COVER SHEET

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S.E.C. Registration Number

E E I C O R P O R A T I O N

(Company's Full Name)

N o. 1 2 M a n g g a h a n S t r e e t ,

B A g u m b a y a n , Q u e z o n C i t y

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

ATTY. FERDINAND G. VILLAFUERTE	(0 2) 6 3 5 - 0 8 4 3
Contact Person	Company Telephone Number

0 9	3 0	S E C F O R M 1 7 Q
Month	Day	FORM TYPE

Secondary License Type, If Applicable

C F D	
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number	LCU
Document I.D.	Cashier

Remarks = pls. use black ink for scanning

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17 (a)-1 (b) (2) THEREUNDER

1. For the quarterly period ended **September 30, 2014**

2. SEC Identification No. **937**

3. BIR Tax Identification No. **000-391-438**

4. Exact Name of Registrant as specified in its charter - **EEI Corporation**

5. Province, Country or other Jurisdiction of Incorporation or Organization
Quezon City, Philippines

6. Industry Classification Code (SEC use only)

7. Address of Registrant's Principal Office/Postal Code
No. 12 Manggahan St., Bagumbayan, Quezon City 1110

8. Registrant's Telephone Number, including Area Code
(02) 635-08-43

9. Former Name, Former Address, and Former Fiscal Year, if changed since last report
Not Applicable

10. Securities Registered pursuant to Section 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding	
Common shares – ₱1 par value	No. of shares	Amount
Authorized	2,000,000,000	2,000,000,000
Issued and Outstanding (Inclusive of Treasury Shares)	1,036,401,386	1,036,401,386

11. Are any or all of these securities are listed on the Philippine Stock Exchange?

Yes [x] No [ ]

12. Indicate by check mark whether the Registrant.

(a) has filed all the reports required under Section 17 of the Securities Regulation Code and SRC Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months:

Yes [X] No [ ]

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

Yes [X] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The interim Consolidated Financial Statements - EEI Corporation and Subsidiaries - September 30, 2014 with comparative figures for the period ended December 31, 2013 and September 30, 2013. Cash Flows and Schedule of Aging of Accounts Receivable is incorporated by reference as Exhibit 1.

Item 2. Management's Discussion and Analysis

EEI CORPORATION and SUBSIDIARIES
Management's Discussion and Analysis
As of September 30, 2014

Results of Operations

EEI Corporation's unaudited consolidated revenues as of the third quarter of 2014 have reached ₱11.24 billion, 41% higher compared to what was achieved in the same period last year. This growth is from construction contracts which increased by 44%, from ₱3.12 billion in the first nine months of 2013 to ₱7.10 billion for the same period in 2014. Also contributing were the revenues from the sale of electricity by its subsidiary EEI Power Corporation which increased by 25% to ₱703.50 million.

There was a 32% increase in equity in the net earnings of the Company's joint venture in the Kingdom of Saudi Arabia which went from ₱260.17 million in the first three quarters of 2013 to ₱342.31 million in 2014.

The costs and expenses related to construction contracts for the period increased by 48%, from ₱6.33 billion in 2013 to ₱9.36 billion in 2014; and those related to services went up by 73%, from ₱407.51 to ₱707.0 million. Services revenue for 2014 came mostly from the peaking power plant under EEI Power which has much lower margins compared to the manpower services contracts that made up the 2013 services revenue. The main source of the higher margin revenues, the Singapore manpower services contract, was finished in the middle of 2013. All considered, the consolidated costs and expenses reached ₱10.91 billion, a 46% increase compared to that of the same period in 2013. The Company's substantial increase in its orders-booked has pushed expenses upwards through frontloaded equipment and mobilization expenditures to support its unprecedented level of 40 domestic projects. Current level of manpower is now at 27,375 personnel worldwide, an additional 2,672 from last year's level.

For the first three quarters of 2014, EEI Corporation's unaudited consolidated net income registered at ₱495.58 million, 20% lower than the ₱621.64 million earned in 2013. This is due to the elevated contract costs and expenses which is usually high in the mobilization stage of a new project, which we have quite a number of this year. Correspondingly, earnings per share dropped to ₱0.478, from ₱0.600 last year.

There are no other significant elements of income or loss that did not arise from the Company's continuing operations in 2014.

Financial Position

As of September 30, 2014, the total assets of the Company stood at ₱17.16 billion – 26% growth from the 2013 yearend value of ₱13.60 billion. Most of this is from the 103% increase in the costs of the work in progress, which increased from ₱1.96 billion as of December 31, 2013 to ₱3.99 billion, reflects the increased production schedule from the increased backlog. In addition, during the same period, the value of receivables grew by 33%, from ₱3.75 billion to ₱5.00 billion generally due to higher revenues generated; and the value of the Company's other current assets leaped by 69%, from ₱451.36 million to ₱762.82 million due to prepaid taxes and value-added input tax.

Total liabilities increased by 40% in the first nine months of the year, mainly from the 158% increase in the billings in excess of costs and estimated earnings on uncompleted contracts which stood at ₱3.53 billion coming from ₱1.37 billion at the end of 2013; and higher accounts payable and accrued expenses, which increased by 44% to ₱4.17 billion. Bank loans decreased by ₱562.01 million due to loan settlements, however, the long-term debt - net of the current portion increased by ₱371.03 million during the nine month period.

Total equity increased during the period by 8%, from ₱5.78 billion to ₱6.23 billion, mainly from higher retained earnings, reduced by the cash dividend declaration of P0.20 per share in March 2014.

The Company's book value per share, which ended at ₱5.58 at the end of 2013, stood at ₱6.01 as of September 30, 2014.

The debt to equity ratio was ₱1.76:1.00 on a consolidated basis for the period under review vs. ₱1.35:1.00 as of December 31, 2013. Most of the company's debt is short term and is used to support current operations.

There are no known trends or commitments other than those presented in the financial statements which may have material impact on the Company's liquidity.

Operating Highlights

In the first nine months of 2014, EEI won the contracts to construct the *One Eastwood Avenue Tower 1* in Eastwood City in Quezon City, the *Noble Place* in Binondo, Manila, Towers 3 and 4 of *Uptown* in Bonifacio Global City, and the *Uptown Parade*, all four projects of Megaworld Corporation; *Beacon Tower 3* of New Pacific Resources Management, Inc. in Makati City; Monte de Tesoro's *Ore* Square in Bonifacio Global City; *Building 3* of Malayan Colleges Laguna; the *Double Dragon Corporate Center and Skysuites* in Quezon City; the *Runway Extension of the Caticlan Airport* of Transaire Development Holdings Corporation in Malay, Aklan; *Phase 2 front-end engineering of the Caparispisan Wind Farm* of the North Luzon UPC Asia Corporation in Pagudpod, Ilocos Norte; the *Expansion of the PASAR Smelting and Refinery Plant* of the Philippine Associated Smelting and Refining Corporation at Isabel, Leyte; the *Runruno Fabrication and Erection of Tanks and Thickeners* of FCF Minerals Corporation at Barangay Runruno, Quezon, Nueva Vizcaya; the *CMP and MPP Plant* of Alaska Milk Corporation; *3x135 MW Coal-fired Power Plant* of FDC Utilities in the Phividec Industrial Estate in Misamis Oriental; the *San Gabriel 450 MW Power Plant* in Batangas for Siemens, Inc.; and the work package bundles of the *Shell Star Trec Project* in Tabangao, Batangas.

In the KSA, ARCC was contracted to do the *United Furnace 9 Project* of JUPC; the *SAMREF Tail Gas Clean-up Project* of Saudi Aramco Mobil Refinery Company Ltd.; and, the *Mechanical Works for the Naphtha and Aromatic Package* of the Rabigh II Refining and Petrochemical project of the Saudi Aramco and Sumitomo Chemical Co. joint venture.

The building projects that the Company is still working on carried over from 2013 are the *Grand Hyatt Center* of Bonifacio Landmark Realty and Development Corporation at the Bonifacio Global City in Taguig City; six projects for SM Development Corporation, namely the *Sun Residences Tower 2* in Quezon City, the *Wind Residences Towers 3, 4 and 5* in Tagaytay City, the *Green Residences* in Manila City, the *Mezza II Residences* in Sta. Mesa, Manila City; the *SM 5 e-Commerce Building* of SM Prime Holdings Inc. at the Mall of Asia Complex in Pasay City; four projects for Megaworld Corporation, namely the *One Central Building* in Makati City, the *8 Forbestown* and the *Uptown Mall and BPO Offices* in Bonifacio Global City, and the *Eastwood LeGrand 3* in Quezon City; the *Anchor Skysuites* of Gotamco Realty in Binondo, Manila; the *Admiral Bay Suites* for Admiral Realty Company, Inc. in Malate, Manila; the *Third Atrium to Expand the Headquarters Building of the Asian Development Bank* in Mandaluyong City; the *Novotel Manila* of Araneta Center Hotel, Inc. in Quezon City; the *Levels Condominium Phase 1-A* and the *Filinvest Festival Supermall Expansion* both of Filinvest Land, Inc. in Alabang, Muntinlupa City.

The other electromechanical projects that EEI is currently undertaking are civil and building works for ISBL area for the construction of the *JG Summit Naptha Cracker Plant* for Daelim Philippines, Inc. in Simlong, Batangas; and the MEPF works, utility racks and building steel structures erection for the *Therma South Power Coal-fired Power Plant* under Leighton Contractors, Philippines in Davao.

The infrastructure projects that the Company is working on are the *50MW Nabas Wind Power Plant* of Petro Wind Energy, Inc. and the *Runway Extension of Caticlan Airport* of Transaire Development Holdings, Corporation in Aklan; the *81MW Caparispisan Wind Power Plant* in Pagudpod, Ilocos Norte; *the jetty works for SM200 Phase 1 of the Sarangani Coal-fired Power plant* of Sarangani Energy Corporation in Maasim, Sarangani Province; the *rehabilitation of the existing container yard at the Marine Shipway/Pier 16* of the Manila North Harbor Port, Inc.; the *Communication, Navigation and Surveillance/Air Traffic Management Systems Development* of the Department of Transportation and Communication under Sumitomo Corporation; and the *North Luzon Expressway to McArthur Highway Link - Phase 2* of Manila North Tollways Corporation.

The projects that ARCC continues to work on are the *SAMREF Clean Fuels* Project for Saudi Aramco Mobil Refinery; the *SADARA MFC* Project for Sadara Chemical Co. and the *Mechanical Works of the Port Facilities;* the *Albayroni Ammonia Energy Optimization* Project for Albayroni-Al Jubail Fertilizer Co; the construction of the *240MW Petrorabigh Power and Steam Generating Plant* under Mitsubishi Heavy Industry; the maintenance contract of the *Saudi Aramco Total Refining and Petrochemical Company's refinery* in a joint venture with Sankyu of Japan; and, various *Piping fabrication works* for Saudi Aramco's projects with Samsung, SADARA, and JGC.

Outlook

Construction spending, both public and private, is expected to grow in the coming months. There is activity in the power sector and other industries and there is still some demand from developers to construct high-rise buildings. The government is expected to continue with the infrastructure development that has already started. Added to that is the ongoing reconstruction work in calamity devastated areas and the trickling in of PPP projects.

The Company continues to improve its productivity levels through manpower development, the adoption of new construction methodologies, and enhancements on its business processes and systems. To ensure readiness, EEI has invested on new equipment in anticipation of new expected work.

As of the third quarter of the year, the Company's unworked portion of existing contracts stood at ₱30.86 billion. EEI continues to strengthen its position In the Middle East through ARCC, and continues to pursue overseas construction projects.

There is considerable work in mobilizing resources for the Company's current level of backlog, the highest in its history, yet the Company is targeting even bigger endeavors to enable it to move to higher operational levels not previously achieved.

PART II – OTHER INFORMATION

None

SIGNATURES

Pursuant to the requirements of Section 17 of the SRC, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant – EEI **CORPORATION**

FERDINAND G. VILLAFUERTE
Senior Vice President
Administration & Legal
and Corporate Secretary

REBECCA R. TONGSON
Vice President and Controller

Date: November 14, 2014

Exhibit 1

EEI CORPORATION AND SUBSIDIARIES

Interim Condensed
Consolidated Financial Statements

September 30, 2014 & 2013 (Unaudited)
and
December 31, 2013 (Audited)

EEI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
At September 30, 2014 and December 31, 2013
(In Thousand Pesos)

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	**620,385**	897,855
Receivables	**5,003,978**	3,752,613
Costs and estimated earnings in excess of billings on uncompleted contracts	**3,992,617**	1,964,460
Inventories	**410,569**	419,098
Other current assets	**762,824**	451,360
Total Current Assets	**10,790,373**	7,485,386
Noncurrent Assets		
Investments in associates and joint venture	**1,953,537**	1,612,678
Available-for-sale securities	**150,054**	168,131
Property & equipment	**3,496,313**	3,515,583
Investment properties	**243,475**	245,556
Deferred tax assets - net	**122,362**	174,325
Other noncurrent assets	**408,446**	399,296
Total Noncurrent Assets	**6,374,187**	6,115,569
TOTAL ASSETS	**17,164,560**	13,600,955
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	**2,109,990**	2,672,000
Accounts payable and accrued expenses	**4,173,344**	2,895,600
Billings in excess of costs and estimated earnings on uncompleted contracts	**3,525,074**	1,367,478
Current portion of long-term debt	**64,487**	-
Total Current Liabilities	**9,872,895**	6,935,078
Noncurrent Liabilities		
Long-term debt - net of current portion	**946,484**	575,458
Deferred tax liabilities - net	**869**	579
Retirement liability	**115,567**	302,925
Other noncurrent liabilities	**508**	3,800
Total Noncurrent Liabilities	**1,063,428**	882,762
Total Liabilities	**10,936,323**	7,817,840
Equity		
Capital stock	**1,036,401**	1,036,401
Additional paid-in capital	**477,037**	477,037
Cumulative translation adjustments	**36,806**	4,891
Retained earnings	**4,783,382**	4,495,087
Actuarial losses on retirement liability	**(111,405)**	(234,394)
Net unrealized gain on available-for-sale securities	**9,737**	7,814
Treasury stock	**(3,721)**	(3,721)
Total Equity	**6,228,237**	5,783,115
TOTAL LIABILITIES AND EQUITY	**17,164,560**	13,600,955

EEI CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
For the periods ended September 30, 2014 and 2013
(In Thousand Pesos Except Earnings Per Share)

	JULY TO SEPTEMBER		JANUARY TO SEPTEMBER	
	2014	2013	**2014**	2013
REVENUE				
Construction contracts	**4,104,676**	2,169,375	**10,217,118**	7,096,676
Services	**298,300**	164,554	**879,789**	703,496
Merchandise sales	**49,021**	44,136	**130,672**	130,106
Real estate sales	**5,330**	15,802	**14,593**	46,536
	4,457,327	2,393,867	**11,242,172**	7,976,814
Equity in net earnings of associates	**126,469**	179,875	**342,309**	260,173
Interest income	**7,093**	7,932	**24,846**	38,856
Other income - net	**8,864**	19,433	**17,808**	71,775
	4,599,753	2,601,107	**11,627,135**	8,347,618
COSTS AND EXPENSES				
Construction contracts	**3,801,372**	1,989,438	**9,360,652**	6,332,930
Services	**246,012**	77,156	**706,980**	407,506
Merchandise sales	**40,059**	36,640	**104,541**	97,561
Real estate sales	**3,751**	13,012	**11,206**	39,007
	4,091,194	2,116,246	**10,183,379**	6,877,004
Selling and administrative expenses	**237,263**	195,809	**637,960**	565,664
Interest expense	**34,982**	13,089	**92,432**	30,063
	4,363,439	2,325,144	**10,913,771**	7,472,731
INCOME BEFORE INCOME TAX	**236,314**	275,963	**713,364**	874,887
PROVISION FOR INCOME TAX	**83,469**	82,369	**217,789**	253,249
NET INCOME	**152,845**	193,594	**495,575**	621,638
Earnings Per Share	**0.147**	0.187	**0.478**	0.600

EEI CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the periods ended September 30, 2014 and 2013
(In Thousand Pesos)

	JULY TO SEPTEMBER		JANUARY TO SEPTEMBER	
	2014	2013	**2014**	2013
NET INCOME	**152,845**	193,594	**495,575**	621,638
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income(loss) to be reclassified to profit or loss insubsequent periods:				
Cumulative translation adjustments	**67,209**	366	**31,915**	97,328
Unrealized gain(loss) on available-for-sale securities	**498**	(353)	**1,923**	2,406
Other comprehensive income not to be reclassified to profit or loss insubsequent periods:				
Actuarial gain on retirement liabilities	**-**	**-**	**175,699**	-
Income tax effect	**-**	-	**(52,710)**	-
	67,707	13	**156,827**	99,734
TOTAL COMPREHENSIVE INCOME	**220,552**	193,607	**652,402**	721,372

EEI CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the periods ended September 30, 2014 and 2013
(In Thousand Pesos)

	September 30, 2014	September 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**713,364**	874,887
Adjustments for:		
Interest expense	**92,432**	30,063
Depreciation and amortization	**253,120**	251,210
Effect of forex gains	**6,351**	39,356
Gain on sale of investment property	**-**	(2,820)
Gain on sale of property and equipment	**(4,073)**	(3,529)
Equity in net earnings of associates and joint venture	**(342,309)**	(260,173)
Interest income	**(24,846)**	(38,856)
Operating income before changes in working capital	**694,039**	890,138
Decrease (increase) in:		
Receivables	**(1,251,291)**	44,230
Costs and estimated earnings in excess of billings on uncompleted contracts	**(2,028,157)**	(1,309,255)
Inventories	**8,529**	(13,220)
Other current assets	**(311,464)**	(132,063)
Increase (decrease) in:		
Accounts payable & accrued expenses	**1,154,793**	(83,582)
Billings in excess of costs and estimated earnings on uncompleted contracts	**2,157,596**	11,538
Net cash provided by (used in) for operations	**424,045**	(592,214)
Interest received	**24,772**	40,821
Interest paid	**(93,591)**	(24,772)
Income taxes paid	**(160,161)**	(258,469)
Net cash provided by (used in) operating activities	**195,065**	(834,634)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of:		
Property and equipment	**6,956**	4,567
Investment properties	**-**	12,166
Net reduction in (additions to):		
Available-for-sale securities	**20,000**	(14,931)
Investments in associates and joint venture	**(90,497)**	(55,000)
Property and equipment	**(236,733)**	(574,325)
Investment properties	**2,081**	24,301
Other noncurrent assets	**(9,896)**	7,375
Dividends received	**117,511**	169,771
Net cash used in investing activities	**(190,578)**	(426,076)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Bank loans	**5,254,990**	1,740,000
Long term debt	**500,000**	165,708
Payments of:		
Bank loans	**(5,817,000)**	(143,000)
Current portion of long term debt	**(64,487)**	-
Dividends paid	**(155,460)**	(155,460)
Net cash provided by (used in) financing activities	**(281,957)**	1,750,248
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(277,470)**	489,538
CASH AND CASH EQUIVALENTS - BEGINNING	**897,855**	1,079,610

EEI CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the periods ended September 30, 2014 and 2013
(In Thousand Pesos)

	Capital Stock	Additional Paid-In Capital	Cumulative Translation Adjustments	Retained Earnings	Actuarial Gain(Losses) on Retirement Liability	Net Unrealized Gain on Available-for-Sale Securites	Treasury Stock	Total
				For the period ended September 30, 2014				
Balance at beginning of year	**1,036,401**	**477,037**	**4,891**	**4,495,087**	**(234,394)**	**7,814**	**(3,721)**	**5,783,115**
Net income				**495,575**				**495,575**
Other comprehensive income	**-**	**-**	**31,915**	**-**	**122,989**	**1,923**	**-**	**156,827**
Total comprehensive income	**-**	**-**	**31,915**	**495,575**	**122,989**	**1,923**	**-**	**652,402**
Dividends declared	**-**	**-**	**-**	**(207,280)**	**-**	**-**	**-**	**(207,280)**
Balance at end of the period	**1,036,401**	**477,037**	**36,806**	**4,783,382**	**(111,405)**	**9,737**	**(3,721)**	**6,228,237**

				For the period ended September 30, 2013				
Balance at beginning of year	1,036,401	477,037	(151,993)	3,786,680	(137,533)	7,007	(3,721)	5,013,878
Net income				621,638				621,638
Other comprehensive income	-	-	97,328	-	-	2,406	-	99,734
Total comprehensive income	-	-	97,328	621,638	-	2,406	-	721,372
Dividends declared	-	-	-	(207,280)	-	-	-	(207,280)
Balance at end of the period	1,036,401	477,037	(54,665)	4,201,038	(137,533)	9,413	(3,721)	5,527,970

AGING OF TRADE & RETENTION RECEIVABLES
As of September 30, 2014
(In Thousand Pesos)

	CURRENT	30 DAYS	60 DAYS	90 DAYS	120 DAYS/ OVER	TOTAL
EEI CORPORATION	3,173,077	87,051	69,088	237	231,104	3,560,557
GULF ASIA INTERNATIONAL CORP.	27,289	12,553	8,389	2,919	15,321	66,471
EEI CONSTRUCTION & MARINE, INC.	-	34,740	190	-	-	34,930
EQUIPMENT ENGINEERS, INC.	12,972	5,662	4,090	6,819	25,939	55,482
EEI POWER CORPORATION	59,334	45,805	3,233	1,010	14,015	123,397
EEI REALTY CORPORATION	107,478	397	244	181	2,331	110,631
OTHERS	-	-	-	-	9,578	9,578
TOTAL	3,380,150	186,208	85,234	11,166	298,288	3,961,046

EEI CORPORATION AND SUBSIDIARIES
SEGMENT INFORMATION (UNAUDITED)
FOR THE PERIODS ENDED SEPTEMBER 30, 2014 AND 2013
(In Thousand Pesos)

	2014				
	Domestic	**Foreign**	**Combined**	**Elimination**	**Consolidated**
Assets					
Current assets	**11,229,567**	**8,958,153**	**20,187,720**	**(9,397,348)**	**10,790,372**
Noncurrent asstes	**5,872,890**	**3,581,779**	**9,454,669**	**(3,080,482)**	**6,374,187**
Total Assets	**17,102,457**	**12,539,932**	**29,642,389**	**(12,477,830)**	**17,164,559**
Liabilities					
Current liabilities	**11,453,887**	**5,564,287**	**17,018,175**	**(7,145,280)**	**9,872,895**
Noncurrent liabilities	**1,063,428**	**834,370**	**1,897,798**	**(834,370)**	**1,063,428**
Total Liabilities	**12,517,315**	**6,398,657**	**18,915,973**	**(7,979,650)**	**10,936,323**
Revenue	**11,401,349**	**10,578,782**	**21,980,131**	**(10,737,959)**	**11,242,172**
Direct cost	**(10,272,894)**	**(8,808,567)**	**(19,081,461)**	**8,898,082**	**(10,183,379)**
Operating expense	**(592,535)**	**(1,056,915)**	**(1,649,450)**	**1,011,490**	**(637,960)**
Interest expense	**(97,061)**	**-**	**(97,061)**	**4,629**	**(92,432)**
Other income (expense)	**50,511**	**(107,519)**	**(57,008)**	**99,661**	**42,654**
Distribution of ARCC's net income	**(12,498)**	**(369,289)**	**(381,787)**	**724,096**	**342,309**
Income before tax	**476,873**	**236,491**	**713,364**	**(0)**	**713,364**
Provision for income tax	**(147,001)**	**(70,788)**	**(217,789)**	**-**	**(217,789)**
Net income	**329,872**	**165,703**	**495,575**	**(0)**	**495,575**
Cash flows arising from:					
Operating activities	**614,808**	**(521,147)**	**93,661**	**101,405**	**195,065**
Investing activities	**(365,537)**	**(42,632)**	**(408,169)**	**217,590**	**(190,578)**
Financing activities	**(281,957)**	**-**	**(281,957)**	**-**	**(281,957)**

	2013				
	Domestic	**Foreign**	**Combined**	**Elimination**	**Consolidated**
Assets					
Current assets	9,253,397	7,845,885	17,099,282	(7,805,237)	9,294,045
Noncurrent asstes	5,178,286	3,333,720	8,512,006	(3,147,572)	5,364,434
Total Assets	14,431,683	11,179,605	25,611,288	(10,952,809)	14,658,479
Liabilities					
Current liabilities	9,924,416	5,606,557	15,530,973	(6,940,700)	8,590,273
Noncurrent liabilities	540,237	661,835	1,202,072	(661,835)	540,237
Total Liabilities	10,464,653	6,268,392	16,733,045	(7,602,535)	9,130,510
Revenue	7,978,130	9,405,154	17,383,284	(9,406,470)	7,976,814
Direct cost	(6,921,581)	(7,719,478)	(14,641,059)	7,764,055	(6,877,004)
Operating expense	(555,837)	(1,044,595)	(1,600,432)	1,034,768	(565,664)
Interest expense	(34,504)	-	(34,504)	4,441	(30,063)
Other income	117,333	(78,943)	38,390	72,241	110,631
Distribution of ARCC's net income	-	(270,792)	(270,792)	530,965	260,173
Income before tax	583,541	291,346	874,887	-	874,887
Provision for income tax	(171,707)	(81,542)	(253,249)	-	(253,249)
Net income	411,834	209,804	621,638	-	621,638
Cash flows arising from:					
Operating activities	(977,807)	1,080,568	102,761	(937,394)	(834,633)
Investing activities	(327,268)	240,249	(87,019)	(339,057)	(426,076)
Financing activities	1,607,248	(563,527)	1,043,721	563,527	1,607,248

Key Performance Indicators

The most significant key indicators of future performance of the company are the following:

1. **Construction contracts and orders** – denote the value of construction projects won by the Company from customers during the year and determines its revenue potential. Contracts and orders increase during an expansionary period when private business is on an investment mode, with significant capital expenditures allotted for new capacity and expansion and upgrading.

   In overseas markets, orders tend to rise when investors (quasi private/government entities) and corporations invest on new upstream and downstream petroleum facilities and new mining facilities. This usually happens during a period of prolonged high price of oil or basic metals/minerals which encourages capacity expansion projects and spurs new infrastructure projects in the host countries. The regime of high petroleum and metal prices has spurred increased construction activities in the Middle East, East Asia and Africa.

2. **Production** – represents the value of construction work accomplished by the Company during the period in review. It is synonymous to sales revenue since these are recognized at the value corresponding to the percentage of completion of the projects and orders. Production is determined by capacity in terms of manpower, equipment and management resources, and higher productivity of the factors of production. These translate to better financial performance.

3. **Orders backlog –** corresponds to the value of unfinished portions of projects; thus providing a measure of the near-term future source of production and revenues of the Company. Backlog has a tendency to increase during times when private companies (both local and foreign) are on an expansionary cycle, as they undertake capital expansion and/or modernization of their respective factories and plants. It also occurs when national and local government is on a pump priming mode of investing on infrastructure. Bigger backlog means a probability of higher profit in the future.

4. **Liquidity** – refers to existing cash and cash resources and the capability of the Company to quickly draw financial resources (such as working capital and other credit lines) to fund operations and construction activities. This ability to deploy financial resources is critical in fulfilling its contract obligations and ensuring the operational and financial viability of the Company.

EEI CORPORATION AND SUBSIDIARIES

Corporate Information

EEI Corporation (the Parent Company) is a stock corporation incorporated on April 17, 1931 under the laws of the Philippines. The Parent Company is a subsidiary of House of Investments, Inc., which is also incorporated in the Philippines. The ultimate parent company of EEI Corporation and its subsidiaries (collectively referred to as the Group) is Pan Malayan Management and Investment Corporation (PMMIC). The registered office address of the Parent Company is No. 12 Manggahan Street, Bagumbayan, Quezon City.

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

The Parent Company is engaged in general contracting and construction equipment rental. The Parent Company's subsidiaries, associate and joint venture are mainly involved in the provision of manpower services, construction, trading of construction equipment and parts, power generation, steel fabrication and real estate.

The accompanying interim consolidated financial statements of the Group were approved and authorized for issue by its Board of Directors (BOD) on November 11, 2014.

Item 1. Financial Statements Required Under SRC Rule 68.1

5. **Earnings Per Share**

The following table presents information necessary to calculate basic earnings per share:

(In Thousand Pesos)	**As of 9.30.14**	As of 9.30.13
Net Income	**495,575**	621,638
Issued and subscribed shares	**1,036,401**	1,036,401
Earnings per share	**₱0.478**	₱0.600

6. The accompanying interim consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

7.a. Basis of Preparation

The accompanying interim consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) securities which have been measured at fair value. The accompanying interim consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency. Except as indicated, all amounts are rounded off to the nearest peso.

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

Statement of Compliance

The accompanying interim consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS)

Basis of Consolidation and Investments in Subsidiaries

The interim consolidated financial statements include the Parent Company and the following companies that it controls:

	Place of Incorporation	Effective Percentage of Ownership **Sept. 2014**	2013	2012
EEI (BVI) Limited (EEI BVI) and Subsidiaries	British Virgin Islands	**100**	100	100
Clear Jewel Investments, Ltd. (CJIL)	British Virgin Islands	**100**	100	100
EEI Corporation (Singapore) Pte. Ltd.	Singapore	**100**	100	100
EEI Nouvelle-Caledonie SARL	New Caledonia	**100**	100	100
Nimaridge Investments, Limited and Subsidiary	British Virgin Islands	**100**	100	100
EEI (PNG) Ltd.	Papua New Guinea	**-**	-	100
EEI Corporation (Guam), Inc.	United States of America	**100**	100	100
EEI Construction and Marine, Inc. (EEI Marine)	Philippines	**100**	100	100
EEI Realty Corporation (EEI Realty)	Philippines	**100**	100	100
EEI Subic Corporation	Philippines	**100**	100	100
Equipment Engineers, Inc. (EE)	Philippines	**100**	100	100
EEI Power Corporation (EEI Power)	Philippines	**100**	100	100
Gulf Asia International Corporation (GAIC)	Philippines	**100**	100	100
GAIC Professional Services, Inc. (GAPSI)	Philippines	**100**	100	100
GAIC Manpower Services, Inc. (GAMSI)	Philippines	**100**	100	100
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	**100**	100	100
Philmark, Inc.	Philippines	**100**	100	100
Philrock Construction and Services, Inc.	Philippines	**100**	100	100

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:

a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
b) exposure, or rights, to variable returns from its involvement with the investee; and
c) the ability to use its power over the investee to affect its returns.

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

a) the contractual arrangement with the other vote holders of the investee;
b) rights arising from other contractual arrangements; and
c) the Group’s voting rights and potential voting rights

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

Subsidiaries are entities over which the Parent Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved where the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interests;
- derecognizes the cumulative translation differences recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Changes in Accounting Policies and Disclosures

The accounting policies adopted as of January 01, 2014 are consistent with those of the previous financial year, except for the adoption of new and amended PFRS and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) that are discussed below. Except as otherwise indicated, the adoption of the new and amended PFRS and Philippine Interpretations did not have any effect on the consolidated financial statements of the Group.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 36*, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the

disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement -Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. This amendment will be considered for future novation.

- Investment Entities Amendments to PFRS 10, PFRS 12 and PAS 27(effective for annual periods beginning on or after January 01, 2014)
  They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Company would qualify to be an investment entity under PFRS 10. The amendment has no impact on the Group's financial position or performance.

- *Philippine Interpretation* IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 01, 2014.

  The Group does not expect that IFRIC 21 will have material financial impact in future consolidated financial statements.

Future Changes in Accounting Policies
The Group will adopt the following new and amended PFRS and Philippine Interpretations enumerated below when these become effective. Except as otherwise indicated, the following new and amended PFRS and Philippine Interpretations will not have significant impact on the consolidated financial statements of the Group:

Annual Improvements to PFRSs
The *Annual Improvements to PFRSs* (2010-2012 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after July 1, 2014. Except otherwise indicated, the Group does not expect the adoption of these new amendments to have significant impact the Group's consolidated financial statements.

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based

payment transactions for which the grant date is on or after July 01, 2014. This amendment has no significant impact on the financial position or performance of the Group.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The amendment has no impact on the Group's financial position or performance.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will affect disclosures only and will have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment will not have an impact the Group's consolidated financial statements.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment will not have any impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the Group of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will affect disclosures only and will not have any impact on the Group's financial position or performance.

- PAS 38, *Intangible Asset - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments will not have any impact on the Group's financial position or performance.

Annual Improvements to PFRSs
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods

presented in the entity's first PFRS consolidated financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the consolidated financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will not have significant impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will not have significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will not have significant impact on the Group's financial position or performance.

Standard with No Mandatory Effective Date

- PFRS 9, *Financial Instruments: Classification and Measurement*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and

the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

Interpretation with Deferred Effective Date

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The adoption of this interpretation may significantly affect the determination of the Group's revenue from real estate and corresponding costs, and the related installment contracts receivable, deferred tax liabilities and retained earnings accounts.

  The Group has not conducted its full impact evaluation on the possible financial implications of the adoption of this interpretation due to its deferred effectivity but will do so once its effectivity date has been determined.

Summary of Significant Accounting Policies

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. In arrangements where the Group is acting as principal to its customers, revenue is recognized on a gross basis. However, if the Group is acting as an agent to its customers, only the amount of net commission retained is recognized as revenue. The following specific recognition criteria must also be met before revenue is recognized:

Construction Contracts

Revenue from construction contracts are recognized using the percentage of completion method of accounting. Under this method, revenues are generally measured on the basis of estimated completion of the physical proportion of the contract work. Revenue from labor supply contracts with project management and supervision are recognized on the basis of man-hours spent.

Contract costs include direct materials, labor costs and indirect costs related to contract performance. Provisions for estimated losses on uncompleted contracts are recognized immediately when it is probable that the total contract costs will exceed the total contract revenues. The amount of such loss is determined irrespective of: (a) whether or not work has commenced on the contract; (b) the stage of completion of contract work; or (c) the amount of profits expected to arise on other contracts. Changes in contract performance, contract conditions and estimated profitability, including those arising from penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins, are recognized in the year in which the changes are determined.

The asset "Costs and estimated earnings in excess of billings on uncompleted contracts" represents total contract costs incurred and estimated earnings recognized in excess of amounts billed. The liability "Billings in excess of costs and estimated earnings on uncompleted contracts" represents billings in excess of total contract costs incurred and estimated earnings recognized. Retention receivables are included in the trade receivable account, which is shown as part of the receivables account in the consolidated statement of financial position.

Services

Revenue is recognized as the related services are rendered.

Merchandise Sales

Revenue from merchandise sales is normally recognized when the buyer accepts delivery and when installation and inspection are complete. However, revenue is recognized immediately upon the buyer's acceptance of delivery when the installation process is simple in nature.

Real Estate Sales

Revenue on sale of raw parcels of land with no future obligation to develop the property is recognized using the full accrual method.

Sale of developed lots and residential units is accounted for using the full accrual method of accounting. Under this method, revenue from sale of real estate should be recognized when (a) the Group has transferred to the buyer the significant risks and rewards of ownership of the property; (b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the property sold; (c) the amount of revenue can be measured reliably; (d) it is probable that the economic benefits associated with the transaction will flow to the Group; and (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

If any of the criteria under the full accrual method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers is recognized as deposit from customers presented under the "Customers' deposits" account in the liabilities section of the consolidated statement of financial position.

Cancellation of real estate sales
Income from cancellation of real estate sales is recognized once the sale has been cancelled and the related refundable portions of paid amortizations have been paid to the buyer. This is included in the "Other income" account under the statement of comprehensive income. Such is also recognized, subject to the provisions of Republic Act 6552, Realty Installment Buyer Act, upon prescription of the period for the payment of required amortizations from defaulting buyers.

Cost of Real Estate Sales
Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and residential units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property and an allocation of any non-specific cost based on the relative size of the property sold.

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

Dividend Income
Dividend income is recognized when the Group's right to receive the payment is established, which is generally when BOD approve the dividend.

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

Financial Assets and Financial Liabilities
Date of Recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. The Group follows the settlement date accounting where an asset to be received and liability to be paid are recognized on the settlement date and derecognition of an asset that is sold and the recognition of a receivable from the buyer are

recognized on the settlement date.

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

The Group has no financial assets and financial liabilities at FVPL and HTM investments as at September 30, 2014 and December 31, 2013.

Determination of Fair Value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the EIR method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and include fees that are an integral part of the EIR and transaction costs. Long-term receivables are valued using the discounted cash flow methodology. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables which are expected to be realized within twelve months from the reporting date are classified under current assets. Otherwise, these are classified as noncurrent assets.

The Group's loans and receivables principally include cash and cash equivalents, trade receivables (including retention receivables), consultancy fees, other receivables, due from related parties, miscellaneous deposits and receivable from EEI Retirement Fund, Inc.(EEI-RFI)

AFS Securities
AFS securities are those non-derivative financial assets that are designated as AFS or are not classified in any of the three other categories. After initial recognition, AFS securities are measured at fair value with gains or losses being recognized as a separate component of the equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in the equity is included in the consolidated statement of income. AFS securities which are expected to be sold within twelve months from the reporting date are classified under current assets. Otherwise, these are classified as noncurrent assets.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, except for investments in unquoted AFS securities, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and option pricing models. In the absence of a reliable basis of determining fair value, investments in unquoted AFS securities are carried at cost less allowance for impairment losses, if any.

The Group's AFS securities represent investments in quoted and unquoted golf, club and equity shares.

Other Financial Liabilities
Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. These liabilities are carried at cost or amortized cost in the consolidated statement of financial position. Amortization is determined using EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the EIR. Other financial liabilities which are expected to be settled within twelve months from the reporting date are classified under current liabilities. Otherwise, these are classified as noncurrent liabilities. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized.

This accounting policy relates to the interim consolidated statement of financial position captions "Bank loans", "Accounts payable and accrued expenses", "Due to related parties" and "Long-term debt" and lease liability under "Other noncurrent liabilities".

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

Assets Carried at Amortized Cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (that is, the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

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

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

AFS Securities
For AFS securities, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

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

Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: (a) the rights to receive cash flows from the asset have expired; or (b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting
Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a currently enforceable legal right to offset the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and the liability simultaneously.

Inventories
Inventories are stated at the lower of cost and net realizable value (NRV). Cost includes purchase price and other costs directly attributable to its acquisition such as non-refundable taxes, handling and transportation cost. The cost of real estate inventories includes (a) land cost; (b) freehold and leasehold rights for land; (c) amounts paid to contractors for construction; (d) borrowing costs, planning and design cost, cost of site preparation, professional fees, property taxes, construction overheads and other related costs that are directly attributable in bringing the real estate inventories to its intended condition.

Cost of inventories is generally determined using the moving-average method, except for land inventory of EEI Realty, which is accounted for using the specific identification method. NRV is the selling price in the ordinary course of business, based on the market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion of inventories and the estimated costs necessary to sell.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

Value-added Tax (VAT)
Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item is applicable.

The net amount of VAT recoverable from the taxation authority is included as part of “Other current assets” in the consolidated statement of financial position.

Prepaid Expenses
Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments of insurance premiums, rents and others. It is included as part of “Other current assets” in the consolidated statement of financial position

Other Current Assets
Other current assets pertain to other resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group within the reporting period.

Investments in Associates and Joint Venture
The Group has 49% investment in Al-Rushaid Construction Company Limited (ARCC) which is incorporated and based in the Kingdom of Saudi Arabia and is currently accounted for as an associate. It also has 50% investment in ECW Joint Venture, Inc. (ECW) which is currently accounted for as a joint venture. In 2013, the Group acquired a 20% stake in Petro Wind Energy, Inc. (PWEI) and is currently accounted for as an associate.

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

Investments in associate and joint venture which are jointly controlled entities are accounted for under the equity method of accounting. Under this method, the cost of investment is increased or decreased by the equity in the associate and joint venture's net earnings or losses since the date of acquisition and reduced by dividends received. Unrealized intercompany profits are eliminated up to the extent of the proportionate share thereof.

The reporting dates and the accounting policies of the associate and joint venture conform to those used by the Group for like transactions and events in similar circumstances.

Property and Equipment

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

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

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Number of years
Machinery, tools and construction equipment	1-20
Buildings and improvements	10-20
Furniture, fixtures and office equipment	3-5
Transportation and service equipment	5

Amortization of leasehold improvements is computed over the estimated useful life of the improvement or term of the lease, whichever is shorter.

Construction in progress represents property and equipment under construction and is stated at cost. This includes cost of construction and equipment and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are ready for their intended use.

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

When assets are retired or otherwise disposed of, the cost and their related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

The assets' residual values, useful lives and methods of depreciation and amortization are reviewed, and adjusted if appropriate, at each financial year-end.

Investment Properties

Investment properties, except for land, are stated at cost less accumulated depreciation and impairment loss, if any, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Land is carried at cost less any impairment in value.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property or inventory, the deemed cost for subsequent accounting is the carrying value of the investment property transferred at the date of change in use. If owner-occupied property or inventory becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment or inventory, respectively, up to the date of change in use.

Depreciation is computed using the straight-line method over the estimated useful life of 15 to 20 years.

Software Costs

Software costs are stated at cost less accumulated amortization and any impairment in value. Costs related to software purchased by the Group for use in the operations are amortized on a straight-line basis over a period of 3 years.

Costs associated with developing and maintaining computer software programs are recognized as an expense when incurred. Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any.

Impairment of Non-financial Assets

For property and equipment, software costs, investments in associate and joint venture and investment properties, the Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Borrowing Costs

Interest and other related financing charges on borrowed funds used to finance property development are capitalized as part of development costs (included under “Inventories” account) and the acquisition and construction of a qualifying asset (included under “Construction in progress” account in property and equipment) are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the asset for its intended use are in progress. It is suspended during extended periods in which active development is interrupted and ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. The capitalization is based on the weighted average borrowing cost.

The borrowing costs capitalized as part of property and equipment are amortized using the straight-line method over the estimated useful lives of the assets. If after capitalization of the borrowing costs, the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded in the consolidated statement of income.

Interest expense on loans and borrowings is recognized using the EIR method over the term of the loans and borrowings.

Foreign Currency-denominated Transactions and Translation

The interim consolidated financial statements are presented in Philippine Peso (₱), which is the Parent’s functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate as at the reporting date. All differences are taken to consolidated statement of income. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the Group's subsidiary, EEI-BVI and Subsidiaries are United States Dollar and Saudi Arabia Riyal. As at reporting date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Group (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. The exchange differences arising on the translation of foreign subsidiaries are taken directly to a separate component of equity under "Cumulative translation adjustments" account while the exchange differences arising from translation of financial statements of its associate is included as part of Investment in associate under the caption "Equity in cumulative translation adjustments" account.

Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of income.

<u>Retirement Cost</u>

Defined benefit plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

a) Service cost
b) Net interest on the net defined benefit liability or asset
c) Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

<u>Income Tax</u>

Current Income Tax

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

Deferred Income Tax

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward benefit of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT can be utilized.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associate and interest in joint venture. With respect to investments in foreign subsidiaries, associate and interest in joint venture, deferred tax liabilities are recognized except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted as at the reporting date.

Deferred income tax relating to items recognized outside profit or loss do not affect the statement of income. These deferred income tax items are recognized in correlation to the underlying transactions either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

<u>Leases</u>
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at inception of the lease at the fair value of the lease property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in consolidated statement of income.

Leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating leases of the Group represent those under which substantially all the risks and benefits of ownership of the assets remain with the lessor. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) where, as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and; (c) a reliable estimate can be made of the amount of the obligation.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Stock Option Plan

No benefit expense is recognized relative to the shares issued under the stock options plan. When the shares related to the stock options plan are subscribed, these are treated as capital stock issuances. The stock option plan is exempt from PFRS 2, *Share-based Payment.*

Events after the Reporting Date

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

Basic and Diluted Earnings Per Share

Basic earnings per share is computed by dividing net income applicable to common shares by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any subsequent stock dividends. Diluted earnings per share, if applicable, is computed by dividing net income applicable to common shares by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed exercise of stock options and retroactive effect of stock dividends declared.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented on page 15.

Equity

The Group records common stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity shares. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. When the Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity.

Retained earnings represent accumulated earnings of the Group less dividends declared and any adjustment arising from application of new accounting standards, policies or corrections of errors applied retrospectively. The individual accumulated retained earnings of the subsidiaries are available for dividends when they are declared by the subsidiaries as approved by their respective BOD. Retained earnings are further restricted for the payment of dividends to the extent of the cost of treasury shares.

Other Comprehensive Income
OCI are items of income and expense that are not recognized in the profit or loss for the year in accordance with PFRS. The Company's OCI as of September 30, 2014 and December 31, 2013 pertains to: (a) unrealized gains on available for sale securities which can be recycled to profit and loss; and (b) remeasurement gains and losses arising from defined benefit retirement plan which cannot be recycled to profit or loss.

Significant Accounting Judgments and Estimates

The preparation of the interim consolidated financial statements in accordance with PFRS requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following presents a summary of these significant accounting judgments and estimates:

Judgments
Going concern
The management of the Group has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the Group is not aware of any material uncertainties that may cast significant doubts upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Impairment of financial assets
In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments as to whether there is any objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset and that loss event or events has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be reliably estimated. This observable data may include adverse changes in payment status of borrowings in a group, or national or local economic conditions that correlate with defaults on assets in the portfolio.

Classification of leases
Management exercises judgment in determining whether substantially all the significant risks and rewards of ownership of the leased assets are transferred to the Group. Lease contracts, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased items, are capitalized.

The Group also has lease agreements where it has determined that the risks and rewards related to the leased assets are retained with the lessors. Such leases are accounted for as operating leases.

Operating Lease - Group as Lessee
The Group has entered into commercial property lease on its administrative office location with EEI Retirement Fund Inc., a related party. The Group is also leasing its various construction machinery, equipment items and company vehicles from Malayan Rental Corporation (MRC), a related party. The Group assessed that it does not have the risk and rewards of ownership of the leased asset primarily because the lease term is not for the major part of the economic life of the asset and at the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset.

Finance Lease - Group as Lessee
The Group has entered into lease agreements with First Malayan Leasing and Finance Corporation (FMLFC), a related party, and a third party lessor for the lease of its various construction machinery, equipment items and company vehicles. The Group has determined that it acquires all the significant risks and rewards of ownership of the leased assets and therefore accounted for as finance lease. The future minimum lease payments as at September 30, 2014 and December 31, 2013 amounted to ₱0.5 million and ₱1.6 million, respectively. The present value of minimum lease payments under finance lease as at September 30, 2014 and December 31, 2013 amounted to ₱0.5 million and ₱1.6 million, respectively.

Determination of control in Investment in Subsidiaries
The Group determined that it has control over its subsidiaries by considering, among others, its power over 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. The following were also considered:

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

Determination of significant influence in Investment in Associates
The Group determined that it exercises significant influence over its associates by considering, among others, its ownership interest (holding 20% or more of the voting power of the investee), board representation and participation on board sub-committees, and other contractual terms.

Classification of joint arrangements
The Group's investments in joint ventures are structured in separate incorporated entities. Even though the Group holds various percentage of ownership interest on these arrangements, their respective joint arrangement agreements requires unanimous consent from all parties to the agreement for the relevant activities identified. The Group and the

parties to the agreement only have rights to the net assets of the joint venture through the terms of the contractual arrangements.

Determination of functional currency
PAS 21 requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, each entity in the Group considers the following:

a) the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
b) the currency in which funds from financing activities are generated; and
c) the currency in which receipts from operating activities are usually retained.

The Group's interim consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency.

Contingencies
The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

<u>Estimates</u>
Determination of Fair Value of Financial Assets and Financial Liabilities
The fair value determinations for financial assets and financial liabilities are based generally on listed market prices or broker or dealer price quotations. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time.

The fair value of quoted AFS securities as at September 30, 2014 and December 31, 2013 amounted to ₱23.2 million and ₱41.3 million, respectively.

Revenue and Cost Recognition
The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's construction revenue is recognized based on the percentage of completion measured principally on the basis of the estimated completion of a physical proportion of the contract work. The revenue and related cost recognized as of September 2014 and end 2013 are based on management's best estimate and have met the requirements set forth in PAS 11.

As at September 30, 2014 and end 2013, the costs and estimated earnings in excess of billings on uncompleted contracts amounted to ₱4.0 billion and ₱2.0 billion, respectively, and billings in excess of costs and estimated earnings on uncompleted contracts amounted to ₱3.5 billion and ₱1.4 billion, respectively.

Estimating Realizability of Claims and Change Orders
The Group maintains as claims and change order assets when it is probable that these assets will be realized. The amount and timing of recorded expenses would differ if the Group made different estimates.

Estimating Recoverability of Savings and Overrun
The percentage of completion and the revenue to recognize are determined by the Group on the basis of a large number of estimates. Consequently, the Group has implemented an internal financial budgeting and reporting system. In particular, the Group reviews each month the estimates of contract revenue and contract costs as the contract progresses.

Estimate on when the Buyer's Investment is Qualified for Revenue Recognition on Real Estate Sales
The Group requires a certain percentage estimate on when the buyer's investment is considered adequate to meet the probability criteria that economic benefits will flow to the Group and warrant revenue recognition. The Group estimated a certain percentage of downpayment of the total selling price received from the buyer. It is at this level of investment that it is highly probable that the buyer will commit to the sale transaction, and thus, it is probable that economic benefits will flow to the Group.

Estimating Allowance for Doubtful Accounts
The Group maintains allowances for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customer, the customer's payment behavior and other known market factors. The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowances on a continuous basis or those with existing allowances needing reversals. The amount of timing and recorded expenses and reversal of existing allowances for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for doubtful accounts would increase recorded operating expenses and decrease current assets and otherwise for reversals.

The outstanding balance of receivables, net of allowance for doubtful accounts as at September 30, 2014 and December 31, 2013 amounted to ₱5.0 billion and ₱3.8 billion, respectively.

Estimating NRV of Inventories
The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on the prevailing selling prices of inventories less the estimated cost necessary to sell. Increase in the NRV will increase the carrying amount of inventories but only up to the extent of their original acquisition costs.

The carrying values of inventories as at September 30, 2014 and December 31, 2013 amounted to ₱410.6 million and ₱419.1 million, respectively.

Estimating Useful Lives of Property and Equipment, Investment Properties and Software Costs
The Group estimated the useful lives of its property and equipment, investment properties and software costs based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of these assets based on

factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in estimated useful lives of these assets would increase recorded depreciation and amortization expense and decrease noncurrent assets.

The book value of the depreciable property and equipment, investment properties and software costs as at September 30, 2014 and December 31, 2013 are as follows:

(In Thousand Pesos)	**September 2014**	December 2013
Property and equipment	**₱3,023,150**	₱3,012,598
Investment properties	**37,606**	39,687
Software costs	**12,680**	20,235

Impairment of Non-financial Assets

The Group assesses impairment on non-financial assets (i.e., property and equipment, investments in associate and joint venture and investment properties) whenever events or changes in circumstances indicate that the carrying amount of a non-financial asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The carrying values of the Group's non-financial assets follow:

(In Thousand Pesos)	**September 2014**	December 2013
Property and equipment	**₱3,496,313**	₱3,515,583
Investments in associates and joint venture	**1,953,537**	1,612,678
Investment properties	**243,475**	245,556
Software costs	**12,680**	20,235

Retirement Benefits

The determination of the obligation and cost of retirement benefits are dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates. In accordance with PAS 19, actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement and other retirement obligations.

Net retirement liability, amounted to ₱115.6 million and ₱302.9 million as at September 30, 2014 and December 31, 2013, respectively.

7.b. We have nothing to disclose in notes to financial statements regarding seasonality or cyclicality as it has no material effect on our interim operations.

7.c. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents:

Cash and Cash Equivalents

(In Thousand Pesos)	**09.30.14**	12.31.13
Cash on hand	**1,135**	8,769
Cash in banks	**592,328**	712,540
Short-term investments	**26,922**	176,546
	620,385	897,855

Cash in banks earns interest at the respective bank deposit rates. Short-term investments are made for varying periods up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates.

Receivables

(In Thousand Pesos)	**09.30.14**	12.31.13
Trade receivables	**2,039,514**	1,670,897
Retention receivables	**1,921,533**	1,334,524
Advances to suppliers and subcontractors	**750,603**	514,407
Consultancy fees	**255,686**	235,776
Advances to officers and employees	**23,611**	20,940
Other receivables	**138,420**	109,382
	5,129,367	3,885,926
Less: Allowance for doubtful accounts	**125,389**	133,313
	5,003,978	3,752,613

Inventories

(In Thousand Pesos)	**09.30.14**	12.31.13
Land at cost	**351,243**	354,306
At NRV :		
Merchandise	**30,502**	36,255
Spare parts and supplies	**22,245**	24,629
Construction materials	**6,579**	3,908
	410,569	419,098

Other Current Assets

(In Thousand Pesos)	**09.30.14**	12.31.13
Input value-added tax	**162,703**	91,818
Deferred input tax	**214,314**	233,046
Prepaid taxes	**276,178**	22,179
Prepaid expenses	**59,112**	52,571
Miscellaneous deposits	**43,966**	45,070
Restricted cash investment	**4,774**	4,774
Supplies and others	**1,777**	1,902
	762,824	451,360

Investments in Associates and Joint Venture

(In Thousand Pesos)	**09.30.14**	12.31.13
Acquisition cost:		
Balance at beginning of year	**146,973**	28,223
Addition	**90,497**	118,750
Balance at end of period	**237,470**	146,973
Accumulated equity in net earnings:		
Balance at beginning of year	**1,499,458**	1,144,466
Equity in net earnings	**342,309**	529,095
Dividends	**(117,511)**	(174,103)
Balance at end of period	**1,724,256**	1,499,458
Subtotal	**1,961,726**	1,646,431
Equity in cumulative translation adjustments	**(8,189)**	(33,753)
	1,953,537	1,612,678

Available-for-Sale Securities

(In Thousand Pesos)	**09.30.14**	12.31.13
Quoted shares	**23,175**	41,252
Unquoted shares	**126,879**	126,879
	150,054	168,131

Rollforward analysis of this account follows:

	09.30.14	12.31.13
Balance at beginning of year	**168,131**	132,324
Acquisitions	**-**	35,000
Reclassification	**(20,000)**	-
Net unrealized gain recognized in other comprehensive income	**1,923**	807
	150,054	168,131

Property and Equipment

(In Thousand Pesos)	**09.30.14**	12.31.13
At cost:		
Machinery, tools & construction equipment	**3,334,025**	3,250,466
Land, buildings and improvements	**952,451**	932,823
Furniture, fixtures and office equipment	**588,383**	548,710
Transportation and service equipment	**356,564**	246,868
	5,231,423	4,978,867
Less: Accumulated depreciation & amortization	**1,792,495**	1,533,494
	3,438,928	3,445,373
Construction in progress	**57,385**	70,210
	3,496,313	3,515,583

Other Noncurrent Assets

(In Thousand Pesos)	**09.30.14**	12.31.13
Receivable from EEI-RFI - net	**387,552**	368,094
Software cost	**12,680**	20,235
Others	**8,214**	10,967
	408,446	399,296

Bank Loans

(In Thousand Pesos)	**09.30.14**	12.31.13
Secured bank loans	**-**	1,600,000
Unsecured bank loans	**2,109,990**	1,072,000
	2,109,990	2,672,000

Bank loans consist of unsecured Peso-denominated short term loans from local banks and financial institution with annual interest rates ranging from 2.75% to 3.00% and 3.25% to 3.75% as of September 30, 2014 and December 31, 2013, respectively.

All outstanding bank loans as of September 30, 2014 are unsecured/clean basis, therefore, there is no collateral requirement to secure the loan availments.

Accounts Payable and Accrued Expenses

(In Thousand Pesos)	**09.30.14**	12.31.13
Accounts payable	**2,384,431**	1,563,899
Accrued expenses	**250,316**	233,387
Retention payable	**575,710**	487,228
Deferred output taxes	**385,001**	284,667
Output taxes payable	**226,666**	90,446
Income tax payable	**208,785**	151,156
Due to related parties	**72,468**	7,028
Advances from joint venture partners	**32,382**	32,382
Others	**37,585**	45,407
	4,173,344	2,895,600

Long-term Debt

(In Thousand Pesos)	**09.30.14**	12.31.13
Parent Company a. Peso-denominated seven (7) year term loan, payable quarterly starting May 07, 2014 with an interest rate of 5.17% per annum.	**464,285**	-
EEI Power Corporation b. Peso-denominated seven (7) year term loan, payable quarterly starting June 2014 with interest of 6% per annum inclusive of two (2) year grace period on principal amortization	**546,686**	575,458
Less: current portion	**64,487**	-
	946,484	575,458

7.d. There was no change in amount reported in prior financial year that have material effect in the current interim period.

7.e. As of September 30, 2014, availment of loans amounted to ₱5.69 billion while repayment is ₱5.82 billion.

7.f. The BOD of the Parent Company in its meeting held on March 21, 2014 declared a cash dividend of ₱0.20 per share to common stockholders of record broken down as follows:

Record Date	Payment Date	Amount
April 07, 2014	April 28, 2014	₱0.05 per share
June 02, 2014	June 27, 2014	₱0.05 per share
September 01, 2014	September 25, 2014	₱0.05 per share
December 01, 2014	December 23, 2014	₱0.05 per share

7.g. Segment Information - Please refer to page 15.

7.h. There was no material event subsequent to the end of the interim financial period that has not been reflected in the interim consolidated financial statements.

7.i. There was no material change in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

7.j. There was no material change in contingent liabilities or contingent assets since the last annual statement of financial position.

7.k. Commitments and Contingencies

a.) Surety Arrangement and Guarantees

The Company is contingently liable for guarantees arising in the ordinary course of business, including performance, surety and warranty bonds for various construction projects amounting to ₱5.2 billion and ₱5.8 billion as of September 30, 2014 and December 31, 2013, respectively.

b.) Standby Letters of Credit

The Company has outstanding irrevocable domestic standby letters of credit amounting to ₱3.78 billion and ₱2.4 billion as of September 30, 2014 and December 31, 2013, respectively, from local banks which are used for bidding, guarantees for the down payments received and performance security from its ongoing construction projects, also has outstanding irrevocable foreign standby letters of credit amounting to JPY13.4 million as of September 30, 2014 and JPY 13.4 million and USD1.9 million as of December 31, 2013.

c.) Contingencies

There are pending legal cases against the Company that are being contested by the Company and its legal counsels. Management and its legal counsels believe that the final resolution of these cases will not have immediate material effect on the financial position and operating results of the Company.

7.l Market Information

Quarterly high, low and closing prices of the Company:

2014	**High**	**Low**	**Close**
January – March	11.88	9.54	11.48
April – June	12.34	9.92	11.20
July – September	11.80	10.90	11.60
2013			
January – March	13.40	10.10	13.10
April – June	15.90	11.10	13.24
July – September	13.50	9.30	9.67
October - December	11.00	8.68	9.55

As of November 13, 2014, the market price of the Company's common shares is ₱ 11.20 per share.

Item 2 **Management's Discussion and Analysis (MDA) of Financial Position and Results of Operations.**

2.e. Material change/s (5% or more) from period to period in one or more line items of the issuer's financial statements.

Statements of Financial Position				
(In Thousand Pesos)	**09.30.14 (Unaudited)**	12.31.13 (Audited)	Increase (Decrease) Amount	%
Cash and cash equivalents	**620,385**	897,855	(277,470)	-31%
Receivables	**5,003,978**	3,752,613	1,251,365	33%
Costs and estimated earnings in excess of billings on uncompleted contracts	**3,992,617**	1,964,460	2,028,157	103%
Other current assets	**762,824**	451,360	311,464	69%
Investments in associates and joint venture	**1,953,537**	1,612,678	340,859	21%
Available-for-sale securities	**150,054**	168,131	(18,077)	-11%
Deferred tax assets	**122,362**	174,325	(51,963)	-30%
Bank loans	**2,109,990**	2,672,000	(562,010)	-21%
Accounts payable & accrued expenses	**4,173,344**	2,895,600	1,277,744	44%
Billings in excess of costs & estimated earnings on uncompleted contracts	**3,525,074**	1,367,478	2,157,596	158%
Current portion of long-term debt	**64,487**	-	64,487	100%
Long-term debt - net of current portion	**946,484**	575,458	371,026	64%
Deferred tax liabilities	**869**	579	290	50%
Retirement liability	**115,567**	302,925	(187,358)	-62%
Other noncurrent liabilities	**508**	3,800	(3,292)	-87%
Cumulative translation adjustments	**36,806**	4,891	31,915	653%
Actuarial losses on retirement liability	**(111,405)**	(234,394)	(122,989)	-52%
Net unrealized gains on available-for-sale securities	**9,737**	7,814	1,923	25%

Statements of Income	For the period ending		Increase (Decrease)	
(In Thousand Pesos)	**09.30.14 (Unaudited)**	09.30.13 (Unaudited)	Amount	%
Revenue on construction contracts	**10,217,118**	7,096,676	3,120,442	44%
Revenue on services	**879,789**	703,496	176,293	25%
Revenue on real estate sales	**14,593**	46,536	(31,943)	-69%
Cost of construction contracts	**9,360,652**	6,332,930	3,027,722	48%
Cost of services	**706,980**	407,506	299,474	73%
Cost of merchandise sales	**104,541**	97,561	6,980	7%
Cost of real estate sold	**11,206**	39,007	(27,801)	-71%
Equity in net earnings of associates	**342,309**	260,173	82,136	32%
Interest income	**24,846**	38,856	(14,010)	-36%
Other income	**17,808**	71,775	(53,967)	-75%
Selling and administrative expenses	**637,960**	565,664	72,296	13%
Interest expense	**92,432**	30,063	62,369	207%
Provision for income tax	**217,789**	253,249	(35,460)	-14%

EEI CORPORATION AND SUBSIDIARIES
ANALYTICAL REVIEW
September 30, 2014

Consolidated Statement of Financial Position Accounts

Cash and cash equivalents

The decrease of ₱277.5 million or 31% is mainly due to maturity of fixed term deposit with Bank of Tokyo Mitsubishi UFJ, Ltd. amounting to SGD 6.5 million by EEI Corporation (Singapore) Pte. Ltd., a foreign subsidiary of EEI BVI Ltd.

Receivables

The increase of ₱1.3 billion or 33% pertains mainly to the increase in retention and trade receivables amounting to ₱586.3 million and ₱458.3 million, respectively from various ongoing domestic projects. Advances to suppliers and subcontractors account also went up by ₱230.1 million.

Costs and estimated earnings in excess of billings on uncompleted contracts

The increase of ₱2.0 billion or 103% is mainly due to cost incurrence of major on-going domestic projects which include *FDC Misamis 3x135MW CFB Coal Thermal Power Plant* for NEPC Power Construction Corporation; *Therma South Power Plant Project* for Leighton Contractors (Phils.) Inc.; *PASAR Expansion Project* for Philippine Associated Smelting and Refining Corp.; *Novotel Manila - Araneta Center Project* for Araneta Center Hotel, Inc.; *Phase 2-Segment 9 C5 Northern Link Expressway Project* for Manila North Tollways Corp.; *Green Residences* for SM Development Corp.; *Uptown Place Tower 3 & 4, One Eastwood Avenue Tower1 and Eastwood LeGrand Tower3* all for Megaworld Corporation; *Rehabilitation of Alaska Milk Plant* for Alaska Milk Corp. and *the New Communications, Navigation and Surveilance/Air Traffic Management Systems Development Project* for Sumitomo Corporation.

Other current assets

The net increase of ₱311.5 million or 69% is due to increase in prepaid taxes amounting to ₱254 million and value-added input taxes of ₱36.9 million.

Investments in associates and joint venture

The increase of ₱340.9 million or 21% is due to higher equity in net earnings from Al Rushaid Construction Company Ltd. (ARCC), an associate of EEI BVI Ltd., a foreign subsidiary of EEI Corporation. Acquisition of additional shares of stock of Petro Wind Energy, Inc. amounting to ₱90.5 million, by EEI Power Corporation (EEIPC), a local subsidiary of EEI Corporation also contributed to the increase.

Available-for-sale securities

The decrease of ₱18.1 million or 11% is due to reclassification of EEIPC's investment in Philippine Hybrid Energy Systems Inc., from available-for-sale securities to other receivables account amounting to ₱20 million.

Deferred tax assets

The decrease of ₱52.0 million or 30% is due to revision on actuarial assumption used pertaining to rate of salary increase.

Bank loans

The net decrease of ₱562.0 million or 21% is due to payment of maturing loans by Parent Company amounting to ₱5.8 billion with local banks.

Accounts payable and accrued expenses

The increase of ₱1.3 billion or 44% pertains mainly to project related costs incurred during the period by the Parent Company for its ongoing and newly awarded projects of about ₱675 million and increase in VAT output payable and deferred output taxes amounting to ₱237 million.

Billings in excess of costs and estimated earnings on uncompleted contracts

The increase of ₱2.2 billion or 158% is attributable mainly to un-recoup downpayment from ongoing and newly awarded domestic projects such as *Ore Square Project* for Monte de Tesoro Corp.; *FDC Misamis 3x135MW CFB Coal Thermal Power Plant* for NEPC Power Construction Corporation; *Rehabilitation of Alaska Milk Plant* for Alaska Milk Corp.; *The Beacon Tower 3* for New Pacific Resources Management Inc.; *PASAR Expansion Project* for Philippine Associated Smelting and Refining Corp.; four projects for Megaworld Corporation, namely the *One Eastwood Avenue Tower 1, Noble Place, Uptown Place Tower 3 & 4 and Uptown Parade Cluster 1; Festival Mall Expansion Building* for Filinvest Land, Inc. and *Runruno Gold-Molydenum Project* for FCF Minerals Corporation.

Current portion of long-term debt

The increase of ₱64.5 million or 100% pertains to loan availment from Landbank of the Philippines and Rizal Commercial Banking Corporation by Parent Company and EEIPC, respectively.

Long-term debt - net of current portion

The increase of ₱371.0 million or 64% is due to loan availments during the period from a local bank by Parent Company.

Deferred tax liabilities

The increase of ₱0.3 million or 50% is due to the effect of revised actuarial valuation report of EEI Realty Corporation (ERC), a local subsidiary of EEI Corporation.

Retirement liability

The decrease of ₱187.4 million or 62% is due to revision on actuarial assumption used pertaining to salary increase rate.

Other noncurrent liabilities

The decrease of ₱3.3 million or 87% is due to reduced finance lease of various machinery and construction equipment by Parent Company from First Malayan Leasing and Finance Corporation.

Cumulative translation adjustments

The increase of ₱31.9 million or 653% relates mainly to translation adjustments of the Group's subsidiary investment in associate, whose functional currency is Saudi Arabia Riyal (SAR).

Actuarial losses on retirement liability

The decrease of ₱123.0 million or 52% was due to the revised actuarial valuation report in 2013.

Net unrealized gains on available-for-sale securities

The increase of ₱1.9 million or 25% pertains to increase in fair value of shares of Philippine Long Distance Telephone Company.

Consolidated Statement of Income Accounts

Revenue and costs of construction contracts

The significant increase in revenue from construction contracts of ₱3.1 billion or 44% and its corresponding costs of ₱3.0 billion or 48% is attributed to the following on-going domestic projects: *Therma South Power Plant Project* for Leighton Contractors (Phils.) Inc.; *PASAR Expansion Project* for Philippine Associated Smelting and Refining Corp.; *50MW Nabas Wind Power Plant* for Petro Wind Energy, Inc. in Aklan; *FDC Misamis 3x135MW CFB Coal Thermal Power Plant* for NEPC Power Construction Corporation; *Wind Tower 4* and *Wind Residences Tower 5 both* for SM Development Corp.; *the Runway Extension of the Caticlan Airport* for Transaire Development Holdings Corp.; *Runruno Fabrication and Erection of Tanks and Thickeners* for FCF Minerals Corp.; *Phase 2-Segment 9 C5 Northern Link Expressway Project* for Manila North Tollways Corp.; *Rehabilitation of Alaska Milk Plant* for Alaska Milk Corp.; *81MW Caparispisan Wind Farm Project* for Northern Luzon UPC Asia Corporation; *Novotel Manila - Araneta Center Project* for Araneta Center Hotel, Inc.; *Expansion of ADB Headquarters Building* for Asian Development Bank and *SM200 Phase 1 Sarangani Power Plant* for Daelim Philippines Inc.

Revenue and costs of services

The increase in revenue from services of and its related costs pertains to sale of electricity to Davao del Norte Electric Cooperative by EEIPC.

Cost of merchandise sales

The increase is the result of higher trucking and storage cost on importation of various products, by Equipment Engineers, Inc., another local subsidiary of EEI Corporation.

Real estate sales revenue and costs

The decrease in these accounts is mainly due to lower sales of house & lots by ERC.

Equity in net earnings of associate

The increase of ₱82.1 million or 32% is due to higher net income of ARCC, where the Parent Company has a 49% stake.

Interest income

The decrease of ₱14.01 million or 36% is mainly due to interest earned on long outstanding receivable from a client amounting ₱12.0 million in 2013.

Other income

The decrease of ₱54.0 million or 75% is due to the following accounts in 2013:

a.) Reversal of certain payables that are outstanding for more than five years amounting to ₱18.3 million.
b.) Reversal of accrual on some miscellaneous expenses and liquidated damages amounting to ₱19.2 million and booking of miscellaneous income of ₱9.0 million by EEI-BVI, Ltd.
c.) Sale of various scrap materials amounting to ₱6.9 million.

Selling and administrative expenses

The net increase of ₱72.3 million or 13% pertains mainly to the following: personnel related expenses amounting to ₱24.3 million; taxes and licenses of ₱5.9 million; rent expense of ₱3.1 million; travel and transportation expense of ₱2.3 million and general expense of ₱34.6 million.

Interest expense

The net increase of ₱62.4 million or 207% is due to higher loan level as of September 2014 amounting to ₱3.1 billion compared to ₱2.9 billion for the same period in 2013. Termination of the capitalization of borrowing costs by EEIPC also contributed to the increase.

Provision for income tax

The decrease of ₱35.5 million or 14% is due to lower taxable income for the period ending September 30, 2014 compared to the same period in 2013.

1. **Financial Risk Management Objectives and Policies**

The main purpose of the Group's financial instruments is to raise finances for the Group's operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The policies for managing these risks are summarized as follows:

Credit Risk

The exposure to credit risk on its receivables relates primarily to the inability of project owners to fully settle the unpaid balance of contract receivables and other claims owed to the Group. Credit risk is managed in accordance with the Group's credit risk policy which requires the evaluation of the creditworthiness of the project owners by engaging the service of an accredited third party credit analyst.

The Group does not have any significant concentration of credit risk. Its gross maximum exposure to credit risk is equivalent to the carrying value of its financial assets as presented in the consolidated statements of financial position.

Credit risk is managed since the titles of the properties sold by the Group from its real estate operations are retained until receivables are fully collected and the fair values of these properties held as collateral are sufficient to cover the carrying values of the receivables.

There can be some credit exposures on project commitments and contingencies as of September 30, 2014 and December 31, 2013 represented by work accomplishments on backlog of projects which are not yet invoiced. These exposures are, however, limited to a few months' work accomplishment as work are frozen as soon as the Group is able to determine that the risk of non-collection materializes. This risk is, however, mitigated by the Group's contractor's lien on the project. A contractor's lien is the legal right of a contractor (the Group) to take-over the project in-progress and has priority in the settlement of contractor's receivables and claims on the project in the event of insolvency of the project owner. The Group assesses that the value of projects in-progress is usually higher than receivables from and future commitments with the project owners.

The analyses of loans and receivables are as follows:

	September 30, 2014						
	Neither	Past Due but Not Impaired				Impaired	
(In Thousand Pesos)	Past Due nor Impaired	<30 days	30 to <60 days	60 to <90 days	>90 days	Financial Assets	Total
Cash and cash equivalents							
Cash in banks	**₱592,328**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱592,328**
Short-term investments	**26,922**	–	–	–	–	–	**26,922**
Receivables							
Trade & retention rec'bles	**3,380,151**	**186,208**	**85,234**	**11,166**	**247,978**	**50,310**	**3,961,047**
Consultancy fees	**21,073**	**16,473**	**16,085**	**50,398**	**151,657**	–	**255,686**
Other receivables	**7,888**	**27,197**	**1,662**	**6,047**	**38,105**	**3,384**	**84,283**
Due from related parties	**54,137**	–	–	–	–	–	**54,137**
Miscellaneous deposits	**401**	**278**	**152**	**1,231**	**38,142**	**3,762**	**43,966**
Receivable from EEI Retirement Fund Inc.	**387,552**	–	–	–	–	–	**387,552**
	₱4,470,452	**₱230,156**	**₱103,133**	**₱68,842**	**₱475,882**	**₱57,456**	**₱5,405,921**

	December 31,2013						
	Neither	Past Due but Not Impaired				Impaired	
	Past Due		30 to <60	60 to <90		Financial	
(In Thousand Pesos)	nor Impaired	<30 days	days	days	>90 days	Assets	Total
Cash and cash equivalents							
Cash in banks	₱714,559	₱–	₱–	₱–	₱–	₱–	₱714,559
Short-term investments	176,546	–	–	–	–	–	176,546
Receivables							
Trade & retention rec'bles	1,971,003	449,654	161,409	60,876	202,749	71,022	2,916,713
Consultancy fees	27,377	18,697	15,455	19,309	154,938	–	235,776
Other receivables	20,254	33,423	16,208	16,530	34,358	1,166	121,939
Due from related parties	49,838	–	–	–	–	–	49,838
Miscellaneous deposits	1,455	139	141	1,941	41,385	3,762	48,824
Receivable from EEI							
Retirement Fund Inc.	368,094	–	–	–	–	–	368,094
	₱3,329,126	₱501,913	₱193,213	₱98,656	₱433,430	₱75,950	₱4,632,289

The risk that past due receivables from project owners will not be collected 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 or country location of the project. Trade and retention receivables from project owners are normally high standard because of the creditworthiness of project owners and the collection remedy of contractor's lien accorded contractor in certain cases.

The tables below summarize the credit quality of the Group's neither past due nor impaired loans and receivables.

	September 30, 2014		
	Neither Past Due nor Impaired		
(In Thousand Pesos)	**High Grade**	**Standard Grade**	**Total**
Cash and cash equivalents			
Cash in banks	**₱592,328**	**₱–**	**₱592,328**
Short-term investments	**26,922**	**–**	**26,922**
Receivables			
Trade & retention receivables	**1,666,878**	**1,713,273**	**3,380,151**
Consultancy fees	**21,073**	**–**	**21,073**
Other receivables	**4,307**	**3,581**	**7,888**
Due from related parties	**54,137**	**–**	**54,137**
Other current assets			
Miscellaneous deposits	**328**	**73**	**401**
Receivable from EEI Retirement Fund Inc.	**387,552**	**–**	**387,552**
	₱2,753,525	**₱1,716,927**	**₱4,470,452**

	December 31, 2013		
	Neither Past Due nor Impaired		
(In Thousand Pesos)	High Grade	Standard Grade	Total
Cash and cash equivalents			
Cash in banks	₱714,559	₱–	₱714,559
Short-term investments	176,546	–	176,546
Receivables			
Trade & retention receivables	564,312	1,406,691	1,971,003
Consultancy fees	27,377	–	27,377
Other receivables	1,792	18,462	20,254
Due from related parties	49,838	–	49,838
Other current assets			
Miscellaneous deposits	1,348	107	1,455
Receivable from EEI Retirement Fund Inc.	368,094	–	368,094
	₱1,903,866	₱1,425,260	₱3,329,126

Neither past due nor impaired trade receivables (including retention receivables), consultancy fees, other receivables and miscellaneous deposits are classified into 'high grade' and 'standard grade'. Neither past due nor impaired cash and cash equivalents, consultancy fees, due from related parties and receivables from EEI Retirement Fund, Inc. are normally ‘high grade’ in nature. The Group sets financial assets as ‘high grade’ based on the Group’s positive collection experience. On the other hand, ‘standard grade’ are those which have credit history of default in payments.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term and long-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecasts approved by BOD.

The tables below summarize the maturity profile of the Group’s financial assets. The maturity groupings are based on the remaining period from the end of the reporting period to the contractual maturity date.

	September 30, 2014				
(In Thousand Pesos)	**On Demand**	**< 1 year**	**1 to < 2 years**	**Over 2 years**	**Total**
Loans and receivables					
Cash and cash equivalents					
Cash on hand and in banks	**₱593,463**	**₱–**	**₱–**	**₱–**	**₱593,463**
Short-term investments	**26,922**	**–**	**–**	**–**	**26,922**
Receivables					
Trade & retention receivables	**1,911,108**	**1,932,520**	**27,150**	**39,959**	**3,910,737**
Consultancy fees	**–**	**255,686**	**–**	**–**	**255,686**
Other receivables	**45,859**	**35,040**	**–**	**–**	**80,899**
Due from related parties	**54,137**	**–**	**–**	**–**	**54,137**
Miscellaneous deposits	**1,426**	**38,778**	**–**	**–**	**40,204**
Receivable from EEI Retirement Fund Inc.					
Principal		**–**	**–**	**387,552**	**387.552**
Interest	**13.203**	**–**	**-**	**–**	**13.203**
	2,646,118	**2,262,024**	**27,150**	**427,511**	**5,362,803**
AFS securities					
Quoted shares	**23,175**	**–**	**–**	**-**	**23,175**
Unquoted shares	**–**	**15,000**	**–**	**111,879**	**126,879**
	23,175	**15,000**	**–**	**111,879**	**150,054**
	₱2,669,93	**₱2,277,024**	**₱27,150**	**₱539,390**	**₱5,512,857**

	December 31, 2013				
(In Thousand Pesos)	On Demand	< 1 year	1 to < 2 years	Over 2 years	Total
Loans and receivables					
Cash and cash equivalents					
Cash on hand and in banks	₱721,309	₱–	₱–	₱–	₱721,309
Short-term investments	176,546	–	–	–	176,546
Receivables					
Trade & retention receivables	1,177,925	1,575,248	36,919	122,625	2,912,717
Consultancy fees	27,276	208,500	–	–	235,776
Other receivables	49,218	1,802	–	–	51,020
Due from related parties	49,838	–	–	–	49,838
Miscellaneous deposits	3,675	45,157	–	–	48,832
Receivable from EEI Retirement Fund Inc.					
Principal	–	–	–	368,094	368,094
Interest	–	–	18,928	–	18,928
	2,205,787	1,830,707	55,847	490,719	4,583,060
AFS securities					
Quoted shares	20,020	–	–	21,232	41,252
Unquoted shares	15,000	–	–	111,879	126,879
	35,020	–	–	133,111	168,131
	₱2,240,807	₱1,830,707	₱55,847	₱623,830	₱4,751,191

The tables below summarize the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (both principal and interest).

	September 30, 2014				
(In Thousand Pesos)	**On demand**	**< 1 year**	**1 to < 2 years**	**Over 2 years**	**Total**
Accounts payable and accrued expenses	**₱617,235**	**₱2,569,950**	**₱–**	**₱–**	**₱3,187,185**
Bank loans					
Principal	**–**	**2,109,990**	**–**	**–**	**2,109,990**
Interest	**–**	**58,899**	**–**	**–**	**58,899**
Long-term debt					
Peso loan	**–**	**579,377**	**115,092**	**316,502**	**1,010,971**
Interest	**–**	**40,340**	**23,684**	**28,845**	**92,869**
Due to related parties	**72,468**	**–**	**–**	**–**	**72,468**
Lease liability	**508**	**–**	**–**	**–**	**508**
	₱690,211	**₱5,358,556**	**₱138,776**	**₱345,347**	**₱6,532,917**

	December 31, 2013				
(In Thousand Pesos)	On demand	< 1 year	1 to < 2 years	Over 2 years	Total
Accounts payable and accrued expenses	₱445,260	₱1,820,903	₱–	₱–	₱2,266,163
Bank loans					
Principal	–	2,672,000	–	–	2,672,000
Interest	–	83,249	–	–	83,249
Long-term debt					
Peso loan	–	57,546	115,091	402,821	575,458
Interest	–	32,844	28,874	45,983	107,701
Due to related parties	7,028	–	–	–	7,028
Lease liability	1,567	–	–	–	1,567
	₱453,855	₱4,666,542	₱143,965	₱448,804	₱5,713,166

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates (interest rate risk), foreign exchange rates (foreign currency risk) and market prices (equity price risk).

- *Interest Rate Risk*

  The Group's exposure to market rate risk for changes in interest rates relates primarily to the Group's variable short-term and long-term obligations. The Group closely monitors the movements of interest rates, as well as economic factors affecting the trends of these movements. In certain cases, depending on its assessment of future movements of interest rates, the Group would pre-terminate its debt and obtain a new loan facility which provides for either floating or fixed interest rates. This is intended to minimize its financing costs. The Group also monitors its exposure to fluctuations in interest rates by using sensitivity analysis to estimate the impact of interest rate movements on its interest income and expense.

  The Group is exposed to receivables and borrowings with floating interest rates. As at September 30, 2014 and December 31, 2013, the outstanding principal amounted to ₱387.6 million and ₱368.1 million with same last floating interest rate of 5%.

  The following tables set out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

  Peso floating rate receivables

(In Thousand Pesos)	< 1 year	1 to < 2 years	2 to < 3 years	Total
2014	**₱–**	**₱–**	**₱387,552**	**₱387,552**
2013	₱–	₱–	₱368,094	₱368,094

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Group's profit before tax.

	September 30, 2014	
(In Thousand Pesos)	**Increase/decrease in basis points**	**Effect on profit before tax**
Peso floating rate receivables	**+50**	**₱1,938**
	-50	**(1,938)**

	December 31, 2013	
	Increase/decrease in basis points	Effect on profit before tax
Peso floating rate receivables	+50	₱1,840
	-50	(1,840)

The sensitivity analyses shown above are based on the assumption that interest rate movements will be more likely be limited to a fifty basis point upward or downward fluctuation in both 2014 and 2013. The forecasted movements in percentages of interest rates used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months. The effect on the Group's income statement before tax is computed on the carrying value of the Group's floating rate receivables as at September 30, 2014 and December 31, 2013.

There are no other effects of the interest rate sensitivity on the Group's equity other than those already affecting the consolidated statements of income.

- *Foreign Currency Risk*
  Currency risk is the potential decline in the value of the financial instruments due to exchange rate fluctuations. The Group's currency arise mainly from cash and receivables which are denominated in a currency other than the Group's functional currency or will be denominated in such a currency.

  The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar (USD), Singapore dollar (SGD), Euro (EUR) and Japan yen (YEN) currency 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):

	September 30, 2014	
(In Thousand Pesos)	**Percentage increase/decrease in foreign currency**	**Effect on profit before tax (in PHP)**
USD	**+4.8%**	**10,550**
SGD	**+0.1%**	**8**
EUR	**+6.4%**	**61**
YEN	**+1.9%**	**1**
USD	**-4.8%**	**(10,550)**
SGD	**-0.1%**	**(8)**
EUR	**-6.4%**	**(61)**
YEN	**-1.9%**	**(1)**

	December 31, 2013	
	Percentage increase/decrease in foreign currency	Effect on profit before tax (in PHP)
USD	+0.6%	9,414
SGD	+5.8%	20
EUR	+2.0%	45
YEN	+16.5%	3
USD	-0.6%	(9,414)
SGD	-5.8%	(20)
EUR	-2.0%	(45)
YEN	-16.5%	(3)

The sensitivity analyses shown above are based on the assumption that the movements in US dollars, Singapore dollars, Euro and Japan yen will more likely be limited to the upward or downward fluctuation of 4.8%, 0.1%, 6.4% and 1.9%, respectively, in 2014, and 0.6%,5.8%, 2.0%, and 16.5%in 2013. The forecasted movements in percentages used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months.

The effect on the Group's income before tax is computed on the carrying value of the Group's foreign currency denominated financial assets and financial liabilities as at September 30, 2014 and December 31, 2013.

There are no other effects of the foreign currency sensitivity on the Group's equity other than those already affecting the consolidated statements of income. The Group's exposure to foreign currency changes for all other currencies is not material.

The foreign currency denominated financial assets and financial liabilities in original currencies and equivalents to the functional and presentation currency are as follows:

	September 30, 2014				
(In Thousand)	**USD**	**SGD**	**EUR**	**YEN**	**Equivalents in PHP**
Financial assets					
Cash and cash equivalents	**$2,103**	**S$249**	**€17**	**¥169**	**₱107,876**
Receivables	**2,957**	**–**	**–**	**–**	**132,969**
	5,060	**249**	**17**	**169**	**240,845**
Financial liabilities					
Accounts payable and accrued expenses	**164**	**–**	**–**	**–**	**7,369**
	$4,896	**S$249**	**€17**	**¥169**	**₱233,476**

	December 31, 2013				
(In Thousand)	USD	SGD	EUR	YEN	Equivalents in PHP
Financial assets					
Cash and cash equivalents	$19,058	S$251	€5	¥169	₱41,302
Receivables	4,841	8	9	–	200,193
	23,899	259	14	169	241,495
Financial liabilities					
Accounts payable and accrued expenses	67	–	–	–	2,971
	$23,832	S$259	€14	¥169	₱238,524

- *Equity Price Risk*

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

  Quoted AFS 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 analyses below are performed for reasonably possible movements in the PSE index with all other variables held constant, showing the impact on equity.

(In Thousand Pesos)	**September 30, 2014**	
Market Index	**Change in variable**	**Effect on equity**
PSE	**+25%**	**₱2,836**
	-25%	**(2,836)**
Others	**+1%**	**159**
	-1%	**(159)**

	December 31, 2013	
Market Index	Change in variable	Effect on equity
PSE	+1%	₱102
	-1%	(102)
Others	+4%	307
	-4%	(307)

The sensitivity analyses shown above are based on the assumption that the movement in PSE composite index and other quoted AFS securities will be most likely be limited to an upward or downward fluctuation of 25% and 1% as of September 2014, and 1% and 4% in December 2013. The Group, used as basis of these assumptions, the annual percentage change in PSE composite index and annual percentage change of quoted prices as obtained from published quotes of golf and club shares.

The impact of sensitivity of equity prices on the Group's equity already excludes the impact on transactions affecting the consolidated statements of income.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains 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. No changes were made in the objectives, policies or processes as of September 30, 2014 and December 31, 2013.

The Group monitors capital using a debt to equity ratio, which is total liabilities divided by total equity. Although some of the Group's loan agreements with banks provide for a maximum debt-to-equity ratio of 5:1, the Group's policy is to maintain it at a lower ratio.

(In Thousand Pesos)	**September 30, 2014**	December 31, 2013
Current liabilities	**₱9,872,895**	₱6,935,078
Noncurrent liabilities	**1,063,428**	882,762
Total liabilities (a)	**10,936,323**	7,817,840
Equity (b)	**6,228,237**	5,783,115
Debt to Equity Ratio (a/b)	**1.76:1**	1.35:1

Signed:

REBECCA R. TONGSON
VP & CONTROLLER

EEI CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AS AMENDED
SEPTEMBER 30, 2014

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68, as Amended (2011) that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets

The Group is not required to disclose the financial assets in equity securities as the total available-for-sale securities amounting ₱150.1 million do not constitute 5% or more of the total noncurrent assets of the Group as at September 30, 2014.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Below is the schedule of advances to employees of the Group with balances ₱100,000 and above as at September 30, 2014:

Name	Balance at beginning of the year	Additions	Collections / Liquidations	Balance at the end of period
Macapagal, Norman K. (Senior Vice President)	₱1,532,053	₱1,042	₱-	₱1,533,095
Mercado, Oscar D. (Senior Vice President)	1,441,523	3,129	(3,129)	1,441,523
Apolonio, Ferdinand D. (Group Manager)	1,119,622	2,000,000	(59,530)	3,060,092
Munji, Divina F. (Vice President)	836,376	14,284	(8,638)	842,022
Cabrera, Lovette O. (Project Manager)	590,872	15,571	(22,903)	583,540
San Miguel, Simon Elmer D. (Assistant Vice President)	489,035	-	-	489,035
Villarin, Pantaleon T. Jr. (Manager)	150,000	19,450	-	169,450
Castro, Romeo E. (Supervisor)	121,512	-	-	121,512
Alonzo, Antonina J. (Group Supervisor)	121,292	40,000	-	161,292
Canero, Raul C. (Supervisor)	117,460	-	-	117,460
Burgos, Manuel B. (Construction Manager)	108,150	-	-	108,150
Zulueta, Reynaldo S. (Accounting Supervisor)	-	400,000	(56,739)	343,261
Albarda, John Christian L. (Junior Cost Engineer)	-	348,232	(80,773)	267,459
Largosta, Christopher M. (Accounting Supervisor)	-	320,000	(68,607)	251,393
De Guzman, Justino B. (Project Manager)	-	250,745	(72,701)	178,044
Undag, Oriel T. (Supervisor, Forms & Scaf.)	-	205,226	(77,625)	127,601
Lamio, Amor C. (Foreman, Gen. Tools Controller)	-	160,000	(6,000)	154,000
Sunga, Renato Z. (HRD Training Supervisor)	-	146,913	(24,592)	122,321
Edorot, Rico C. (Construction Superintendent)	-	131,477	-	131,477
Royeras, Fenton V. (Construction Superintendent)	-	100,000	-	100,000
Saringo, Alberto C. (Vice-President)	-	140,000	-	140,000
Constantino, Edwin P. (VP & CPO - SCM)	-	232,655	-	232,655
Libre, Saturnino A. (Construction Manager)	-	313,364	-	313,364
Solijon, Eduardo S. (Supervisor - Mechanical)	-	164,000	-	164,000
Total	₱6,627,895	₱5,006,088	(₱481,237)	₱11,152,746

The amounts of advances to employees as shown above are classified under current assets.

There were no amounts written off during the year.

Schedule C. Amounts Receivable from/Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements

The following is the schedule of receivables from related parties, which are eliminated in the consolidated financial statements as at September 30, 2014:

Name and Designation of Debtor	Balance at beginning of the year	Additions	Amounts Collected	Balance at the end of period
Equipment Engineers, Inc.	₱16,029,551	₱6,195,147	(₱9,398,556)	₱12,826,141
EEI Construction & Marine, Inc.	6,333,106	2,352,830	(1,627,997)	7,057,940
Gulf Asia International Corp.	47,961,661	900,978	(5,659,954)	43,202,685
GAIC Manpower Services Inc.	2,281,152	-	(2,281,152)	-
EEI Power Corp.	15,601,391	81,616,058	-	97,217,449
EEI Realty Corp	104,990,402	1,538,452	(16,578,892)	89,949,962
EEI BVI Ltd.	8,999,194	190,282,975	(174,373,802)	24,908,367
Philmark, Inc.	33,704,596	-	-	33,704,596
Philrock Construction & Services, Inc.	42,114,096	-	-	42,114,096
Bagumbayan Equipment Industrial Products, Inc.	24,876	-	-	24,876
EEI Corporation (GUAM) Inc.	2,174,152	11,846	-	2,185,999
EEI Singapore Pte Ltd.	4,872	398	-	5,270
EEI Subic Corporation	913,562	6,050	-	919,612
Total	**₱281,132,611**	**₱282,904,734**	**(₱209,920,353)**	**₱354,116,993**

The amounts of receivables from related parties as shown above are expected to be realized within twelve months from the reporting date and are classified under current assets. There were no amounts written off during the year.

The following is the schedule of payable to related parties, which are eliminated in the consolidated financial statements as at September 30, 2014:

Name and Designation of Creditor	Balance at beginning of the year	Additions	Amounts paid	Balance at the end of period
Equipment Engineers, Inc.	₱99,027,414	₱63,699,208	(₱74,475,437)	₱88,251,185
EEI Construction & Marine, Inc.	123,452,394	130,509,126	(75,884,384)	178,077,136
Gulf Asia International Corp.	2,012,266	20,230,211	(21,849,011)	393,465
GAIC Manpower Services Inc.	804,943	3,205,219	(3,605,516)	404,646
EEI Power Corp.	16,795	-	(16,795)	-
EEI Realty Corp	176,574	334,634	(315,426)	195,783
EEI BVI Ltd.	730,665,122	210,486,620	(68,805,368)	872,346,374
EEI Subic Corporation	90,000,000	-	-	90,000,000
Bagumbayan Equipment Industrial Products, Inc.	1,524,488	31,117	(33,455)	1,522,150
Total	**₱1,047,679,996**	**₱428,496,135**	**(₱244,985,392)**	**₱1,231,190,739**

The amounts of payable to related parties as shown above are expected to be realized within twelve months from the reporting date and are classified under current assets. There were no amounts written off during the year.

Schedule D. Intangible Asset

The Group has intangible asset amounting ₱12.7 million as at September 30, 2014.

Description	Beginning balance	Additions of cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Software Cost (included in "Other Noncurrent Asset" account in the statement of financial position	₱20,234,912	₱ -	(₱7,554,911)	₱ -	₱ -	₱12,680,001

Schedule E. Long-term Debt

Below is the schedule of long-term debt of the Group as of September 30, 2014:

Type of Obligation	Amount	Current	Noncurrent	Collateral
Peso-denominated seven (7) year term loan, payable quarterly starting May 07, 2014 with an interest rate of 5.17% per annum.	₱428,571,429	(₱35,714,286)	₱464,285,715	Clean basis
Peso-denominated seven (7) year term loan, payable quarterly starting June 2014 with interest of 6% per annum inclusive of two-year grace period on principal amortization	517,912,200	(28,772,900)	546,685,100	Machinery and construction equipment of the Parent Company (₱789.6 million) and merchandise stocks of Equipment Engineers, Inc. (₱82.7 million)
	₱946,483,629	(₱64,487,186)	₱1,010,970,815	

Schedule F. Guarantees of Securities of Other Issuers

There are no guarantees of securities of other issuing entities by the Group as at September 30, 2014.

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	2,000,000,000	1,036,281,485	35,000,000	561,941,253	3,480,388	470,859,844
Preferred Shares	240,000,000	–	–	–	–	–

EEI CORPORATION AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT SEPTEMBER 30, 2014 and DECEMBER 31, 2013

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the period ended September 30, 2014 and December 31, 2013:

Financial ratios		**09.30.14**	12.31.13
Current ratio	Current assets / Current liabilities	**1.09:1**	1.08:1
Solvency ratio	Net income plus depreciation / Total liabilities	**0.07:1**	0.16:1
Debt to equity ratio	Total liabilities / Total equity	**1.76:1**	1.35:1
Asset-to-equity ratio	Total assets / Total equity	**2.76:1**	2.35:1
Interest rate coverage ratio	EBIT* / Interest expense	**8.45:1**	29.54:1
Return on assets	Net income / Average total assets	**3%**	7%
Return on equity	Net income / Average total equity	**8%**	17%

**Earnings before interest and taxes (EBIT)*

EEI CORPORATION AND SUBSIDIARIES

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

AS OF SEPTEMBER 30, 2014

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Unappropriated Retained Earnings of the Parent Company, *as adjusted to available for dividend distribution, beginning*	1,544,289,231
Add: Net income actually earned/realized during the period	284,475,373
Less: Dividend declarations during the period	207,280,277
Total Parent Company Unappropriated Retained Earnings Available For Dividend Declaration, End	**₱1,621,484,327**

EEI CORPORATION AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PFRS AS AT SEPTEMBER 30, 2014

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of September 30, 2014:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		√		
PFRSs Practice Statement Management Commentary				√
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			√
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			√
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			√
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			√
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			√
	Amendments to PFRS 1: Government Loans			√
PFRS 2	Share-based Payment			√
	Amendments to PFRS 2: Vesting Conditions and Cancellations			√
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			√
PFRS 3 (Revised)	Business Combinations			√
PFRS 4	Insurance Contracts			√
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			√
PFRS 6	Exploration for and Evaluation of Mineral Resources			√
PFRS 7	Financial Instruments: Disclosures	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	√		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	√		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	√		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	√		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	√		
PFRS 8	Operating Segments	√		
PFRS 9	Financial Instruments		√	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		√	
PFRS 10	Consolidated Financial Statements	√		
PFRS 11	Joint Arrangements	√		
PFRS 12	Disclosure of Interests in Other Entities	√		
PFRS 13	Fair Value Measurement	√		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	√		
	Amendment to PAS 1: Capital Disclosures	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	√		
PAS 2	Inventories	√		
PAS 7	Statement of Cash Flows	√		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	√		
PAS 10	Events after the Reporting Date	√		
PAS 11	Construction Contracts	√		
PAS 12	Income Taxes	√		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			√
PAS 16	Property, Plant and Equipment	√		
PAS 17	Leases	√		
PAS 18	Revenue	√		
PAS 19	Employee Benefits	√		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	√		
PAS 19 (Amended)	Employee Benefits	√		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			√
PAS 21	The Effects of Changes in Foreign Exchange Rates	√		
	Amendment: Net Investment in a Foreign Operation			√
PAS 23 (Revised)	Borrowing Costs	√		
PAS 24 (Revised)	Related Party Disclosures	√		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			√
PAS 27	Consolidated and Separate Financial Statements	√		
PAS 27 (Amended)	Separate Financial Statements	√		
PAS 28	Investments in Associates	√		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	√		
PAS 29	Financial Reporting in Hyperinflationary Economies			√
PAS 31	Interests in Joint Ventures	√		
PAS 32	Financial Instruments: Disclosure and Presentation	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendment to PAS 32: Classification of Rights Issues			√
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		√	
PAS 33	Earnings per Share	√		
PAS 34	Interim Financial Reporting	√		
PAS 36	Impairment of Assets	√		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	√		
PAS 38	Intangible Assets	√		
PAS 39	Financial Instruments: Recognition and Measurement	√		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	√		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			√
	Amendments to PAS 39: The Fair Value Option			√
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			√
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			√
	Amendment to PAS 39: Eligible Hedged Items			√
PAS 40	Investment Property	√		
PAS 41	Agriculture			√
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			√
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			√
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	√		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			√
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			√
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			√
IFRIC 8	*Scope of PFRS 2*			√
IFRIC 9	Reassessment of Embedded Derivatives			√
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			√
IFRIC 10	*Interim Financial Reporting and Impairment*			√
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			√
IFRIC 12	Service Concession Arrangements			√
IFRIC 13	Customer Loyalty Programmes			√
IFRIC 14	The Limit on a Defined Becedricnefit Asset, Minimum Funding Requirements and their Interaction			√
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			√
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			√
IFRIC 17	Distributions of Non-cash Assets to Owners			√
IFRIC 18	Transfers of Assets from Customers			√
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			√
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			√
SIC-10	Government Assistance - No Specific Relation to Operating Activities			√
SIC-12	Consolidation - Special Purpose Entities			√
	Amendment to SIC - 12: Scope of SIC 12			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			√
SIC-15	Operating Leases - Incentives			√
SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets			√
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			√
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			√
SIC-29	Service Concession Arrangements: Disclosures.			√
SIC-31	Revenue - Barter Transactions Involving Advertising Services			√
SIC-32	Intangible Assets - Web Site Costs			√

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions for the period ended September 30, 2014.

Standards tagged as “Not adopted” are standards issued but not yet effective as of September 30, 2014. The Group will adopt the Standards and Interpretations when these become effective.

EEI CORPORATION AND SUBSIDIARIES

MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as at September 30, 2014: