** (Note 3)	**Total Paid-in Capital** (Note 3)	**Treasury Shares - Preferred** (Note 3)	**Unppropriated Retained Earnings** (Note 3)	**Premium on Acquisition of Non-controlling Interest**	**Remeasurements on Retirement Plans**	**Net Accumulated Unrealized Gain on equity investments designated at FVOCI**	**Other Equity**	**Parent Equity**	**Non controlling Interests**	**Total Equity**
	For the Period Ended September 30, 2021											
Balances as of January 1, 2021	**₱13,277,474**	**₱4,672,394**	**₱17,949,868**	**(₱7,069)**	**₱64,391,833**	**(₱817,958)**	**₱149,316**	**₱99,131**	**(₱118,800)**	**₱81,646,321**	**₱19,556,451**	**₱101,202,772**
Comprehensive income												
Net income	–	–	–	–	**13,476,305**	–	–	–	–	**13,476,305**	**4,671,002**	**18,147,306**
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–		–	–	**13,476,305**	**4,671,002**	**18,147,306**
Acquisition of noncontrolling interest	–	–	–	–	–	–	–	–	–	–	–	–
Cash dividends declared (Note 3)	–	–	–	–	**(6,373,186)**	–	–	–	–	**(6,373,186)**	**(2,303,109)**	**(8,676,294)**
Balances at September 30, 2021	**₱13,277,474**	**₱4,672,394**	**₱17,949,868**	**(₱7,069)**	**₱71,494,952**	**(₱817,958)**	**₱149,316**	**₱99,131**	**(₱118,800)**	**₱88,749,440**	**₱21,924,344**	**₱110,673,784**
	For the Period Ended September 30, 2020											
Balances as of January 1, 2020	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱64,906,070	(₱817,958)	₱344,568	₱91,459	(₱63,291)	₱82,403,647	₱20,434,427	₱102,838,074
Comprehensive income												
Net income	–	–	–	–	3,910,437	–	–	–	–	3,910,437	1,373,912	5,284,349
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	3,910,437	–	–	–	–	3,910,437	1,373,912	5,284,349
Acquisition of noncontrolling interest	–	–	–	–	–	–	–	–	–	–	6,621	6,621
Cash dividends declared (Note 3)	–	–	–	–	(6,373,186)	–	–	–	–	(6,373,186)	(2,320,178)	(8,693,364)
Balances at September 30, 2020	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱62,443,321	(₱817,958)	₱344,568	₱91,459	(₱63,291)	₱79,940,898	₱19,494,782	₱99,435,680

DMCI HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Period Ended September 30, 2021 and 2020
(Amounts in Thousands)

	September 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱19,110,770**	₱5,919,905
Adjustments for:		
Depreciation, depletion and amortization	**6,702,438**	5,978,505
Finance cost	**906,647**	892,410
Equity in net earnings of associates and joint ventures	**(1,303,009)**	(1,231,152)
Movement in net retirement asset	**(238,161)**	15,091
Finance income	**(297,368)**	(379,830)
Gain on sale of undeveloped land	**(203,362)**	–
Net unrealized foreign exchange loss (gain)	**(108,244)**	110,514
Operating income before changes in working capital	**24,569,711**	11,305,443
Decrease (increase) in:		
Receivables and contract assets	**(10,543,358)**	294,915
Inventories	**2,014,249**	(5,795,992)
Other current assets	**(1,304,997)**	(561,692)
Increase (decrease) in:		
Accounts and other payables	**1,767,507**	(1,652,200)
Contract liabilities and other customer advances and deposits	**(1,016,386)**	1,807,111
Liabilities for purchased land	**(360,628)**	363,609
Cash generated from operations	**15,126,098**	5,761,194
Interest received	**297,368**	379,830
Income taxes paid	**(1,085,833)**	(1,034,810)
Interest paid and capitalized as cost of inventory	**(1,003,324)**	(1,092,508)
Net cash provided by (used in) operating activities	**13,334,309**	4,013,706
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property, plant and equipment	**(5,093,901)**	(4,680,729)
Exploration and evaluation asset	**(6,132)**	(574,384)
Investment properties	**(346)**	–
Investments in associates and joint ventures	**–**	(166,867)
Dividends received	**805,000**	36,000
Proceeds from disposal of property, plant and equipment	**1,299**	1,568
Proceeds from sale of undeveloped land	**469,388**	–
Interest paid and capitalized as part of property, plant and equipment	**(3,162)**	(21,742)
Decrease (increase) in other noncurrent assets	**(202,222)**	257,573
Net cash used in investing activities	**(4,030,076)**	(5,148,581)

(Forward)

	September 30	
	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Long-term debt	**₱13,790,407**	₱12,125,177
Short-term debt	**1,071,735**	3,880,000
Payments of:		
Dividends paid to equity holders of DMCI Holdings, Inc.	**(6,373,186)**	(6,373,186)
Long-term debt	**(5,232,113)**	(10,354,924)
Dividends to non-controlling interests	**(2,303,108)**	(2,320,178)
Short-term debt	**(5,625,000)**	(300,802)
Interest	**(995,908)**	(895,085)
Purchase of non-controlling shares of a subsidiary	**–**	(7,396)
Increase in other noncurrent liabilities	**1,567,839**	501,389
Net cash used in financing activities	**(4,099,334)**	(3,745,005)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**108,244**	(110,514)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**5,313,143**	(4,990,394)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**18,918,450**	21,597,823
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱24,231,593**	₱16,607,429

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

1. **Corporate Information**

DMCI Holdings, Inc. (the Parent Company) was incorporated on March 8, 1995 with a corporate life of 50 years from and after the date of incorporation and is domiciled in the Philippines. The Parent Company's registered office address and principal place of business is at 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City.

The Parent Company and its subsidiaries (collectively referred to herein as the Group) is primarily engaged in general construction, coal and power generation, real estate development, water concession, nickel mining and manufacturing.

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

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on November 8, 2021.

2. **Summary of Significant Accounting Policies**

Basis of Preparation

The interim unaudited condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2020.

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

Statement of Compliance

The interim unaudited condensed consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include availment of the relief granted by the Securities and Exchange Commission (SEC) under Memorandum Circular No. 14, Series of 2018, Memorandum Circular No. 3, Series of 2019 and Memorandum Circular No. 4, Series of 2020. PFRS include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by Philippine Interpretations Committee (PIC).

Basis of Consolidation

The interim unaudited condensed consolidated financial statements comprise the financial statements of the Group as of September 30, 2021 and December 31, 2020.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated inancial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

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

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

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries (which are all incorporated in the Philippines). The voting rights held by the Group in these subsidiaries are in proportion of their ownership interest.

	Nature of Business	2021 Direct	2021 Indirect	2021 Effective Interest	2020 Direct	2020 Indirect	2020 Effective Interest
				(In percentage)			
General Construction:							
D.M. Consunji, Inc. (DMCI)	General Construction	**100.00**	**–**	**100.00**	100.00	–	100.00
Beta Electromechanical Corporation (Beta Electric) [1]	General Construction	**–**	**53.20**	**53.20**	–	53.20	53.20
Raco Haven Automation Philippines, Inc. (Raco) [1]	Non-operating	**–**	**50.14**	**50.14**	–	50.14	50.14
Oriken Dynamix Company, Inc. (Oriken) [1]	Non-operating	**–**	**89.00**	**89.00**	–	89.00	89.00
DMCI Technical Training Center (DMCI Training) [1]	Services	**–**	**100.00**	**100.00**	–	100.00	100.00
Bulakan North Gateway Holdings Inc (Bulakan North)[1]	Non-operating	**–**	**100.00**	**100.00**	–	100.00	100.00
Real Estate:							
DMCI Project Developers, Inc. (PDI)	Real Estate Developer	**100.00**	**–**	**100.00**	100.00	–	100.00
DMCI-PDI Hotels, Inc. (PDI Hotels) [2]	Hotel Operator	**–**	**100.00**	**100.00**	–	100.00	100.00
DMCI Homes Property Management Corporation (DPMC) [2]	Property Management	**–**	**100.00**	**100.00**	–	100.00	100.00
Zenith Mobility Solutions Services, Inc. (ZMSSI)[2]	Services	**–**	**100.00**	**100.00**	–	100.00	100.00
Riviera Land Corporation (Riviera) [2]	Real Estate Developer	**–**	**100.00**	**100.00**	–	100.00	100.00
Hampstead Gardens Corporation (Hampstead) [2*]	Real Estate Developer	**–**	**100.00**	**100.00**	–	100.00	100.00
DMCI Homes, Inc. (DMCI Homes) [2*]	Marketing Arm	**–**	**100.00**	**100.00**	–	100.00	100.00
L & I Development Corporation (LIDC)	Real estate Developer	**–**	**100.00**	**100.00**	–	100.00	100.00
Coal Mining:							
Semirara Mining and Power Corporation (SMPC)	Mining	**56.65**	**–**	**56.65**	56.65	–	56.65
On-Grid Power:							
Sem-Calaca Power Corporation (SCPC) [3]	Power Generation	**–**	**56.65**	**56.65**	–	56.65	56.65
Southwest Luzon Power Generation Corporation (SLPGC) [3]	Power Generation	**–**	**56.65**	**56.65**	–	56.65	56.65
Sem-Calaca RES Corporation (SCRC) [3]	Retail	**–**	**56.65**	**56.65**	–	56.65	56.65
SEM-Cal Industrial Park Developers, Inc. (SIPDI) [3]	Non-operational	**–**	**56.65**	**56.65**	–	56.65	56.65
Semirara Energy Utilities, Inc. (SEUI) [3]	Non-operational	**–**	**56.65**	**56.65**	–	56.65	56.65

(Forward)

	Nature of Business	2021 Direct	2021 Indirect	2021 Effective Interest	2020 Direct	2020 Indirect	2020 Effective Interest
				(In percentage)			
Southeast Luzon Power Generation Corporation (SeLPGC)[3]	Non-operational	–	56.65	56.65	–	56.65	56.65
Semirara Claystone, Inc. (SCI)[3]	Non-operational	–	56.65	56.65	–	56.65	56.65
St. Raphael Power Generation Corporation (SRPGC)[3]	Non-operational	–	56.65	56.65	–	56.65	56.65
Off-Grid Power:							
DMCI Power Corporation (DPC)	Power Generation	100.00	–	100.00	100.00	–	100.00
DMCI Masbate Power Corporation (DMCI Masbate)[4]	Power Generation	–	100.00	100.00	–	100.00	100.00
Nickel Mining:							
DMCI Mining Corporation (DMC)	Holding Company	100.00	–	100.00	100.00	–	100.00
Berong Nickel Corporation (BNC)[5]	Mining	–	74.80	74.80	–	74.80	74.80
Ulugan Resouces Holdings, Inc. (URHI)[5]	Holding Company	–	30.00	30.00	–	30.00	30.00
Ulugan Nickel Corporation (UNC)[5]	Holding Company	–	58.00	58.00	–	58.00	58.00
Nickeline Resources Holdings, Inc. (NRHI)[5]	Holding Company	–	58.00	58.00	–	58.00	58.00
TMM Management, Inc. (TMM)[5]	Services	–	40.00	40.00	–	40.00	40.00
Zambales Diversified Metals Corporation (ZDMC)[5]	Mining	–	100.00	100.00	–	100.00	100.00
Zambales Chromite Mining Company Inc. (ZCMC)[5]	Non-operational	–	100.00	100.00	–	100.00	100.00
Fil-Asian Strategic Resources & Properties Corporation (FASRPC)[5]	Non-operational	–	100.00	100.00	–	100.00	100.00
Montague Resources Philippines Corporation (MRPC)[5]	Non-operational	–	100.00	100.00	–	100.00	100.00
Montemina Resources Corporation (MRC)[5]	Non-operational	–	100.00	100.00	–	100.00	100.00
Mt. Lanat Metals Corporation (MLMC)[5]	Non-operational	–	100.00	100.00	–	100.00	100.00
Fil-Euro Asia Nickel Corporation (FEANC)[5]	Non-operational	–	100.00	100.00	–	100.00	100.00
Heraan Holdings, Inc. (HHI)[5]	Holding Company	–	100.00	100.00	–	100.00	100.00
Zambales Nickel Processing Corporation (ZNPC)[5]	Non-operational	–	100.00	100.00	–	100.00	100.00
Zamnorth Holdings Corporation (ZHC)[5]	Holding Company	–	100.00	100.00	–	100.00	100.00
ZDMC Holdings Corporation (ZDMCHC)[5]	Holding Company	–	100.00	100.00	–	100.00	100.00
Manufacturing:							
Semirara Cement Corporation (SemCem)	Non-operational	100.00	–	100.00	100.00	–	100.00
Wire Rope Corporation of the Philippines (Wire Rope)	Manufacturing	45.68	16.02	61.70	45.68	16.02	61.70

*Ongoing liquidation.
[1] DMCI's subsidiaries. Bulakan North was incorporated on October 10, 2019 and has not yet started commercial operations.
[2] PDI's subsidiaries. In 2020, ZMSSI became a wholly-owned subsidiary thru the acquisition of 49% noncontrolling-interests. In addition, on October 1, 2020, PDI entered into a share purchase agreement to acquire 100% of the total outstanding shares of LIDC. The acquisition of LIDC was accounted for as an asset acquisition (see Note 3).
[3] SMPC's subsidiaries. During the year, SMPC entered into a deed of assignment for acquisition of remaining 50% ownership interest in SRPGC. The acquisition of SRPGC was accounted for as an asset acquisition (see Note 3).
[4] DPC's subsidiaries.
[5] DMC's subsidiaries.

Noncontrolling Interests

Noncontrolling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interest having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

The proportion of ownership interest held by noncontrolling interests on the consolidated subsidiaries are presented below. The voting rights held by the Group in these subsidiaries are in proportion of their ownership interest.

	(In Percentage)
Beta Electromechanical Corporation (Beta Electromechanical)	46.80
Raco Haven Automation Philippines, Inc. (Raco)	49.86
Oriken Dynamix Company, Inc. (Oriken)	11.00
Semirara Mining and Power Corporation (SMPC)	43.35
Sem-Calaca Power Corporation (SCPC)	43.35
Southwest Luzon Power Generation Corporation (SLPGC)	43.35
Sem-Calaca RES Corporation (SCRC)	43.35
SEM-Cal Industrial Park Developers, Inc. (SIPDI)	43.35
Semirara Energy Utilities, Inc. (SEUI)	43.35
Southeast Luzon Power Generation Corporation (SeLPGC)	43.35
Semirara Claystone, Inc. (SCI)	43.35
St. Raphael Power Generation Corporation (SRPGC)	43.35
Berong Nickel Corporation (BNC)	25.20
Ulugan Resouces Holdings, Inc. (URHI)	70.00
Ulugan Nickel Corporation (UNC)	42.00
Nickeline Resources Holdings, Inc. (NRHI)	42.00
TMM Management, Inc. (TMM)	60.00
Wire Rope Corporation of the Philippines (Wire Rope)	38.30

In 2020, ZMSSI and SRPGC became wholly-owned subsidiaries of the Group. PDI acquired the remaining 49% noncontrolling-interest in ZMSSI during the year. Equity shareholdings of the joint venture partner in SRPGC of 50% was acquired by SMPC upon the termination of the joint venture arrangement between the parties.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements which became effective January 1, 2020.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and,
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16 , *Plant and Equipment: Proceeds before Intended Use*
  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1*, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.
  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

  The Group is currently assessing the impact of adopting these amendments.

3. Equity

Capital Stock
As of September 30, 2021 and December 31, 2020, the Parent Company's capital stock consists of:

Authorized capital stock

	No. of shares
Common stock, ₱1 par value	19,900,000,000
Preferred stock - ₱1 par value	100,000,000

Outstanding capital stock

	No. of shares
Common shares	13,277,470,000
Preferred shares	3,780
Less: treasury shares	2,820
	960

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 October 1, 2018, the Board authorized the Parent Company to make an offer (the "Redemption Offer") to the outstanding preferred shareholders for the Parent Company to acquire the remaining outstanding 3,780 preferred shares at the purchase price of ₱2,500 per preferred share from October 8 to November 29, 2018. The Redemption Offer is intended to provide the preferred shareholders a final chance to divest of their preferred shares in view of their previous inability to avail of the Exchange Offer in 2002. On November 29, 2018, the Parent Company has redeemed a total of 2,820 preferred shares for a total cost of ₱7.07 million.

On May 21, 2019, the Stockholders approved the amendment of Articles of Incorporation to increase the Par Value of Preferred Shares from ₱1.00 to ₱1,000 per Preferred Share.

Retained Earnings

On March 29, 2021, the BOD approved the declaration of (1) *regular cash dividends* in the amount of ₱0.13 per common share or a total of ₱1,726.07 million; and (2) *special cash dividends* of ₱0.35 per common share or a total of ₱4,647.12 million, or a grand total of ₱6,373.19 million out of the unrestricted retained earnings of the Parent Company as of March 25, 2021, in favor of the common stockholders of record as of April 15, 2021, and was paid on April 26, 2021.

On March 5, 2020, the BOD approved the declaration of (1) *regular cash dividends* in the amount of ₱0.23 per common share or a total of ₱3,053.82 million; and (2) *special cash dividends* of ₱0.25 per common share or a total of ₱3,319.37 million, or a grand total of ₱6,373.19 million out of the unrestricted retained earnings of the Parent Company as of February 29, 2020, in favor of the common stockholders of record as of March 23, 2020, and was paid on April 3, 2020.

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. There were no changes made in the Group's capital management objectives, policies or processes. The Group considers total equity attributable to equity holders of the Parent Company less net accumulated unrealized gain or loss on equity investments designated at FVOCI as capital.

The Group is not subject to any externally imposed capital requirements.

4. Business Segments

The following tables present the net income of the specific business segments for the period ended September 30, 2021 and 2020:

Segment Revenues

	For the period		Variance	
(in PHP Millions)	**September 2021**	September 2020	Amount	%
Semirara Mining and Power Corporation	**₱38,033**	₱19,876	₱18,157	91%
DMCI Homes	**18,862**	9,499	9,363	99%
D.M. Consunji, Inc.	**16,467**	9,582	6,885	72%
DMCI Power (SPUG)	**3,415**	3,125	290	9%
DMCI Mining	**2,998**	1,622	1,376	85%
Parent and others	**250**	208	42	20%
	₱80,025	₱43,912	**₱36,113**	82%

Net income after non-controlling interests

(in PHP Millions)	For the period September **2021**	September 2020	Variance Amount	%
Semirara Mining and Power Corporation	**₱5,948**	₱1,692	₱4,256	252%
DMCI Homes	**3,225**	1,080	2,145	199%
Maynilad	**1,124**	1,226	(102)	-8%
DMCI Mining	**983**	252	731	290%
D.M. Consunji, Inc.	**585**	(97)	682	703%
DMCI Power (SPUG)	**428**	403	25	6%
Parent and others	**15**	(54)	69	128%
Core net income	**12,308**	4,502	7,806	173%
Non-recurring items	**1,168**	(592)	1,760	297%
	₱13,476	₱3,910	₱9,566	245%

5. **Operating Expenses**

The following tables present the consolidated operating expenses for the period ended September 30, 2021 and 2020:

	2021	2020
Government share	**₱4,047,255**	₱1,303,193
Salaries, wages and employee benefits	**1,556,948**	1,199,424
Taxes and licenses	**1,173,943**	1,054,246
Repairs and maintenance	**393,332**	442,229
Outside services	**284,973**	518,650
Insurance	**230,732**	182,127
Depreciation, depletion and amortization	**190,993**	218,494
Supplies	**139,831**	74,158
Advertising and marketing	**136,666**	176,083
Communication, light and water	**109,944**	80,388
Entertainment, amusement and recreation	**89,179**	84,598
Association dues	**75,354**	39,357
Rent	**45,349**	59,665
Transportation and travel	**42,756**	80,153
Miscellaneous expense	**499,064**	256,500
	₱9,016,319	₱5,769,265

6. **Summarized Financial Information of Interests in Related Entities**

Financial information as of and for the period ended September 30, 2021 and December 30, 2020 on the Group's subsidiary with material non-controlling interest (NCI) follows:

Semirara Mining and Power Corporation and Subsidiaries (SMPC)

(in millions)	**September 30, 2021**	December 31, 2020
Statements of Financial Position		
Current assets	**₱28,077**	₱23,299
Noncurrent assets	**45,898**	47,847
Current liabilities	**12,894**	16,521
Noncurrent liabilities	**13,924**	12,440
Equity	**47,157**	42,185

(in millions)	**September 30, 2021**	September 30, 2020
Statements of Comprehensive Income		
Revenue	**₱38,033**	₱19,876
Net income	**10,295**	2,989
Other comprehensive income	**10,295**	–
Total comprehensive income		2,289

Financial information as of and for the period ended September 30, 2021 and December 31, 2020 on the Group's material interest in associate follows:

Maynilad Water Holdings Company, Inc. and Subsidiaries

(in millions)	**September 30, 2021**	December 31, 2020
Statements of Financial Position		
Current assets	**₱16,168**	₱18,795
Noncurrent assets	**121,313**	118,454
Current liabilities	**22,383**	22,585
Noncurrent liabilities	**48,317**	49,831
Equity	**66,781**	64,833

(in millions)	**September 30, 2021**	September 30, 2020
Statements of Comprehensive Income		
Revenue	**₱16,618**	₱17,383
Net income	**5,019**	4,444
Other comprehensive income	**–**	–
Total comprehensive income	**5,019**	4,444

Investment in Maynilad Water Holdings Company, Inc. (MWHCI) is accounted for using the equity method. Equity in net earnings in the nine months ended September 30 amounted to ₱1,267.19 million in 2021 and ₱1,208.33 million in 2020.

Financial information as of and for the period ended September 30, 2021 and December 31, 2020 on the Group's immaterial interest in associate follows:

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

The Group owns a total of 30% of Subic Water's outstanding capital stock after the sale of 10% share to the City of Olongapo on March 23, 2016.

The investment in Subic Water is accounted for as an investment in an associate using the equity method. The carrying amount of the investment in associate amounted to ₱350.69 million and ₱298.55 million as of September 30, 2021 and December 31, 2020, respectively. The unaudited share in net earnings amounted to ₱28.28 million and ₱25.07 million for the period ended September 30, 2021 and 2020, respectively.

<u>RLC DMCI Property Ventures Inc.</u>
In March 2019, the RLC DMCI Property Ventures Inc., a joint venture agreement with Robinsons Land Corporation, was incorporated to purchase, acquire and develop into a residential condominium project a portion of the parcels of land situated in Las Pinas City with an area of fourteen thousand four hundred ninety-two (14,492) square meters or less. Initial capitalization to the joint venture from DMCI PDI amounted to ₱500 million. The carrying amount of the investment amounted to ₱472.66 million and ₱479.54 million as of September 30, 2021 and December 31, 2020, respectively.

7. Income Taxes

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.00 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Qualified export enterprises shall be entitled to 4 to 7 years income tax holiday (ITH) to be followed by 10 years 5% special corporate income tax (SCIT) or enhanced deductions (ED).
- Qualified domestic market enterprises shall be entitled to 4 to 7 years ITH to be followed by 5 years ED.
- For investments prior to effectivity of CREATE:

- Registered business enterprises (RBEs) granted only an ITH – can continue with the availment of the ITH for the remaining period of the ITH.
- RBEs granted an ITH followed 5% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020. The Group reflected the changes in the current and deferred income taxes in its unaudited interim condensed consolidated financial statements as of and for the nine-month period ended September 30, 2021, including the retroactive effect of the change in tax rates arising from the CREATE Act, reducing provisions for current and deferred income tax by ₱993 million.

8. Earnings Per Share

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

Basic/diluted earnings per share

	For the period (2021)	For the period (2020)	**For 3rd Quarter (2021)**	For 3rd Quarter (2020)
Net income attributable to equity holders of Parent Company	**₱13,476,305**	₱3,910,437	**₱3,993,440**	₱1,876,457
Divided by weighted average number of common shares	**13,277,470**	13,277,470	**13,277,470**	13,277,470
Basic and diluted earnings per share	**₱1.01**	₱0.29	**₱0.30**	₱0.14

9. Related Party Transactions

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

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

a. Engineering and construction works of the water business is contracted to the construction segment of the Group. These projects are bid out to various contractors and are awarded on arm's length transactions. Booked revenues from these contracts amounted to ₱197 million and ₱245 million for the period ended September 30, 2021 and 2020, respectively.

b. An affiliate had transactions with the Group for services rendered relating to the Group's coal operations. These include services for the confirmatory drilling for coal reserve and evaluation of identified potential areas, exploratory drilling of other minerals within the Island, dewatering well drilling along the mine and fresh water well drilling for industrial and domestic supply under an agreement.

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

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

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10. Financial Risk Management Objectives and Policies

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

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

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

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

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

b. *Market Risk*

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

The sensitivity analyses have been prepared on the following bases:

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

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at September 30, 2021 and December 31, 2020.

Equity Price Risk

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

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

Commodity Price Risk

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

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

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

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

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

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

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

	September 30, 2021	December 31, 2020
Domestic market	**27%**	25%
Export market	**73%**	75%

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of September 30, 2021 and December 31, 2020 with all other variables held constant. The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on one-year historical price movements in 2021 and 2020.

Change in coal price (in thousands)	Effect on income before income tax **September 30, 2021**	 December 31, 2020
Based on ending coal inventory		
Increase by 162% in 2021 and 31% in 2020	**₱1,263,673**	₱2,426,159
Decrease by 162% in 2021 and 31% in 2020	**(1,263,673)**	(2,426,159)
Based on coal sales volume		
Increase by 162% in 2021 and 31% in 2020	**59,428,221**	4,652,333
Decrease by 162% in 2021 and 31% in 2020	**(59,428,221)**	(4,652,333)

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

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

Basis points (in thousands)	Effect on income before income tax **September 30, 2021**	 December 31, 2020
+100	**₱158,773**	(₱88,797)
-100	**(158,773)**	88,797

The sensitivity analyses shown above are based on the assumption that the interest movements will be more likely be limited to hundred basis points upward or downward fluctuation in both 2021 and 2020. The forecasted movements in percentages of interest rates used were derived based on the Group's historical changes in the market interest rates on unsecured bank loans.

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

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

The Group does not have any foreign currency hedging arrangements.

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

	September 30, 2021				
	U.S. Dollar	**Japanese Yen**	**UK Pounds**	**Euro**	**Equivalent in PHP**
Financial assets					
Cash and cash equivalents	**\$119,717**	**¥317,868**	**£15**	**€1,007**	**₱6,263,519**
Receivables	**20,443**	**–**	**–**	**–**	**1,014,464**
	140,160	**317,868**	**15**	**1,007**	**7,277,983**
Financial liabilities					
Accounts payable and accrued expenses	**(7,758)**	**–**	**–**	**–**	**(395,286)**
	\$132,402	**¥317,868**	**£15**	**€1,007**	**₱6,882,697**

The following tables demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) as of September 30, 2021 (amounts in thousands):

	Exchange rate movement	Effect on profit before tax
In Peso per US Dollar		
Increase	**₱2**	**₱264,806**
Decrease	**(2)**	**(264,806)**
In Peso per Japanese Yen		
Increase	**2**	**635,737**
Decrease	**(2)**	**(635,737)**
In Peso per UK Pound		
Increase	**2**	**29**
Decrease	**(2)**	**(29)**
In Peso per Euro		
Increase	**2**	**2,014**
Decrease	**(2)**	**(2,014)**

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

c. *Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's maximum exposure to credit risk for the components of the statement of financial position at September 30, 2021 and December 31, 2020 is the carrying amounts except for real estate receivables. The Group's exposure to credit risk arises from default of the counterparties which include certain financial institutions, real estate buyers, subcontractors, suppliers and various electric companies. Credit risk management involves dealing only with recognized, creditworthy third parties. It is the Group's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. The Treasury Department's policy sets a credit limit for each counterparty. In addition, receivable balances are monitored on an ongoing basis. The Group's financial assets are not subject to collateral and other credit enhancement except for real estate receivables. As of September 30, 2021 and December 31, 2020, receivables that are doubtful of collection had been provided with allowance.

Real estate contracts

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (using incurred loss model prior to adoption of PFRS 9). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another CTS to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default (i.e., recovery rate is more than 100%). The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Electricity sales
The Group earns substantially all of its revenue from bilateral contracts, WESM and from various electric companies. WESM and the various electric companies are committed to pay for the energy generated by the power plant facilities.

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

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

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

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

Generally, trade receivables are writtenoff when deemed unrecoverable and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

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

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

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

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

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

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

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

Impairment analysis (using incurred loss model prior to adoption of PFRS 9) is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customer segments with similar loss patterns (i.e., by geographical region, payment scheme, type of customers, etc.). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

As of September 30, 2021, the aging analysis of the Group's receivables presented per class follows:

	September 30, 2021							
	Neither past nor impaired	Past due but not impaired <30 days	30-60 days	61-90 days	91-120 days	>120 days	Impaired assets	Total
Receivables								
Trade								
Real estate	**₱1,612,153**	**₱207,028**	**₱60,768**	**₱39,395**	**₱41,087**	**₱922,340**	**₱33,181**	**₱2,915,952**
General construction	**6,870,582**	**–**	**–**	**–**	**–**	**8,772**	**24,417**	**6,903,771**
Electricity sales	**3,122,700**	**124,643**	**165,519**	**68,058**	**668,993**	**302,366**	**867,033**	**5,319,312**
Coal mining	**269,353**	**1,991,971**	**266,101**	**68,664**	**36,126**	**–**	**236,159**	**2,868,374**
Nickel mining	**21,081**	**–**	**–**	**–**	**–**	**–**	**–**	**21,081**
Merchandising and others	**29,315**	**1,439**	**15,722**	**16,697**	**5,434**	**28,222**	**–**	**96,829**
Receivables from related parties	**603,556**	**–**	**–**	**–**	**–**	**–**	**–**	**603,556**
Other receivables	**949,457**	**–**	**–**	**–**	**–**	**–**	**770,951**	**1,720,408**
	₱13,478,197	**₱2,325,081**	**₱508,110**	**₱192,814**	**₱751,640**	**₱1,261,700**	**₱1,931,741**	**₱20,449,283**

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

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

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

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

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

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

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

There has been no reclassification from Level 1 to Level 2 or 3 category as of September 30, 2021 and December 31, 2020.