



110262016000170



# SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Company Name HOLCIM PHILIPPINES, INC.  
Industry Classification  
Company Type Stock Corporation

## Document Information

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SECURITIES AND EXCHANGE COMMISSION

FORM 17-Q

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

1. For the quarterly period ended September 30, 2016
2. Commission identification number 026126 3. BIR Tax Identification No 000-121-507-000
4. Exact name of issuer as specified in its charter HOLCIM PHILIPPINES, INC.
5. Province, country or other jurisdiction of incorporation or organization Manila, Philippines
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office Postal Code  
7<sup>th</sup> Floor Two World Square, McKinley Hill, Fort Bonifacio, Taguig City 1634
8. Issuer's telephone number, including area code (632) 459-3333
9. Former name, former address and former fiscal year, if changed since last report N. A.
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	6,452,099,144

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

Yes  No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange, Inc.

Common Shares

12. Indicate by check mark whether the registrant:

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

Yes  No

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

Yes  No

## PART I- FINANCIAL INFORMATION

### Item 1. Financial Statements.

- Exhibit I – Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015
- Exhibit II – Consolidated Statements of Income for the quarters ended September 30, 2016 and 2015 and for the nine (9) months ended September 30, 2016 and 2015
- Exhibit III – Consolidated Statements of Comprehensive Income for the quarters ended September 30, 2016 and 2015 and for the nine (9) months ended September 30, 2016 and 2015
- Exhibit IV – Consolidated Statements of Changes in Stockholders' Equity for the nine (9) months ended September 30, 2016 and 2015
- Exhibit V – Consolidated Statements of Cash Flows for the nine (9) months ended September 30, 2016 and 2015
- Exhibit VI – Aging of Trade and Other Receivables as of September 30, 2016

HOLCIM PHILIPPINES, INC.  
CONSOLIDATED BALANCE SHEETS  
As of September 30, 2016 and December 31, 2015  
(In Thousands)

	30 Sep 2016	31 Dec 2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P5,415,573	P2,540,198
Trade and other receivables – net	3,730,598	3,418,211
Inventories	3,687,391	3,942,552
Other current assets	829,633	644,576
<b>Total Current Assets</b>	<b>13,663,195</b>	<b>10,545,537</b>
<b>Noncurrent Assets</b>		
Investments	4,414,798	4,195,154
Property, plant and equipment – net	15,714,047	16,018,648
Goodwill	2,635,738	2,635,738
Intangibles – net	44,610	55,965
Deferred tax assets	363,977	365,113
Other noncurrent assets	278,552	263,616
<b>Total Noncurrent Assets</b>	<b>23,451,722</b>	<b>23,534,234</b>
	<b>37,114,917</b>	<b>34,079,771</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Notes payable	-	999,831
Trade and other payables	7,405,742	6,545,982
Dividends payable	3,513,515	-
Income tax payable	707,457	824,141
<b>Total Current Liabilities</b>	<b>11,626,714</b>	<b>8,369,954</b>
<b>Noncurrent Liabilities</b>		
Retirement benefits liabilities	574,720	553,437
Provisions	126,547	183,282
Deferred tax liabilities	2,932	3,632
<b>Total Noncurrent Liabilities</b>	<b>704,199</b>	<b>740,351</b>
<b>Equity Attributable to Equity Holders of Parent</b>		
Capital stock	6,452,099	6,452,099
Additional paid-in capital	8,476,002	8,476,002
Remeasurement loss on retirement benefits - net	(135,840)	(135,840)
Other reserves	(6,776)	(9,606)
Retained earnings	9,991,778	10,178,725
	<b>24,777,263</b>	<b>24,961,380</b>
<b>Noncontrolling Interest</b>	<b>6,741</b>	<b>8,086</b>
<b>Total Stockholders' Equity</b>	<b>24,784,004</b>	<b>24,969,466</b>
	<b>P37,114,917</b>	<b>P34,079,771</b>

HOLCIM PHILIPPINES, INC.  
CONSOLIDATED STATEMENTS OF INCOME  
For the quarters ended September 30, 2016 and 2015  
And for the nine (9) months ended September 30, 2016 and 2015  
(In Thousands, Except Per Share Data)

	Quarter Ended		Nine (9) Months Ended	
	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
<b>Net Sales</b>	<b>₱9,985,009</b>	<b>₱9,996,455</b>	<b>₱30,814,719</b>	<b>₱27,991,732</b>
Cost of sales	6,636,208	6,929,764	20,637,484	19,017,762
<b>Gross Profit</b>	<b>3,348,801</b>	<b>3,066,691</b>	<b>10,177,235</b>	<b>8,973,970</b>
Operating expenses	561,203	556,068	1,647,345	1,661,922
<b>Operating EBITDA</b>	<b>2,787,598</b>	<b>2,510,623</b>	<b>8,529,890</b>	<b>7,312,048</b>
Depreciation and amortization	332,892	349,091	986,742	992,540
<b>Income from Operations</b>	<b>2,454,706</b>	<b>2,161,532</b>	<b>7,543,148</b>	<b>6,319,508</b>
Other income (expenses)				
Net financial income (expense)	3,800	14,266	(24,423)	5,404
Other income	30,557	1,893	105,637	107,869
Total	34,357	16,159	81,214	113,273
<b>Income before Income Tax</b>	<b>2,489,063</b>	<b>2,177,691</b>	<b>7,624,362</b>	<b>6,432,781</b>
Provision for income tax				
Current	724,584	698,745	2,194,423	1,915,975
Deferred	529	(50,679)	435	(40,067)
	725,113	648,066	2,194,858	1,875,908
<b>Income Before Minority Interest</b>	<b>1,763,950</b>	<b>1,529,625</b>	<b>5,429,504</b>	<b>4,556,873</b>
Noncontrolling interest	(179)	(316)	(826)	(1,165)
<b>Net Income</b>	<b>₱1,763,771</b>	<b>₱1,529,309</b>	<b>₱5,428,678</b>	<b>₱4,555,708</b>
<b>Basic/Diluted Earnings Per Share (EPS)</b>				
Computation of EPS:				
(a) Net income applicable to common shareholders	<b>₱1,763,771</b>	<b>₱1,529,309</b>	<b>₱5,428,678</b>	<b>₱4,555,708</b>
(b) Common shares issued and outstanding	6,452,099	6,452,099	6,452,099	6,452,099
<b>EPS [(a)/(b)]</b>	<b>₱0.273</b>	<b>₱0.237</b>	<b>₱0.841</b>	<b>₱0.706</b>

HOLCIM PHILIPPINES, INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the quarters ended September 30, 2016 and 2015  
And for the nine (9) months ended September 30, 2016 and 2015  
(In Thousands)

	Quarter Ended		Nine (9) Months Ended	
	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
<b>Net Income</b>	<b>₱1,763,950</b>	<b>₱1,529,625</b>	<b>₱5,429,504</b>	<b>₱4,556,873</b>
<b>Other Comprehensive Income (Loss)</b>	-	-	-	-
<b>Total Comprehensive Income</b>	<b>₱1,763,950</b>	<b>₱1,529,625</b>	<b>₱5,429,504</b>	<b>₱4,556,873</b>
Attributable to:				
Equity holders of Parent Company	₱1,763,771	₱1,529,309	₱5,428,678	₱4,555,708
Noncontrolling interest	179	316	826	1,165
	<b>₱1,763,950</b>	<b>₱1,529,625</b>	<b>₱5,429,504</b>	<b>₱4,556,873</b>

HOLCIM PHILIPPINES, INC.  
 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
 For the nine (9) months ended September 30, 2016 and 2015  
*(In Thousands)*

	Jan-Sep 2016	Jan-Sep 2015
<b>Capital Stock</b>		
Common Stock		
Balance at beginning of period	P6,452,099	P6,452,099
Issuances (Retirement)	-	-
Balance at end of period	<b>6,452,099</b>	<b>6,452,099</b>
<b>Additional Paid-in Capital</b>		
Balance at beginning of period	8,476,002	8,476,002
Issuances (Retirement)	-	-
Balance at end of period	<b>8,476,002</b>	<b>8,476,002</b>
<b>Other comprehensive loss</b>	<b>(135,840)</b>	<b>(174,986)</b>
<b>Other reserves</b>	<b>(6,776)</b>	<b>(10,570)</b>
<b>Retained Earnings</b>		
Balance at beginning of period	10,178,725	7,337,162
Cash dividends	(5,615,625)	(5,295,940)
Net income	5,428,678	4,555,708
Balance at end of period	<b>9,991,778</b>	<b>6,596,930</b>
<b>Noncontrolling Interest</b>	<b>6,741</b>	<b>9,121</b>
	<b>P24,784,004</b>	<b>P21,348,596</b>



HOLCIM PHILIPPINES, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the nine (9) months ended September 30, 2016 and 2015  
(In Thousands)

	Jan-Sep 2016	Jan-Sep 2015
<b>Operating Activities</b>		
<b>Income before income tax for the period</b>	<b>₱7,624,362</b>	<b>₱6,432,781</b>
Adjustments to reconcile net income to cash		
Depreciation and amortization	986,742	992,540
Other items (net)	(2,235,252)	(1,511,837)
Changes in current assets and liabilities	473,611	(234,380)
<b>Cash provided by operating activities</b>	<b>6,849,463</b>	<b>5,679,104</b>
<b>Investing Activities</b>		
Net additions to plant, property and equipment	(860,667)	(1,274,054)
Decrease in other investing activities	(15,092)	(2,472,462)
<b>Cash used in investing activities</b>	<b>(875,759)</b>	<b>(3,746,516)</b>
<b>Financing Activities</b>		
Dividends paid	(2,102,110)	(5,295,940)
Payment of short-term loans	(999,831)	(1,113,000)
Proceeds from short-term loans	-	1,643,848
Proceeds from long-term loans	-	2,975,000
<b>Cash used in financing activities</b>	<b>(3,101,941)</b>	<b>(1,790,092)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,871,763</b>	<b>142,496</b>
<b>Cash and cash equivalents, beginning</b>	<b>2,540,198</b>	<b>2,698,207</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>3,612</b>	<b>(1,146)</b>
<b>Cash and cash equivalents, end</b>	<b>₱5,415,573</b>	<b>₱2,839,557</b>

HOLCIM PHILIPPINES, INC  
Aging of Trade and Other Receivables  
As of September 30, 2016  
(In Thousands)

	<b>Total</b>	<b>Current</b>	<b>1-30 days</b>	<b>31-60 days</b>	<b>Over 60 days</b>
<b>Trade Receivables</b>	<b>₱3,845,077</b>	<b>₱2,832,357</b>	<b>₱101,409</b>	<b>₱28,474</b>	<b>₱882,837</b>
<b>Other Receivables</b>	<b>108,125</b>	<b>5,649</b>	<b>-</b>	<b>42,887</b>	<b>59,589</b>
<b>Total</b>	<b>3,953,202</b>	<b>₱2,838,006</b>	<b>₱101,409</b>	<b>₱71,361</b>	<b>₱942,426</b>
<b>Allowance for Doubtful Accounts</b>	<b>(222,604)</b>				
<b>Net Receivables</b>	<b>₱3,730,598</b>				

Certified correct:

  
 Jesusa Natividad L. Rojas  
 Chief Financial Officer

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### Results of Operations

Based on internal estimates, the cement industry demand grew by 11% in the third quarter of 2016 compared to the same period of last year. Cement industry continues to grow on the back of strong public and private infrastructure spending. As at end of the third quarter, the Company posted total net sales of ₱30.8 billion, higher by 10% compared to the ₱28.0 billion reported in the same period last year. Cost of goods sold grew at same pace with volume growth supported by higher local production, implemented operational efficiencies and margin optimization initiatives. The Company achieved a total operating EBITDA of ₱8.5 billion as of September 2016, or 17% higher against same period of last year. Net income after tax stood at ₱5.4 billion giving earnings per share of ₱0.84, or higher by 18.3% compared to last year.

### Financial Position

The Company's financial position remains healthy with very liquid cash position and strong asset utilization ratio as it continues to generate high revenues. Total assets stood at ₱37.1 billion, 9% higher from end of 2015, mainly due to higher cash balance brought about by cash generated from operations.

### Cash Flow Generation

The Company's cash requirements have been mainly sourced through cash flow from operations. Overall, cash increased mainly due to operations, net of full payment of short term loan, capital spending, and dividends payment. Please refer to the attached statement of cash flow for more details.

### Key Performance Indicators

The comparative financial KPI's of the Company for the periods ended September 30, 2016 and 2015 were as follows:

Financial KPI	Definition	For the period ended September 30	
		2016	2015
<u>Profitability</u>			
Return on Equity (ROE)	Net Income Ave. Total Shareholders' Equity	21.8%	21.0%
Return on Asset (ROA)	Net Income Average Total Assets	15.3%	13.8%
<u>Efficiency</u>			
EBITDA Margin	Operating EBITDA Net Sales	27.7%	26.1%
<u>Liquidity</u>			
Gearing	Net Financial Debt (Asset) Stockholders' Equity	(19.9%)	15.2%
EBITDA Net Interest Cover	Operating EBITDA Net Interest	646.8 times	192.7 times

## Profitability and Efficiency

Both profitability and efficiency indicators increased compared to the same period last year with ROE and ROA increasing by 0.8 basis points and 1.5 basis points respectively, due to higher income generated from operations.

## Liquidity

The Company's liquidity position remained strong evidenced by significant cash balance.

## **Notes to Financial Statements**

### **1. Summary of Significant Accounting Policies**

These condensed consolidated interim financial statements have been prepared in accordance with PAS 34 *Interim Financial Reporting* and do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2015.

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments effective beginning January 1, 2016:

#### *Deferred*

- 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. Adoption of the interpretation will not have any impact on the consolidated financial statements of the Company.

- PFRS 10, "Consolidated Financial Statements" and PAS 28, "Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the IASB deferred indefinitely the effective date of these amendments pending the final outcome of the IASB's research project on International Accounting Standards 28. Adoption of these amendments will not have any impact on the consolidated financial statements.

#### *Effective in 2016*

- PAS 16, "Property, Plant and Equipment", and PAS 38, "Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization" (Amendments)

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact to the Company given that the Company is not using a revenue-based method to depreciate its noncurrent assets.

- PAS 16, "Property, Plant and Equipment", and PAS 41, "Agriculture - Bearer Plants" (Amendments)

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, "Accounting for Government Grants and Disclosure of Government Assistance", will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact to the Company as the Company does not have any bearer plants.

- PAS 27, "Separate Financial Statements - Equity Method in Separate Financial Statements" (Amendments)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact on the Company's consolidated financial statements.

- PFRS 11, "Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations" (Amendments)

The amendments to PFRS 11 require that a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. These amendments do not have any impact to the Company.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 14, "Regulatory Deferral Accounts"

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard is not applicable.

- PAS 1, "Presentation of Financial Statements – Disclosure Initiative" (Amendments)

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. Adoption of these amendments does not have a significant impact on the consolidated financial statements.

- PFRS 10, "Consolidated Financial Statements", PFRS 12, "Disclosure of Interests in Other Entities", and PAS 28, "Investments in Associates and Joint Ventures" – "Investment Entities: Applying the Consolidation Exception" (Amendments)

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Company since the Company is not an investment entity nor does it have investment entity associates.

- Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and do not have a material impact on the Company. They include:

- PFRS 5, "Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal"

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, "Financial Instruments: Disclosures - Servicing Contracts"

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7, "Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements" (Amendments)

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, "Employee Benefits - Regional Market Issue Regarding Discount Rate"

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, "Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'"

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

#### *Effective in 2018*

- PFRS 9, "Financial Instruments"

In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 (2014 version) will have an effect on the classification and measurement of the Group's financial assets but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption of the other phases of the project is not expected to have any significant impact on the Company's consolidated financial statements. The Company is currently assessing the impact of adopting this standard.

The following new standard and amendments issued by the IASB has not yet been adopted by the FRSC.

- International Financial Reporting Standards (IFRS) 15, "Revenue from Contracts with Customers"

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017, with early adoption permitted.

- IFRS 16, "Leases"

IFRS 16 was issued in January 2016. Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17. Rather, leases will apply the single-asset model, wherein lessees will recognize the assets and the related liabilities for most leases in their balance sheets and, subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

The Company is currently assessing the impact of IFRS 15 and IFRS 16 and plans to adopt the new and amended standards on their required effective dates once adopted locally.

## **2. Seasonality Aspects of the Business**

Like any other Company in the construction industry, the operations of HPI are affected by seasonality. Normally, during the months starting December to May, demand for cement is greater than the rainy months from June to November.

### **3. Financial Risk Management Objectives and Policies**

#### General Risk Management Approach

The Company is exposed to various financial risks, which include the effect of changes in debt structure, equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential and adverse effects on the financial performance of the Company. The Company does not enter into other derivative or financial transactions which are unrelated to its operating business as a risk-averse approach is pursued.

Financial risk management of the Company is governed by policies approved by management. It provides principles for overall risk management, as well as policies covering specific risk areas such as interest rate risk, foreign exchange risk, counterparty risk, and use of derivative financial instruments and investing assets in excess of liquidity requirements.

The Company's principal financial instruments, other than derivatives, consist of cash and cash equivalents, notes payable. The main purpose of these financial instruments is to raise funds for the Company's operations. The Company also has various other financial assets and liabilities such as trade and other receivables, advances to employees, guarantee deposits, restricted cash, trade and other payables and advances from customers which arise directly from operations.

The main risks arising from the Company's financial instruments are market risks (which include foreign currency risk and interest rate risk), credit risk and liquidity risk. The Board of Directors (BOD) reviews and approves the policies for managing each of these risks and they are summarized below.

#### Market Risks

The Company is exposed to market risks, such as foreign currency, interest rate and equity price risks. To manage volatility relating to these exposures, the Company enters into derivative financial instruments, when necessary. The Company's objective is to reduce, where appropriate, fluctuations in earnings and cash flows associated with changes in foreign currency, interest rate and equity price.

#### Foreign Currency Risks

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

The Company has foreign-exchange exposures, arising primarily from purchases of goods and services in currencies other than the Peso that leads to currency translation effects. The Company may hedge certain foreign currency-denominated borrowings or other instruments by entering into derivative transactions.

Due to the local nature of the cement business, transaction risk is limited. However, income may primarily be in local currency whereas debt servicing and significant amount of capital expenditures may be in foreign currencies. As a consequence thereof, the Company may enter into derivative contracts whenever necessary, which may be designated either as cash flow hedges or fair value hedges, as appropriate.

As of September 30, 2016, the Company has minimal assets and liabilities exposed to foreign currency risks.

#### Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.



The Company is exposed to fluctuations in financing costs and market value movements of its debt portfolio related to changes in market interest rates. The Company's interest rate exposure is mainly addressed through the steering of the fixed/floating ratio of net debt. To manage this mix, the Company may enter into derivative transactions, as appropriate. As of September 30, 2016, the Company has minimal financial instruments that are exposed to interest rate risk.

#### Credit Risk

Credit risk is the risk that counterparties may not be able to settle their obligations as agreed. To manage this risk, the Company periodically assesses the financial reliability of customers.

The Company constantly monitors its credit risk exposures. Counterparties to financial instruments consist of a large number of major financial institutions. The Company does not expect any counterparties to fail to meet their obligations, given their high credit ratings, which are normally covered by security in the form of cash bonds, bank undertaking and letters of credit. In addition, the Company has no significant concentration of credit risk with any single counterparty or group of counterparties.

The maximum and minimum exposure to credit risk is represented by the carrying amount of each financial asset.

The Company trades only with recognized, credit-worthy third parties. It is the Company's policy that all third party customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to reduce the Company's exposure to bad debts to minimal.

With respect to credit risk arising from the other financial assets of the Company, which consist of due from related parties, advances to employees, AFS financial assets, and guarantee and refundable deposits, the Company's exposures arise from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

#### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its contractual obligations and commitments. The seasonality of revenue generation exposes the Company to shortage of funds during slack season. The Company monitors this risk using a recurring liquidity planning tool. This tool considers the maturity of both its financial assets and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank credit facilities, finance leases and purchase contracts. It is responsible for its own cash surpluses and the raising of loans to cover cash deficits, subject to policies and guidelines approved by management and in certain cases at the BOD level.

The Company maintains sufficient reserves of cash and cash equivalents, which are short-term in nature, unused credit lines and readily available marketable securities to meet its liquidity requirements at all times. In addition, the strong credit worthiness of the Company allows it to make efficient use of the financial markets for financing purposes. As of September 30, 2016, the Company has unutilized credit facilities of ₱11.8 billion.

#### Capital Management Policy

The Company considers equity attributable to the equity holders of the Parent Company as its capital. The Company's objectives when managing capital are to secure the Company's ongoing financial needs to continue as a going concern as well as to cater for its growth targets in order to provide returns to shareholders and benefits for other stakeholders and to maintain a cost-efficient and risk-optimized capital structure.

The Company manages the capital structure and makes adjustments to it in light of the changes in economic conditions, its business activities, investment and expansion program and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital, among others, on the basis of gearing ratio.

#### 4. Financial Assets and Liabilities

##### Fair Value of Financial Instruments

The estimated fair value of each class of the Company's financial instruments is equal to their carrying amount as at September 30, 2016 and December 31, 2015. The following methods and assumptions are used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

*Cash and Cash Equivalents, Trade and Other Receivables, Advances to Employees, Restricted Cash, Long-term Financial Receivable, Notes Payable and Trade and Other Payables.* Due to the short-term nature of the transactions, the fair values of these instruments approximate the corresponding carrying values as of end of each reporting period.

*AFS Financial Assets.* The fair values of publicly traded instruments are determined by reference to quoted market prices as at the end of each reporting period. Investments in unquoted equity securities for which no reliable basis for fair value measurement is available are carried at cost, net of any impairment in value.

*Guarantee Deposits.* These are carried at cost, less any impairment in value, which approximate their fair values calculated using the discounted cash flows method.

##### Fair Value Hierarchy

Below are the list of financial assets and liabilities carried at fair value that are classified using a fair value hierarchy as at September 30, 2016 and December 31, 2015:

	September 30, 2016			December 31, 2015		
	Level 1 <sup>(1)</sup>	Level 2 <sup>(2)</sup>	Total	Level 1 <sup>(1)</sup>	Level 2 <sup>(2)</sup>	Total
AFS financial assets -						
Quoted equity securities	P176	-	P176	P176	-	P176

<sup>(1)</sup> Fair value is determined using observable market inputs that reflect quoted prices in active markets for identical assets or liabilities.

<sup>(2)</sup> Fair value is determined using inputs other than quoted prices that are either directly or indirectly observable for the assets or liabilities.

#### 5. Segment Reporting

Operating segments are components of the Company that engage in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company), which operating results are regularly reviewed by the chief operating decision maker\* to make decisions about how resources are to be allocated to each of the segments and to assess their performances, and for which discrete financial information is available. Management reassesses on an annual basis whether there have been any change in the operating segments or in the reportable operating segments in accordance with PFRS 8, "Operating Segments".

For management purposes, the Company is organized into activities based on their products and has three segments, as follows:

- clinker and cement segment, which manufactures and sells clinker and cement for both domestic and export customers; and
- Other construction materials and services segment, which includes operations from the RMX business, Helps-U-Build Better (HUBB), Specialty products and Aggregates Trading.

\* Chief operating decision maker is composed of the Company's management committee

Management monitors the operating results of its business segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is based on operating EBITDA and is measured consistently with consolidated net income in the consolidated statements of income. However, the Company's finance income and charges and income taxes are managed on a group basis, and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis similar to transactions with third parties.

Segment revenues, EBITDA, assets and liabilities as at September 30, 2016 and 2015 are presented below:

	2016				
	Clinker and cement	Others	Total	Adjustments and eliminations	Consolidated
	(In Thousands)				
Revenue:					
External customers	₱29,198,689	₱1,616,030	₱30,814,719	₱-	₱30,814,719
Inter-segment	780,689	-	780,689	(780,689)	-
	<b>₱29,979,378</b>	<b>₱1,616,030</b>	<b>₱31,595,408</b>	<b>(₱780,689)</b>	<b>₱30,814,719</b>
Operating EBITDA	₱9,669,354	197,820	9,867,174	(₱1,337,284)	₱8,529,890
Segment assets	25,639,711	921,870	26,561,582	10,553,335	37,114,917
Segment liabilities	7,149,772	434,177	7,583,949	4,746,964	12,330,913
	2015				
	Clinker and cement	Others	Total	Adjustments and eliminations	Consolidated
	(In Thousands)				
Revenue:					
External customers	₱26,714,752	₱1,276,980	₱27,991,732	₱-	₱27,991,732
Inter-segment	727,758	266	728,024	(728,024)	-
	<b>₱27,271,463</b>	<b>₱1,277,246</b>	<b>₱28,719,756</b>	<b>(₱728,024)</b>	<b>₱27,991,732</b>
Operating EBITDA	₱7,242,434	₱69,614	₱7,312,048	₱-	₱7,312,048
Segment assets	30,184,690	1,604,758	31,789,448	3,187,890	34,977,338
Segment liabilities	6,773,997	655,816	7,429,813	6,198,929	13,628,742

## 6. Retained Earnings

The BOD declared cash dividend in the amount of ₱0.87 per common share (or a total of ₱5.6 billion) on May 18, 2016, to all stockholders of record as of June 15, 2016. Dividends payable as of September 30, 2016 amounted to ₱3.5 billion.

### Interim Disclosures

The Company is not aware of the following or is not applicable to the Company's interim operations:

1. Unusual items that materially affect the Company's consolidated assets, liabilities, equity, net income or cash flows because of their nature, size or incidents.
2. Changes in estimates of amounts reported in prior financial years that have a material effect in the current period.
3. Issuances and repurchases of equity securities.
4. Material changes in contingent liabilities or contingent assets since the last annual balance sheet date.
5. Existence of material contingencies and other events of transactions that are material to an understanding of the current interim period.

6. Known trends, demands, commitments, events and uncertainties that will result in or likely to decrease its liquidity in any material way. The Company does not anticipate having within the next twelve (12) months any cash flow or liquidity problems nor does it anticipate any default or breach of any of its existing notes, loans, leases, other indebtedness or financing arrangements requiring it to make payments.
7. Events that will trigger direct or contingent material financial obligations to the Company.
8. Material off-balance sheet transactions, arrangements, obligations (direct or contingent), and other relationships of the Company with unconsolidated entities or other persons created during the year.
9. Material commitments for capital expenditures.
10. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales/revenues/income from continuing operations.
11. Significant elements of income or loss that did not arise from the Company's continuing operations.
12. Material events subsequent to end of the reporting period that have not been reflected in this report.
13. Material changes in the composition of the Company, including any business combination, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.
14. Any seasonal aspect that had a material effect on the financial condition or results of operation.

#### **Material Changes in Balance Sheet Accounts**

*113% increase in Cash and cash equivalents*

Mainly due to higher cash generated from operations.

*9% increase in Trade and other receivables - net*

Primarily due to higher revenues in September 2016 as compared to December 2015.

*6% decrease in Inventories*

Mainly due to higher volume sold as compared to December 2015.

*29% increase in Other current assets*

Mainly due to increase in deferred expenses.

*5% increase in Investments*

Primarily due to recognition of undistributed earnings from its investment in an associate (HMDC).

*20% decrease in Intangibles - net*

Due to amortization recognized for the period.

*6% increase in Other noncurrent assets*

Mainly due to increase in long-term deposit payments to a supplier

*100% decrease in Notes payable*

Attributable to full payment of the third party bank loan.

*13% increase in Trade and other payables*

Primarily due to increase in level of operations.

*100% increase in Dividends payable*

Pertains to the cash dividend declared during the period.

*14% decrease in Income tax payable*

Due to lower taxable income for the period ended September 2016 as compared to year ended December 2016.

*20% decrease in Deferred tax liabilities*

Mainly attributable to the collection of foreign currency-denominated receivable resulting to realization of unrealized foreign exchange gain, and amortization of deferred tax on revalued property.

*31% decrease in Provisions*

Mainly due to transfer of site restoration provisions as part of the HMDC deconsolidation in 2015.

*29% decrease in Other reserves*

Due to accrual of share-based remuneration for the period.

*8% decrease in Retained earnings*

Mainly due to dividends declared for the period.

*17% decrease in Minority interest*

Due to dividends declared for the period.

**Material Changes in Income Statement Accounts**

*10% increase in Net sales*

Mainly driven by higher volume sold brought about by strong demand and higher selling price.

*9% increase in Cost of sales*

Due to higher volume sold supported by higher local production, implemented operational efficiencies and margin optimization initiatives.

*552% increase in Net financial expense*

Mainly due to higher unrealized foreign exchange losses recognized for the period.

*15% increase in Provision for current income tax*

Due to higher taxable income for the period.

*101% decrease in Provision for deferred income tax*

Due to transfer of site restoration provisions as part of the HMDC deconsolidation and recognition of undistributed earnings.

*29% decrease in Noncontrolling interest in net income*

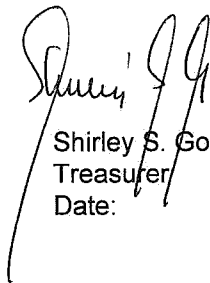
Due to lower distributable earnings.

**Holcim Philippines, Inc. and Subsidiaries**  
**Schedule of Financial Soundness Indicators**

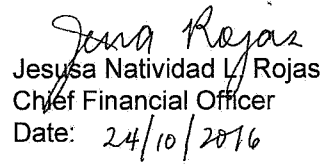
Financial KPI	Definition	For the Nine (9) Months Ended September 30	
		2016	2015
<u>Current/Liquidity ratio</u> Current Ratio	Current Assets Current Liabilities	117.5%	106.8%
<u>Solvency ratio/Debt-to-equity ratio</u> Gearing	Net Financial Debt (Asset) Stockholder's Equity	(19.9%)	15.2%
<u>Asset to Equity Ratios</u> Asset to Equity Ratio/ Equity Multiplier	Total Assets Stockholder's Equity	149.8%	163.9%
<u>Interest Rate Coverage Ratio</u> Interest Rate Coverage	Income before Tax Net Interest	578.1 times	169.6 times
<u>Profitability Ratios</u> Return on Assets	Net Income Average Total Assets	15.3%	13.8%
Return on Equity	Net Income Average Total Equity	21.8%	21.0%

**SIGNATURES**

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

  
Shirley S. Go  
Treasurer  
Date:

**HOLCIM PHILIPPINES, INC.**

  
Jesusa Natividad L. Rojas  
Chief Financial Officer  
Date: 24/10/2016