

COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

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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
Contact Person

8888-3000
Company Telephone Number

(3rd Tuesday of May)

1 2 3 1
Month Day
Fiscal Year

SEC Form 17-Q
Second Quarter Interim Report 2022
FORM TYPE

0 5 1 7
Month Day
Annual Meeting

N.A.
Secondary License Type, If Applicable

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Dept Requiring this Doc

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended June 30, 2022

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 Pasing 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

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

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

Philippine Stock Exchange

Class "A" Shares
Preferred Shares

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements as of and for the period ended **June 30, 2022** are contained herein.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF CONSOLIDATED OPERATIONS AND CONSOLIDATED FINANCIAL CONDITION AS OF AND FOR THE PERIOD ENDED JUNE 30, 2022 AND 2021

June 30, 2022 (Unaudited) vs June 30, 2021 (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 June 30, 2022 and 2021.

- 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 two construction segments: building and infrastructure. It also has separate business units for joint ventures and project support (i.e., concrete production, steel fabrication and equipment rental).
- 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, extracts nickel ore through surface mining and ships these directly to China and other markets. Aside from one operating mine under Zambales Diversified Metals Corporation, it has various nickel assets in Palawan and Zambales that are undergoing the permitting process.
- Maynilad Holdings Corporation, a 27%-owned associate, owns 93% of Maynilad Water Services, Inc. (Maynilad). The largest private water concessionaire in terms of customer base in the Philippines, Maynilad holds a 25-year franchise to establish, operate and maintain a waterworks system and sewerage and sanitation services in the West Zone service area of Metro Manila and the Province of Cavite.

CONSOLIDATED NET INCOME AFTER NON-CONTROLLING INTERESTS

<i>in Php millions except EPS</i>	April to June (Q2)			January to June (H1)		
	2022	2021	Change	2022	2021	Change
I. SMPC (57%)	6,110	2,342	161%	14,630	3,666	299%
II. DMCI Homes	1,308	804	63%	2,722	2,325	17%
III. D.M. Consunji Inc.	516	91	467%	883	484	82%
IV. DMCI Mining	510	403	27%	1,009	818	23%
V. Maynilad	393	431	-9%	712	718	-1%
VI. DMCI Power	205	152	35%	337	270	25%
VII. Parent and others	(49)	4	-1,325%	(38)	17	-324%
Core Net Income	8,993	4,227	113%	20,255	8,298	144%
Nonrecurring Items	37	1,006	-96%	36	1,185	-97%
Reported Net Income	9,030	5,233	73%	20,291	9,483	114%
EPS (reported)	0.68	0.39	73%	1.53	0.71	114%

Q2 2022 vs Q2 2021 Consolidated Highlights

- The DMCI Group reported a net income Php 9.03 billion, up 73% from Php 5.23 billion and the highest-ever for the quarter. This translated to Php 0.68 in earnings per share

Its remarkable performance was mainly attributable to higher selling prices for its coal, electricity and nickel ore output, coupled with higher revenue recognition from

construction projects nearing completion. All of its subsidiaries delivered significant profit growths during the period.

- Excluding nonrecurring items, core net income surged by 113% from Php 4.23 billion to Php 8.99 billion, another record high for the Group. Nonrecurring items (NRI) from last year largely pertain to tax remeasurement net gains following CREATE Law enactment (Php 807 million) and gain on sale of land of DMCI Homes (Php 191 million).
- SMPC and DMCI Homes accounted for 82% of core net income.

H1 2022 vs H1 2021 Consolidated Highlights

- Reported net income more than doubled (114%) from Php 9.48 billion to Php 20.29 billion, well above (+10%) the Group's full-year bottom line in 2021 and the highest for any given semester. This translated to Php 1.53 in earnings per share and 21.4% in return on equity.
The strong financial results was largely driven by robust selling prices across the coal, power and nickel mining businesses, alongside higher revenue recognition from the construction and real estate subsidiaries.
- Excluding nonrecurring gain in 2021 due primarily to deferred tax remeasurement because of CREATE Act (Php 892 million) and gain on land sale (Php 203 million), core net income accelerated by 144% from Php 8.30 billion to Php 20.26 billion.
- SMPC and DMCI Homes contributed 86% to core net income.
- The Group's balance sheet remained healthy as liquidity and leverage significantly improved since end-2021. Book value per share rose by 16% from 6.61 to 7.66 owing to strong operating results.
- Consolidated cash stood at a record-high level of Php 38.6 billion as operating cashflow expanded from elevated commodity and electricity prices, even after paying out a total of Php 6.37 billion (Php 0.48 per share) in regular and special cash dividends last April 29.

Q2 2022 vs Q2 2021 Subsidiaries and Associate Performance

I. Semirara Mining and Power Corporation (SMPC)

Core income contribution from SMPC rocketed by 161% from Php 2.34 billion to Php 6.11 billion, mainly due to all-time-high coal selling prices combined with higher spot market sales at elevated prices. To further explain:

Coal Segment

- **Record high selling prices.** Semirara coal average selling price (ASP) improved by 126% from P2,393 per metric ton to a record high of P5,399/MT as index prices continued to spike during the period. Quarterly average Newcastle price (NEWC) expanded three times (246%) from USD 109.0 to USD 376.8, while Indonesian Coal Index 4 (ICI4) improved by 64% from USD 54.2 to USD 89.0. Newcastle coal prices peaked at USD 436.1 during the week of May 20.
- **Favorable foreign exchange rate.** Average USD/Php exchange rate rose by 8% from USD1:P48.3 to USD1:P52.3.
- **Muted cash cost growth.** Cash costs grew slower than topline as lower shipments moderated the impact of higher fuel cost. Fuel costs accounted for 50% of COS (vs 32% in Q2 2021).
- **Wider profit margins.** Standalone net profit margins soared from 31% to 50% on the back of higher revenues and stronger US Dollar.

The segment also reported the following operational highlights:

- **Reduced production.** Production declined by 21% from 4.3 million metric tons (MMT) to 3.4 MMT on higher rainfall and strip ratio, which accelerated from 9.8 to 11.7 mainly due to simultaneous activities in East Block 4 and South Block 5 (new area) in Molave mine. Projected 2022 full-year average strip ratio remains at 10.79.
- **Lower shipments.** Total coal sales dropped by 25% from 4.9 million metric tons (MMT) to 3.7 MMT as exports dropped by 44% from 3.2 MMT to 1.8 MMT. Shipments to China, Semirara coal's biggest foreign market, plunged by 71% from 2.8 MMT to 0.8 MMT owing to its COVID-19 lockdowns and pivot to Russian coal.
- **Higher coal inventory.** High-grade coal inventory expanded by 50% from 1.0 MMT to 1.5 MMT on lower Q2 shipments and strong Q1 production.

Power

The power segment delivered a 91-percent upturn in net income after intercompany eliminations, from Php 940 million to Php 1.79 billion. Its strong performance was due to higher selling prices and large uncontracted capacity amidst rising fuel costs. To elaborate:

- **Higher plant availability.** Overall plant availability improved by 8% from 60% to 65%, mainly driven by SLPGC.
- **Stable gross generation.** Total gross generation showed an uptick (1%) from 971 GWh to 984 GWh on higher SLPGC generation tempered by lower SCPC output.
- **Large uncontracted capacity.** At the end of Q1 2022, 65% of the segment's running dependable capacity (540MW) was uncontracted, which translated to a total spot exposure of nearly 350MW in Q2.

- **Strong pivot to spot.** While total power sales contracted by 9% from 987 GWh to 900 GWh, bulk (56%) of it went to the spot market. As a result, spot electricity sales volume ascended by 188% from 176 GWh to 507 GWh. Conversely, BCQ sales dropped by 52% from 811 GWh to 393 GWh.
- **Elevated selling prices.** Overall ASP expanded by 29% from P4.11/KWh to P5.30/KWh, driven by higher spot sales volume whose ASP grew by 1% from P6.87/KWh to P6.91/KWh.
- **Softening supply-demand margins.** Average actual demand grew by 4% from 10,763 MW to 11,176MW, while average supply climbed by 16% from 11,436MW to 13,244MW as new baseload capacity entered the grid. Average spot prices went up by 13% from P5.84/KWh to P6.58/KWh on the back of rising fuel costs.
- **Price cap implementation.** The currently imposed secondary price cap is at P6.245/KWh, following recurrent price spikes within 72 hours. The price cap moderated the possible upside of the segment's spot exposure.
- **Lower replacement power purchases.** Total spot purchases declined by 60% from P617 million to P245 million.

On a standalone basis, SMPC recorded a net income of P10.78 billion, more than double (171%) from P3.98 billion.

II. DMCI Project Developers Inc. (DMCI Homes)

Core net income contribution from DMCI Homes swelled by 63% from Php 804 million to Php 1.31 billion. Its strong rebound was mostly attributable to the following:

- **Stronger topline.** Revenue recognition rose by 6% from Php 6.13 billion to Php 6.50 billion due to higher construction accomplishments, new accounts that qualified for revenue recognition and higher selling prices.
- **Better EBITDA margins.** EBITDA margins improved from 13% to 20% owing to higher selling prices of projects that qualified for revenue recognition and lower costs accrual, which were tempered by higher operating expenses (OPEX). OPEX rose due to higher association dues payment for unsold ready-for-occupancy (RFO) units and increase in repairs and maintenance costs for construction equipment.
- **Rise in other income.** Other income increased by 88% from Php 224 million to Php 421 million on higher closing fees, forfeitures from unit cancellations and rental income.
- **Improved core earnings margin.** Core net income improved by 56% from Php 847 million to Php 1.32 billion amid higher EBITDA margins and higher other income, offset by a 60-percent rise in income tax provisions.

The company also reported the following operational highlights:

- **Improving sales take-up.** Total units sold grew by 17% from 1,296 to 1,512, following a 14-percent uptrend in residential unit sales (732 versus 834) and a 20-percent hike in parking slot sales (564 versus 678).
- **Higher selling price.** Average selling price (ASP) of units sold rose by 6% from Php 109,000 to Php 116,000 per square meter. In terms of per unit sold, ASP declined by 7% from Php 6.70 million to Php 6.23 million as newly-launched The Erin Heights offered smaller-cut units for Php 5.0 million.
- **Sales value uptick.** Total sales value went up by 7% from Php 5.34 billion to Php 5.70 billion on the back of more sold units and higher ASP per square meter.
- **Large RFO inventory.** Total Inventory rose by 10% from Php 43.3 billion to Php 47.6 billion as more RFO units from Infina Towers, Prisma Residences and Verdon Parc were completed during the period.
- **Substantial land bank.** Land bank expanded by 17% from 185.7 hectares to 217.4 hectares following land banking activities in Luzon, which grew by 49% from 64.6 square meters to 96.4 square meters.

Standalone reported net income dropped by 11% from Php 1.49 billion to Php 1.32 billion as the company also realized a nonrecurring income of Php 640 million from remeasurement of its deferred tax liabilities in 2021.

III. DMCI Mining Corporation (DMCI Mining)

DMCI Mining generated Php 403 million in core net income, up 27% from Php 510 million owing to the following:

- **Soaring selling prices.** Average selling price (ASP) advanced by 50% from USD 42/WMT to USD 63/WMT as market prices remained elevated and ZDMC shipped higher-grade nickel ore.
- **Favorable forex rates.** Average USD/Php rate from sales climbed by 10% from USD1:P48 to USD1:P53.
- **Better core profit margins.** Despite 20%-percent dip in topline from Php 1.53 billion to Php 1.22 billion, standalone core net income margin appreciated from 33% to 45% owing to lower depreciation (62%) from Php 341 million to Php 130 million due to lower shipments.

The company also reported the following operational and financial highlights:

- **Lower Shipments.** Total shipments fell by 51% from 746,000 WMT to 367,000 WMT as BNC neared the end of its stockpile and ZDMC shipments turned sluggish. BNC shipments plunged by 78% from 483,000 WMT to 107,000 WMT while ZDMC shipments hovered at 263,000 WMT, 1% lower from 260,000 WMT.
- **Weak Production.** Production plummeted by 60% from 623,000 WMT to 248,000 WMT as sole operating mine ZDMC faced poor weather conditions and moved to a new area.

- **Limited Inventory.** Total ending inventory dropped by 83% from 393,000 WMT to 65,000 WMT on weaker production. BNC inventory slumped by 92% from 249,000 WMT to 21,000 WMT, while ZDMC inventory declined by 69% from 144,000 WMT to 44,000 WMT.
- **Higher cash and debt levels.** Strong operating cashflow and sizable debt availment (Php 300 million) resulted in a 141-percent upsurge in cash balances from Php 800 million in end-2021 to Php. 1.93 billion. Debt levels expanded by 75% from Php 0.4 billion to Php 0.7 billion. The Php 300 million will be used to fund mining equipment acquisitions and exploration activities.

Standalone net income contracted by 28 percent from P749 million to P542 million, mainly due to a 2021 nonrecurring gain of Php 247 million from remeasurement of its deferred tax liabilities under CREATE law.

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

Core net income contributions from DMCI improved fivefold (467%) from Php 91 million to Php 516 million owing to the completion of some projects and conservative revenue take-up the previous year. To explain its quarterly performance:

- **Drop in revenue recognition.** Construction revenues declined by 12% from Php 6.03 billion to Php 5.32 billion owing to lower accomplishments from a joint venture project and absence of new projects.
- **Steeper cost of sales decline.** Cost of sales (COS) plunged by 24% from Php 5.62 billion to Php 4.26 billion mainly due to lower accomplishments and higher costs recognition last year.
- **Higher EBITDA margin.** EBITDA margin widened from 4.9% to 17.5% following the COS decline.
- **Order book slowdown.** Order book dropped by 6% from Php 46.7 billion to Php 43.7 billion on the absence of new contracts.

At the standalone level, DMCI reported net income grew by 141% from Php 270 million to Php 650 million, including a 2021 nonrecurring income of Php 191 million from a land sale.

V. Maynilad Water Services, Inc. (Maynilad)

Core net income contribution from associate Maynilad skid by 9% from Php 431 million to Php 393 million due to the combined effect of the following:

- **Lower water production.** Production declined by 1% from 239.8 million cubic meters (MCM) to 236.7 MCM owing to the recurring algae bloom in Laguna Lake which curbed water production in the Putatan water treatment plants in June 2022.

- **Flattish billed volume.** Billed volume was largely flat (+1) from 134.9 MCM to 135.4 MCM on lower residential consumption. Semi-business and commercial increased by 0.22 MCM and 0.33 MCM respectively, contributing to the +1 MCM.
- **Uptick in average effective tariff.** Average effective tariff showed a slight recovery (1%) from Php 42.0 to Php 42.4 as non-residential demand started to return.
- **Improving customer mix.** Domestic contribution declined from 84.4% to 83.0%, while commercial customers contribution improved from 15.6% to 17.0% as more schools and establishments return to onsite work.
- **Anemic topline growth.** Revenues from water and wastewater services posted an uptick (+1%) from Php 5.83 billion to Php 5.91 billion primarily due to other fees collected (government tax) and slight improvement in billed volume.
- **Higher cash costs and noncash operating expenses.** Total cash expenses increased by 7% from Php 1.79 billion to Php 1.91 billion on the imposition of franchise tax and higher fuel and utilities expenses, which were tempered by lower personnel costs. Noncash opex also grew by 6%, in line with COS, from Php 1.17 billion to Php 1.24 billion, on additional amortization of concession assets.

VI. DMCI Power Corporation (DMCI Power)

DMCI Power's core net income contribution reached Php 205 million, 29% higher from Php 159 million due to the following:

- **Improved energy sales.** Total energy sales improved by 17% from 97.2 GWh to 113.5 GWh, as all plants posted positive growths. Palawan remained as its top sales contributor at 40%, followed by Masbate (35%) and Oriental Mindoro (25%). Of the three areas, Oriental Mindoro was the most improved, as its dispatch grew by 45% from 20.1 GWh to 29 GWh owing to outages of renewable and conventional plants in the area.
- **Record-high selling prices.** Average selling price (ASP) surged by 46% from Php 11.9/KWh to Php 17.4/KWh due to elevated fuel prices. Diesel climbed by 47% from Php 40.69 per liter to Php 60.10 per liter while bunker jumped by 49% from Php 34.15 per liter to Php 51.22 per liter.
- **Higher cost of sales growth.** COS growth (86%) outpaced topline (71%) from Php 876 million to Php 1.63 billion owing to maintenance costs from Masbate plant's planned outage, on top of higher pass-through fuel costs.

Outlook

While consolidated full-year results is on track to be significantly higher versus last year, the Group maintains its prudent second-semester outlook on persisting market volatility because of the Russia-Ukraine war, poor weather conditions and unpredictable policy shifts in the commodity markets.

Pronounced demand weakness for real estate and private construction is also likely to continue into 2023 owing to inflationary pressures, higher interest rates, tightening credit standards and weak consumption.

Accelerated public infrastructure spending and influx of foreign investors for public-private partnership projects could provide some relief but the Group remains cautiously optimistic about such prospects.

Explanation of movement in consolidated income statement accounts:

Revenues

Consolidated revenues for the first six months of 2022 improved by 52% from Php 53.7 billion to Php 81.5 billion owing to strong revenue contributions from SMPC and DMCI Power. Higher coal sales and electricity prices boosted SMPC and DMCI Power revenues.

Cost of Sales and Services

Cost of sales and services during the period is almost at par with the first half of 2021. The increase in cost of coal and energy sales was cushioned by the decrease in costs of construction due to fewer projects this first half of the year. This resulted to higher gross profit margin, which was due mainly to elevated coal, electricity and nickel prices.

Operating Expenses

Government royalties for the period amounted to Php 10.1 billion, 299% up from Php 2.5 billion last year as the coal business recorded higher profits. Excluding government royalties, operating expenses incurred during the first six months increased by 19% to Php 3.8 billion due mainly to higher repairs and maintenance, association dues and outside services.

Equity in Net Earnings

Equity in net earnings of associates decreased by 16% as a result of lower income take up from Maynilad.

Finance Income

Consolidated finance income increased by 15% due mainly to higher amount of placements during the period.

Finance Cost

Consolidated finance costs slightly increased by 2%, impact of net loan availment during the period.

Other Income-net

Other income increased by 105% due to the higher sales forfeitures and cancellation, foreign exchange gain and sale of fly ash during the period.

Provision for Income Tax

Higher taxable income resulted in a 246-percent jump in consolidated provision for income tax (both current and deferred) during the period.

II. CONSOLIDATED FINANCIAL CONDITION

June 30, 2022 (Unaudited) vs December 31, 2021 (Audited)

The Company's financial condition for the period improved as total assets reached P240 billion, a 12% increase from December 31, 2021. Meanwhile, consolidated total equity increased by 21% to Php 131 billion.

Consolidated cash increased by 111% from Php 18.3 billion to Php 38.6 billion owing to higher coal, electricity and nickel sales. This is offset by the parent company's dividend payment and the subsidiaries loan repayment made in the first half of the year.

Receivables rose by 14% from Php 23.5 billion to Php 26.7 billion due mainly to the increase in coal and power sales, the bulk of which was made in the latter part of the quarter.

Consolidated inventories grew slightly (3%) from Php 54.2 billion to Php 55.7 billion on higher coal inventory of SMPC.

Other current assets decreased by 12% to Php 9.7 billion due mainly to amortization of prepayments and advances to suppliers.

Investments in associates and joint ventures is at par at Php 17.4 billion as a result of the net impact of the income take up and dividend received from Maynilad.

Property, plant and equipment stood at Php 57.6 billion from Php 59.4 billion as depreciation and depletion more than offset capital expenditures for the first six months of 2022.

Right-of-use assets decreased by 8% due to amortization.

Other noncurrent assets grew by 44% due mainly to higher refundable deposits and noncurrent prepayments.

The increase in accounts and other payables is mainly attributable to the government share payable of SMPC.

Contract liabilities (current and non-current) decreased by 9% to Php 14.9 billion due mainly to recoupment of customer's deposit.

From Php 53.0 billion, total debt (under short-term and long-term debt) grew by 4% to Php 55.1 billion following the net loan availment of DMCI Homes and DMCI Power, cushioned by loan payment of SMPC and DMCI.

Liabilities for purchased land increased by 20% as a result of new land acquisition for real estate development.

Income tax payable jumped by 9% due to higher profitability during the period.

Deferred tax liabilities grew by 10% on higher booked income compared to taxable income of real estate sales.

Pension liabilities rose by 19% due to accrual of retirement benefits expense.

Other noncurrent liabilities increased by 8% due mainly to advances from contract owners which will be recouped more than 12 months from the end of the reporting period.

Consolidated retained earnings stood at Php 84.0 billion at the end of June 2022, 20% uptick from Php 70.0 billion at the close of 2021 after generation of Php 20.3 billion net income and declaration of Php 6.4 billion dividend.

Non-controlling interest grew by 40% 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

<i>(in Php Millions)</i>	For the Period		Variance	
	2022	2021	Amount	%
Semirara Mining and Power Corporation	52,009	24,034	27,975	116%
DMCI Homes	12,447	13,011	(564)	-4%
D.M. Consunji, Inc.	10,832	11,758	(926)	-8%
DMCI Power	3,357	2,023	1,334	66%
DMCI Mining	2,637	2,660	(23)	-1%
Parent and Others	184	174	10	6%
Total Revenues	81,466	53,660	27,806	52%

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 52% due to elevated coal, electricity and nickel prices.

CONSOLIDATED NET INCOME AFTER NON-CONTROLLING INTERESTS

<i>(in Php Millions)</i>	For the Period		Variance	
	2022	2021	Amount	%
Semirara Mining and Power Corporation	14,630	3,666	10,964	299%
DMCI Homes	2,722	2,325	397	17%
DMCI Mining	1,009	818	191	23%
D.M. Consunji, Inc.	883	484	399	82%
Maynilad	712	718	(6)	-1%
DMCI Power	337	270	67	25%
Parent and Others	(38)	17	(55)	-324%
Core Net Income	20,255	8,298	11,957	144%
Non-recurring Items	36	1,185	(1149)	-97%
Reported Net Income	20,291	9,483	10,808	114%

The net income (after non-controlling interest) of the Company was driven by the improved results of all of its subsidiaries. Topline improved on the solid high coal and electricity prices, which resulted to better gross margin. This is slightly offset by higher (a) government share, (b) repairs and maintenance; (c) association dues and (d) outside services which led to a total uptick in net income by 114%.

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 1.53/share for the first six months ended June 30, 2022, a 114% growth from Php 0.71/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 21% and 11% for the first six months of 2022 and 2021, 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 55.1 billion from Php 53.0 billion last year, which resulted to a net debt to equity ratio of 0.13:1 and 0.32:1 as of June 30, 2022 and December 31, 2021, respectively.

FINANCIAL SOUNDNESS RATIOS

	June 30, 2022	December 31, 2021
Current Ratio	2.79 times	2.25 times
Net Debt to Equity Ratio	0.13 times	0.32 times
Asset to Equity Ratio	1.83 times	1.98 times
	June 30, 2022	June 30, 2021
Return on Assets	14%	6%
Return on Common Equity	21%	11%
Interest Coverage Ratio	26 times	9 times
Gross Profit Margin	55%	32%
Net Profit Margin	39%	23%

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 April 1, 2022, the BOD of the Parent Company declared cash dividends amounting to Php 0.34 regular dividends per common share and Php 0.14 special dividends per common share for a total of Php 6.37 billion in favor of the stockholders of record as of April 19, 2022, and was paid on April 29, 2022.
4. On October 12, 2021, the BOD of the Parent Company declared cash dividends amounting Php 0.48 special dividends per common share for a total of Php 6.37 billion in favor of the stockholders of record as of October 26, 2021 and was paid on November 10, 2021.
5. 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.
6. 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.

7. There are no material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation has been disclosed in the notes to financial statements.
8. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
9. Except for interest payments on loans, which the Company can fully service, the only significant commitment that would have a material impact on liquidity are construction guarantees. These are usually required from contractors in case of any damage/ destruction to a completed project.
10. Any known trends or any known demands, commitments, events or uncertainties that will result in or that will have a material impact on the registrant's liquidity. - None
11. The Group does not have any offering of rights, granting of stock options and corresponding plans therefore.
12. All necessary disclosures were made under SEC Form 17-C.

SIGNATURES

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

Issuer DMCI Holdings, Inc.

Signature and Title


Herbert M. Consunji
Executive Vice President & Chief Finance Officer

Signature and Title


Joseph Adelbert V. Legasto
Deputy Chief Financial Officer

Date August 8, 2022

DMCI HOLDINGS, INC. AND SUBSIDIARIES**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in Thousands)

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	₱38,647,240	₱18,342,019
Receivables - net (Note 9)	26,745,061	23,537,419
Current portion of contract assets	15,362,894	14,063,912
Inventories	55,721,401	54,208,873
Other current assets	9,702,506	11,014,804
Total Current Assets	146,179,102	121,167,027
Noncurrent Assets		
Contract asset - net of current portion	12,436,989	12,455,643
Investments in associates and joint ventures (Note 6)	17,438,578	17,522,876
Investment properties	259,763	97,787
Property, plant and equipment	57,550,053	59,355,978
Exploration and evaluation asset	275,930	235,192
Pension assets - net	804,695	814,947
Deferred tax assets - net	1,112,156	598,948
Right-of-use assets	133,702	145,731
Other noncurrent assets	3,974,861	2,751,359
Total Noncurrent Assets	93,986,727	93,978,461
	₱240,165,829	₱215,145,488

LIABILITIES AND EQUITY**Current Liabilities**

Short-term debt	₱855,944	₱1,039,363
Current portion of liabilities for purchased land	939,612	694,654
Accounts and other payables	29,082,066	28,122,229
Current portion of contract liabilities and other customers' advances and deposits	12,724,149	13,450,572
Current portion of long-term debt	8,451,231	10,396,191
Income tax payable	273,251	251,811
Total Current Liabilities	52,326,253	53,954,820

(Forward)

	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Noncurrent Liabilities		
Contract liabilities - net of current portion	₱2,211,888	₱2,950,368
Long-term debt - net of current portion	45,794,831	41,613,047
Liabilities for purchased land - net of current portion	942,964	876,715
Deferred tax liabilities - net	5,479,576	4,961,965
Pension liabilities - net	358,043	301,256
Other noncurrent liabilities	1,775,450	1,640,705
Total Noncurrent Liabilities	56,562,753	52,344,056
Total Liabilities	108,889,005	106,298,876
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	83,957,055	70,039,693
Premium on acquisition of non-controlling interests	(817,958)	(817,958)
Remeasurements on retirement plans - net of tax	513,860	513,860
Net accumulated unrealized gains on equity investments designated at FVOCI	100,319	100,319
Other equity	(21,611)	(21,611)
	101,674,464	87,757,102
Non-controlling interests	29,602,360	21,089,510
Total Equity	131,276,824	108,846,612
	₱240,165,829	₱215,145,488

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

For the Period and Quarter Ended June 30, 2022 and 2021

(Amounts in Thousands, except for Earnings Per Share figures)

	For the period		For the quarter	
	Jan to Jun 2022	Jan to Jun 2021	Apr to Jun 2022	Apr to Jun 2021
REVENUE (Notes 4 and 8)				
Coal mining	₱42,338,322	₱17,039,311	₱18,133,137	₱10,566,964
Electricity sales	13,027,110	9,017,740	6,797,098	5,355,131
Real estate sales	12,447,005	13,010,858	6,498,374	6,138,240
Construction contracts	10,832,311	11,757,903	4,948,120	6,078,997
Nickel mining	2,637,427	2,659,949	1,216,152	1,525,155
Merchandise sales and others	184,161	173,907	108,616	99,855
	81,466,336	53,659,668	37,701,497	29,764,342
COSTS OF SALES AND SERVICES				
Coal mining	10,681,644	9,379,781	5,643,779	5,672,286
Electricity sales	6,880,936	5,634,135	3,760,039	3,396,235
Real estate sales	8,530,606	9,510,436	4,547,528	4,791,961
Construction contracts	9,437,439	10,867,558	4,164,938	5,847,078
Nickel mining	742,353	967,411	304,813	650,299
Merchandise sales and others	132,795	127,841	78,280	73,115
	36,405,773	36,487,162	18,499,377	20,430,974
GROSS PROFIT	45,060,563	17,172,506	19,202,120	9,333,368
OPERATING EXPENSES (Note 5)	13,922,494	5,732,273	5,964,346	3,126,634
	31,138,069	11,440,233	13,237,774	6,206,734
OTHER INCOME (EXPENSES)				
Equity in net earnings of associates (Note 6)	752,504	899,972	407,571	435,854
Finance income	240,560	209,608	145,595	105,080
Finance costs	(571,184)	(559,595)	(302,068)	(285,617)
Other income - net	2,048,819	998,406	1,247,755	468,947
INCOME BEFORE INCOME TAX	33,608,768	12,988,624	14,736,627	6,930,998
PROVISION FOR INCOME TAX	2,041,641	590,898	999,488	(146,213)
NET INCOME	₱31,567,127	₱12,397,726	₱13,737,139	₱7,077,211
NET INCOME ATTRIBUTABLE TO				
Equity holders of the Parent Company (Note 4)	₱20,290,548	₱9,482,865	₱9,030,407	₱5,233,101
Non-controlling interests	11,276,579	2,914,861	4,706,732	1,844,110
	₱31,567,127	₱12,397,726	₱13,737,139	₱7,077,211
EARNINGS PER SHARE				
ATTRIBUTABLE TO EQUITY				
HOLDERS OF THE PARENT				
COMPANY-BASIC AND DILUTED				
(Note 7)	₱1.53	₱0.71	₱0.68	₱0.39

DMCI HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME
For the Period and Quarter Ended June 30, 2022 and 2021
(Amounts in Thousands)

	For the period		For the quarter	
	Jan to Jun 2022	Jan to Jun 2021	Apr to Jun 2022	Apr to Jun 2021
NET INCOME	₱31,567,127	₱12,397,726	₱13,737,139	₱7,077,211
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	—	14,750	—	14,750
Income tax effect	—	(2,950)	—	(2,950)
	—	11,800	—	11,800
OTHER COMPREHENSIVE INCOME	—	—	—	—
TOTAL COMPREHENSIVE INCOME	₱31,567,127	₱12,409,526	₱13,737,139	₱7,089,011
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company (Note 4)	₱20,290,548	₱9,488,181	₱9,030,407	₱5,238,417
Non-controlling interests	11,276,579	2,921,345	4,706,732	1,850,594
	₱31,567,127	₱12,409,526	₱13,737,139	₱7,089,011

DMCI HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Period Ended June 30, 2022 and 2021

(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)	Unappropriated 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 June 30, 2022												
Balances as of January 1, 2022	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱70,039,693	(₱817,958)	₱513,860	₱100,319	(₱21,611)	₱87,757,102	₱21,089,510	₱108,846,612
Comprehensive income												
Net income	-	-	-	-	20,290,548	-	-	-	-	20,290,548	11,276,580	31,567,128
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	20,290,548	-	-	-	-	20,290,548	11,276,580	31,567,128
Cash dividends declared (Note 3)	-	-	-	-	(6,373,186)	-	-	-	-	(6,373,186)	(2,763,730)	(9,136,916)
Balances at June 30, 2022	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱83,957,055	(₱817,958)	₱513,860	₱100,319	(₱21,611)	₱101,674,464	₱29,602,360	₱131,276,824

For the Period Ended June 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	-	-	-	-	9,482,865	-	-	-	-	9,482,865	2,914,861	12,397,726
Other comprehensive income	-	-	-	-	-	-	11,800	-	-	11,800	-	11,800
Total comprehensive income	-	-	-	-	9,482,865	-	11,800	-	-	9,494,665	2,914,861	12,409,526
Cash dividends declared (Note 3)	-	-	-	-	(6,373,185)	-	-	-	-	(6,373,185)	(2,303,108)	(8,676,293)
Balances at June 30, 2021	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱67,501,513	(₱817,958)	₱161,116	₱99,131	(₱118,800)	₱84,767,801	₱20,168,204	₱104,936,005

DMCI HOLDINGS, INC. AND SUBSIDIARIES**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Period Ended June 30, 2022 and 2021

(Amounts in Thousands)

	June 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱33,608,769	₱12,988,624
Adjustments for:		
Depreciation, depletion and amortization	4,183,966	4,430,120
Finance cost	571,184	559,595
Movement in net retirement asset	67,039	–
Net unrealized foreign exchange loss (gain)	(930,386)	(11,462)
Equity in net earnings of associates and joint ventures	(752,504)	(899,972)
Finance income	(240,560)	(209,608)
Gain or loss on sale property, plant and equipment	(46,873)	–
Movement in net retirement liability	–	109,960
Gain on sale of undeveloped land	–	(203,362)
Operating income before changes in working capital	36,460,635	16,763,895
Decrease (increase) in:		
Receivables and contract assets	(4,487,970)	(8,970,896)
Inventories	(1,087,184)	25,285
Other current assets	1,312,298	(837,196)
Increase (decrease) in:		
Accounts and other payables	1,036,804	3,451,457
Contract liabilities and other customer advances and deposits	(1,496,473)	(4,570,230)
Liabilities for purchased land	311,208	(319,487)
Cash generated from operations	32,049,318	5,542,828
Interest received	240,560	209,608
Income taxes paid	(2,015,798)	(803,341)
Interest paid and capitalized as cost of inventory	(753,217)	(716,131)
Net cash provided by operating activities	29,520,863	4,232,964
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property, plant and equipment	(2,075,432)	(2,842,479)
Investment properties	(169,728)	(346)
Exploration and evaluation asset	(40,738)	(6,132)
Proceeds from disposal of property, plant and equipment	93,413	1,299
Proceeds from sale of undeveloped land	–	469,388
Dividends received	759,831	–
Interest paid and capitalized as part of property, plant and equipment	–	(3,162)
Decrease (increase) in other noncurrent assets	(1,224,996)	(383,214)
Net cash used in investing activities	(2,657,650)	(2,764,646)

(Forward)

	June 30	
	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Long-term debt	₱9,056,626	₱12,623,823
Short-term debt	500,000	2,347,113
Payments of:		
Long-term debt	(6,835,227)	(5,014,838)
Dividends paid to equity holders of parent company	(6,373,186)	(6,373,186)
Dividends to non-controlling interests	(2,763,730)	(2,303,108)
Short-term debt	(683,418)	(6,159,000)
Interest	(555,759)	(763,407)
Increase/ (decrease) in other noncurrent liabilities	166,316	4,549,836
Net cash used in financing activities	(7,488,378)	(1,092,767)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	930,386	11,462
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,305,221	387,013
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	18,342,019	18,918,450
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱38,647,240	₱19,305,463

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 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 August 8, 2022.

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, 2021.

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 June 30, 2022 and December 31, 2021.

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

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 earnings, 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	2022			2021			
	Direct	Indirect	Effective Interest	Direct	Indirect	Effective Interest	
							(In percentage)
<u>General Construction:</u>							
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
<u>Real Estate:</u>							
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
<u>Coal Mining:</u>							
Semirara Mining and Power Corporation (SMPC)	Mining	56.65	–	56.65	56.65	–	56.65
<u>On-Grid Power:</u>							
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	2022			2021		
		Direct	Indirect	Effective Interest (In percentage)	Direct	Indirect	Effective Interest
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 Resources 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.

	<u>(In Percentage)</u>
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.

Effective beginning on or after January 1, 2022

- 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.

- 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.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

- 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. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This is not expected to apply to the Group.

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 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.

3. Equity

Capital Stock

As of June 30, 2022 and December 31, 2021, 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 April 1, 2022, the BOD approved the declaration of (1) *regular cash dividends* in the amount of ₱0.34 per common share or a total of ₱4,514.34 million; and (2) *special cash dividends* of ₱0.14 per common share or a total of ₱1,858.85 million, or a grand total of ₱6,373.19 million out of the unrestricted retained earnings of the Parent Company as of March 31, 2022, in favor of the common stockholders of record as of April 19, 2022, and was paid on April 29, 2022.

On October 12, 2021, the BOD approved the declaration of cash dividends amounting Php 0.48 special dividends per common share for a total of ₱6,373.19 million out of the unrestricted retained earnings of the Parent Company as of October 12, 2021, in favor of the stockholders of record as of October 26, 2021 and was paid on November 10, 2021.

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.

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 June 30, 2022 and 2021:

Segment Revenues

(in PHP Millions)	For the period		Variance	
	June 2022	June 2021	Amount	%
Semirara Mining and Power Corporation	₱52,009	₱24,034	₱27,975	116%
DMCI Homes	12,447	13,011	-564	-4%
D.M. Consunji, Inc.	10,832	11,758	-926	-8%
DMCI Mining	2,637	2,660	-23	-1%
DMCI Power (SPUG)	3,357	2,023	1,334	66%
Parent and others	184	174	10	6%
	₱81,466	₱53,660	₱27,806	52%

Net income after non-controlling interests

(in PHP Millions)	For the period		Variance	
	June 2022	June 2021	Amount	%
Semirara Mining and Power Corporation	₱14,630	₱3,666	₱10,964	299%
DMCI Homes	2,722	2,325	397	17%
DMCI Mining	1,009	818	191	23%
D.M. Consunji, Inc.	883	484	399	82%
Maynilad	712	718	-6	-1%
DMCI Power (SPUG)	337	270	67	25%
Parent and others	(38)	18	-56	-311%
Core net income	20,255	8,299	11,956	144%
Non-recurring items	36	1,184	-185	-99%
	₱20,291	₱9,483	₱11,771	124%

5. Operating Expenses

The following tables present the consolidated operating expenses for the period ended June 30, 2022 and 2021:

	2022	2021
Government share	₱10,093,918	₱2,527,508
Salaries, wages and employee benefits	1,138,494	1,037,414
Taxes and licenses	805,509	832,767
Repairs and maintenance	583,966	178,990
Insurance	192,777	136,381
Outside services	272,940	196,011
Advertising and marketing	125,605	104,062
Depreciation, depletion and amortization	111,284	122,778
Supplies	103,130	105,688
Entertainment, amusement and recreation	60,631	54,632
Transportation and travel	47,822	27,507
Communication, light and water	53,330	58,019
Association dues	123,957	23,925
Rent	24,070	29,481
Miscellaneous expense	185,061	297,110
	₱13,922,494	₱5,732,273

6. Summarized Financial Information of Interests in Related Entities

Financial information as of and for the period ended June 30, 2022 and December 30, 2021 on the Group's subsidiary with material non-controlling interest (NCI) follows:

Semirara Mining and Power Corporation and Subsidiaries (SMPC)

(in millions)	June 30, 2022	December 31, 2021
Statements of Financial Position		
Current assets	₱47,928	₱26,933
Noncurrent assets	43,474	44,712
Current liabilities	16,094	14,595
Noncurrent liabilities	10,270	11,440
Equity	65,038	45,610

(in millions)	June 30, 2022	June 30, 2021
Statements of Comprehensive Income		
Revenue	₱52,009	₱24,034
Net income	25,804	6,281
Other comprehensive income	—	—
Total comprehensive income	25,804	6,281

Financial information as of and for the period ended June 30, 2022 and December 31, 2021 on the Group's material interest in associate follows:

Maynilad Water Holdings Company, Inc. and Subsidiaries

(in millions)	June 30, 2022	December 31, 2021
Statements of Financial Position		
Current assets	₱10,901	₱14,084
Noncurrent assets	128,063	123,331
Current liabilities	24,289	21,995
Noncurrent liabilities	46,669	47,149
Equity	68,006	68,271

(in millions)	June 30, 2022	June 30 2021
Statements of Comprehensive Income		
Revenue	₱11,204	₱11,177
Net income	2,593	3,227
Other comprehensive income	—	—
Total comprehensive income	2,593	3,227

Investment in Maynilad Water Holdings Company, Inc. (MWHCI) is accounted for using the equity method. Equity in net earnings in the six months ended June 30 amounted to ₱705.11 million in 2022 and ₱877.37 million in 2021.

Financial information as of and for the period ended June 30, 2022 and December 31, 2021 on the Group's immaterial interest in associate and joint ventures follows:

Subic Water

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

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 ₱310.86 million and ₱293.23 million as of June 30, 2022 and December 31, 2021, respectively. The unaudited share in net earnings amounted to ₱17.65 million and ₱21.58 million for the period ended June 30, 2022 and 2021, respectively.

RLC DMCI Property Ventures Inc (RDPVI).

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 ₱483.56 million and ₱474.41 million as of June 30, 2022 and December 31, 2021, respectively.

DMC Estate Development Ventures, Inc. (DMC EDVI)

In June 2021, the Group and DMC Urban Property Developers Inc. (UPDI) entered into a joint venture agreement to purchase, acquire and develop parcels of land into condominium project for residential and commercial uses. Each party holds a 50% ownership interest in the joint venture. Initial capitalization to the joint venture from DMCI PDI amounted to ₱125 million.

7. Earnings Per Share

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

Basic/diluted earnings per share

	For the period (2022)	For the period (2021)	For 2nd Quarter (2022)	For 2 nd Quarter (2021)
Net income attributable to equity holders of Parent Company	₱20,290,548	₱9,482,865	₱9,030,407	₱5,233,100
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	₱1.53	₱0.71	₱0.68	₱0.39

8. Related Party Transactions

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

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

- a. 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 ₱374.16 million and ₱112.44 million for the period ended June 30, 2022 and 2021, 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.

9. Financial Risk Management Objectives and Policies

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

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

a. *Liquidity Risk*

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

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

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

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

b. *Market Risk*

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

The sensitivity analyses have been prepared on the following bases:

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

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at June 30, 2022 and December 31, 2021.

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):

	June 30, 2022	December 31, 2021
Domestic market	34%	27%
Export market	66%	73%

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 June 30, 2022 and December 31, 2021 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 2022 and 2021.

	<u>Effect on income before income tax</u>	
	June 30, 2022	December 31, 2021
<i>Change in coal price (in thousands)</i>		
<i>Based on ending coal inventory</i>		
Increase by 32% in 2022 and 83% in 2021	₱621,858	₱916,186
Decrease by 32% in 2022 and 83% in 2021	(621,858)	(916,186)
<i>Based on coal sales volume</i>		
Increase by 78% in 2022 and 155% in 2021	2,707,833	12,103,657
Decrease by 78% in 2022 and 155% in 2021	(2,707,833)	(12,103,657)

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:

	<u>Effect on income before income tax</u>	
	June 30, 2022	December 31, 2021
<i>Basis points (in thousands)</i>		
+100	(₱130,259)	(₱185,760)
-100	130,259	185,760

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 2022 and 2021. 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):

	June 30, 2022				
	U.S. Dollar	Japanese Yen	UK Pounds	Euro	Equivalent in PHP
Financial assets					
Cash and cash equivalents	\$248,805	¥289,929	£11	€1,033	₱13,749,888
Receivables	46,439	–	–	–	2,556,357
	295,244	289,929	11	1,033	16,306,245
Financial liabilities					
Accounts payable and accrued expenses	3,380	–	–	–	186,079
	\$291,864	¥289,929	£11	€1,033	₱16,120,166

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 June 30, 2022 (amounts in thousands):

	Exchange rate movement	Effect on profit before tax
In Peso per US Dollar		
Increase	₱2	₱583,727
Decrease	(2)	(583,727)
In Peso per Japanese Yen		
Increase	2	579,857
Decrease	(2)	(579,857)
In Peso per UK Pound		
Increase	2	22
Decrease	(2)	(22)
In Peso per Euro		
Increase	2	2,066
Decrease	(2)	(2,066)

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 June 30, 2022 and December 31, 2021 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 June 30, 2022 and December 31, 2021, 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 June 30, 2022, the aging analysis of the Group's receivables presented per class follows:

	June 30, 2022							Impaired assets	Total
	Neither past nor impaired	Past due but not impaired							
		<30 days	30-60 days	61-90 days	91-120 days	>120 days			
Receivables									
Trade									
Real estate	₱1,551,525	₱822,436	₱920,708	₱59,792	₱22,027	₱1,086,657	₱43,707	₱4,506,852	
General									
construction	7,476,790	–	–	–	–	8,772	24,417	7,509,979	
Electricity sales	4,350,507	46,689	809,228	18,426	6,551	310,356	1,342,851	6,884,608	
Coal mining	5,015,290	864,002	163,950	0	0	–	34,252	6,077,494	
Nickel mining	99,397	–	–	–	–	–	–	99,397	
Merchandising and others	45,030	–	13,580	9,913	3,768	47,330	–	119,621	
Receivables from related parties	237,821	–	–	–	–	–	201,907	439,728	
Other receivables	2,754,518	–	–	–	–	–	99,927	2,854,445	
	₱21,530,878	₱1,733,127	₱1,907,466	₱88,131	₱32,346	₱1,453,115	₱1,747,061	₱28,492,124	

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 June 30, 2022 and December 31, 2021.