



110252018000807



# SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
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### Company Information

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SEC Registration No. 0000026126  
Company Name HOLCIM PHILIPPINES, INC.  
Industry Classification  
Company Type Stock Corporation

### Document Information

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# COVER SHEET

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(Company's Full Name)

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

|                          |                    |                            |
|--------------------------|--------------------|----------------------------|
| <b>Alexander V. Taar</b> |                    | <b>459-3333</b>            |
| (Contact Person)         | (3rd Quarter 2018) | (Company Telephone Number) |

|               |            |
|---------------|------------|
| <b>09</b>     | <b>30</b>  |
| <i>Month</i>  | <i>Day</i> |
| (Fiscal Year) |            |

**SEC FORM 17-Q**  
For the quarter ended September 30, 2018  
(Form Type)

|                  |            |
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| <i>Month</i>     | <i>Day</i> |
| (Annual Meeting) |            |

(Secondary License Type, if Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

**5,407**

Total No. of Stockholders

| Total Amount of Borrowings |         |
|----------------------------|---------|
|                            |         |
| Domestic                   | Foreign |

To be accomplished by SEC Personnel concerned

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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, 2018
2. Commission identification number 026126 3. BIR Tax Identification No 000-121-507-000
4. Exact name of issuer as specified in its charter HOLGIM PHILIPPINES, INC.
5. Province, country or other jurisdiction of incorporation or organization Republic of the Philippines
6. Industry Classification Code: [REDACTED] (SEC Use Only)
7. Address of issuer's principal office 7<sup>th</sup> Floor Two World Square, McKinley Hill, Fort Bonifacio, Taguig City 1634 Postal Code \_\_\_\_\_
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, 2018 and December 31, 2017
- Exhibit II – Consolidated Statements of Income for the quarters ended September 30, 2018 and 2017 and for the nine (9) months ended September 30, 2018 and 2017
- Exhibit III – Consolidated Statements of Comprehensive Income for the quarters ended September 30, 2018 and 2017 and for the nine (9) months ended September 30, 2018 and 2017
- Exhibit IV – Consolidated Statements of Changes in Stockholders' Equity for the nine (9) months ended September 30, 2018 and 2017
- Exhibit V – Consolidated Statements of Cash Flows for the nine (9) months ended September 30, 2018 and 2017
- Exhibit VI – Aging of Trade and Other Receivables as of September 30, 2018

HOLCIM PHILIPPINES, INC.  
 CONSOLIDATED BALANCE SHEETS  
 As of September 30, 2018 and December 31, 2017  
 (In Thousands)

|  | 30 Sep 2018       | 31 Dec 2017        |
|--|-------------------|--------------------|
| <b>ASSETS</b>  |                   |                    |
| <b>Current Assets</b>                                  |                   |                    |
| Cash and cash equivalents                              | P1,273,384        | P1,945,797         |
| Trade and other receivables – net                      | 3,371,731         | 3,439,049          |
| Inventories  | 5,791,027         | 3,800,792          |
| Short-term financial receivables                       | 4,165             | 37,048             |
| Other current assets                                   | 1,155,394         | 798,510            |
| <b>Total Current Assets</b>                            | <b>11,595,701</b> | <b>10,021,196</b>  |
| <b>Noncurrent Assets</b>                               |                   |                    |
| Investments  | 4,484,008         | 4,468,357          |
| Property, plant and equipment – net                    | 18,325,401        | 17,599,838         |
| Goodwill   | 2,635,738         | 2,635,738          |
| Intangibles – net                                      | 27,889            | 28,714             |
| Deferred tax assets – net                              | 468,327           | 455,242            |
| Other noncurrent assets                                | 784,289           | 378,487            |
| <b>Total Noncurrent Assets</b>                         | <b>26,725,652</b> | <b>25,566,376</b>  |
|  | <b>38,321,353</b> | <b>35,587,572</b>  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>            |                   |                    |
| <b>Current Liabilities</b>                             |                   |                    |
| Loan payables  | 6,885,889         | 4,177,902          |
| Trade and other payables                               | 9,033,018         | 7,862,742          |
| Income tax payable                                     | 172,948           | 265,684            |
| <b>Total Current Liabilities</b>                       | <b>16,091,854</b> | <b>12,306,328</b>  |
| <b>Noncurrent Liabilities</b>                          |                   |                    |
| Retirement benefits liabilities                        | 768,099           | 845,154            |
| Provisions   | 74,255            | 81,342             |
| <b>Total Noncurrent Liabilities</b>                    | <b>842,354</b>    | <b>926,496</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        | (350,987)         | (350,987)          |
| Other reserves   | 1,400             | (1,430)            |
| Retained earnings                                      | 6,803,627         | 7,773,468          |
|  | <b>21,382,141</b> | <b>22,349,152</b>  |
| <b>Noncontrolling Interest</b>                         | <b>5,004</b>      | <b>5,596</b>       |
| <b>Total Stockholders' Equity</b>                      | <b>21,387,145</b> | <b>22,354,748</b>  |
|  | <b>38,321,353</b> | <b>P35,587,572</b> |

HOLCIM PHILIPPINES, INC.  
 CONSOLIDATED STATEMENTS OF INCOME  
 For the quarters ended September 30, 2018 and 2017  
 And for the nine (9) months ended September 30, 2018 and 2017  
*(In Thousands, Except Per Share Data)*

|   | Quarter Ended      |                    | Nine (9) Months Ended |                    |
|---|--------------------|--------------------|-----------------------|--------------------|
|   | Jul-Sep 2018       | Jul-Sep 2017       | Jan-Sep 2018          | Jan-Sep 2017       |
| <b>Net Sales</b>  | <b>₱ 8,516,826</b> | <b>₱ 8,264,976</b> | <b>₱27,267,788</b>    | <b>₱25,663,801</b> |
| Cost of sales   | 7,329,108          | 6,621,988          | 22,171,141            | 19,575,177         |
| <b>Gross Profit</b>   | <b>1,187,718</b>   | <b>1,642,988</b>   | <b>5,096,647</b>      | <b>6,088,624</b>   |
| Operating expenses  | 553,149            | 669,863            | 1,694,003             | 1,652,357          |
| <b>Operating EBITDA</b>   | <b>634,569</b>     | <b>973,125</b>     | <b>3,402,644</b>      | <b>4,436,267</b>   |
| Depreciation and amortization   | 286,295            | 337,295            | 882,187               | 986,244            |
| <b>Profit from Operations</b>   | <b>348,274</b>     | <b>635,830</b>     | <b>2,520,457</b>      | <b>3,450,023</b>   |
| Other income (expenses)   |                    |                    |                       |                    |
| Net financial income (expense)  | (40,163)           | (2,839)            | (117,913)             | 15,920             |
| Other income (expense)  | (30,200)           | 80,119             | 30,190                | 135,906            |
| Total   | (70,363)           | 77,280             | (87,723)              | 151,826            |
| <b>Profit before Income Tax</b>   | <b>277,911</b>     | <b>713,110</b>     | <b>2,432,734</b>      | <b>3,601,849</b>   |
| Provision for income tax  |                    |                    |                       |                    |
| Current   | 100,687            | 368,319            | 704,182               | 1,255,683          |
| Deferred  | 343                | 7,362              | (12,256)              | 45,678             |
|   | 101,030            | 375,681            | 691,926               | 1,301,361          |
| <b>Profit for the Period</b>  | <b>176,881</b>     | <b>337,429</b>     | <b>1,740,808</b>      | <b>2,300,488</b>   |
| Noncontrolling interest   | (137)              | (249)              | (768)                 | (834)              |
| <b>Profit for the Period Attributable to Equity Holders of the Parent Company</b> | <b>₱176,744</b>    | <b>₱337,180</b>    | <b>₱1,740,040</b>     | <b>₱2,299,654</b>  |
| <b>Basic/Diluted Earnings Per Share (EPS)</b>                                     |                    |                    |                       |                    |
| Computation of EPS:   |                    |                    |                       |                    |
| (a) Profit for the period attributable to Equity holders of the parent company    | ₱176,744           | ₱337,180           | ₱1,740,040            | ₱ 2,299,654        |
| (b) Common shares issued and outstanding  | 6,452,099          | 6,452,099          | 6,452,099             | 6,452,099          |
| <b>EPS [(a)/(b)]</b>  | <b>₱0.027</b>      | <b>₱0.052</b>      | <b>₱0.270</b>         | <b>₱0.356</b>      |

HOLCIM PHILIPPINES, INC.  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
 For the quarters ended September 30, 2018 and 2017  
 And for the nine (9) months ended September 30, 2018 and 2017  
*(In Thousands)*

|                                   | Quarter Ended    |                 | Nine (9) Months Ended |                   |
|-----------------------------------|------------------|-----------------|-----------------------|-------------------|
|                                   | Jul-Sep 2018     | Jul-Sep 2017    | Jan-Sep 2018          | Jan-Sep 2017      |
| <b>Profit for the Period</b>      | <b>₱176,881</b>  | <b>₱337,429</b> | <b>₱1,740,808</b>     | <b>₱2,300,488</b> |
| <b>Other Comprehensive Income</b> | <b>943</b>       | <b>1,258</b>    | <b>2,830</b>          | <b>2,201</b>      |
| <b>Total Comprehensive Income</b> | <b>₱177,824</b>  | <b>₱338,687</b> | <b>₱1,743,638</b>     | <b>₱2,302,689</b> |
| Attributable to:                  |                  |                 |                       |                   |
| Equity holders of Parent Company  | ₱ 179,005        | ₱ 338,438       | ₱1,744,230            | ₱2,301,855        |
| Noncontrolling interest           | (1,181)          | 249             | (592)                 | 834               |
|                                   | <b>₱ 177,824</b> | <b>₱338,687</b> | <b>₱1,743,638</b>     | <b>₱2,302,689</b> |

HOLCIM PHILIPPINES, INC.  
 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
 For the nine (9) months ended September 30, 2018 and 2017  
*(In Thousands)*

|                                   | Jan-Sep 2018       | Jan-Sep 2017       |
|-----------------------------------|--------------------|--------------------|
| <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>(350,987)</b>   | <b>(79,978)</b>    |
| <b>Other reserves</b>             | <b>1,400</b>       | <b>(2,687)</b>     |
| <b>Retained Earnings</b>          |                    |                    |
| Balance at beginning of period    | 7,773,469          | 11,409,043         |
| Cash Dividends                    | (2,709,882)        | (6,323,057)        |
| Profit for the Period             | 1,740,040          | 2,299,654          |
| Balance at end of period          | <b>6,803,627</b>   | <b>7,385,640</b>   |
| <b>Noncontrolling Interest</b>    | <b>5,004</b>       | <b>5,341</b>       |
|                                   | <b>P21,387,145</b> | <b>P22,236,417</b> |



HOLCIM PHILIPPINES, INC.  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 For the nine (9) months ended September 30, 2018 and 2017  
*(In Thousands)*

|   | Jan-Sep 2018       | Jan-Sep 2017       |
|---|--------------------|--------------------|
| <b>Operating Activities</b>   |                    |                    |
| Profit before Income Tax  | ₱ 2,432,734        | ₱ 3,601,849        |
| Adjustments to reconcile profit to cash                             |                    |                    |
| Depreciation and amortization                                       | 882,187            | 986,244            |
| Other items (net)   | (773,008)          | (1,629,663)        |
| Changes in current assets and liabilities                           | (1,458,148)        | (567,310)          |
| <b>Cash provided by operating activities</b>                        | <b>1,083,765</b>   | <b>2,110,890</b>   |
| <b>Investing Activities</b>   |                    |                    |
| Net additions to plant, property and equipment                      | (1,498,188)        | (1,112,645)        |
| Increase in other investing activities                              | (26,457)           | (62,323)           |
| <b>Cash used in investing activities</b>                            | <b>(1,524,645)</b> | <b>(1,174,968)</b> |
| <b>Financing Activities</b>   |                    |                    |
| Dividends Paid  | (2,653,388)        | (3,867,155)        |
| Proceeds from short-term loan                                       | 5,044,775          | -                  |
| Payment of short-term loans   | (2,280,560)        | 3,580,456          |
| Increase in short-term financial receivables                        | (701,393)          | -                  |
| Decrease in short-term financial receivables                        | 355,462            | -                  |
| <b>Cash used in financing activities</b>                            | <b>(235,104)</b>   | <b>(286,699)</b>   |
| <b>Net increase(decrease) in cash and cash equivalents</b>          | <b>(675,983)</b>   | <b>929,453</b>     |
| <b>Cash and cash equivalents, beginning</b>                         | <b>1,945,797</b>   | <b>2,125,116</b>   |
| <b>Effect of exchange rate changes on cash and cash equivalents</b> | <b>3,570</b>       | <b>2,546</b>       |
| <b>Cash and cash equivalents, end</b>                               | <b>₱ 1,273,384</b> | <b>₱ 3,057,115</b> |

HOLCIM PHILIPPINES, INC  
Aging of Trade and Other Receivables  
As of September 30, 2018  
(In Thousands)

|                                    | Total             | Current           | 1-30 days       | 31-60 days      | Over 60 days      |
|------------------------------------|-------------------|-------------------|-----------------|-----------------|-------------------|
| Trade Receivables                  | ₱2,214,852        | ₱2,142,667        | ₱10,647         | ₱6,981          | ₱54,557           |
| Other Receivables                  | 1,386,221         | 18,925            | 75,570          | 4,087           | 1,287,639         |
| <b>Total</b>                       | <b>3,601,073</b>  | <b>₱2,161,592</b> | <b>₱ 86,217</b> | <b>₱ 11,068</b> | <b>₱1,342,196</b> |
| Allowance for<br>Doubtful Accounts | (229,342)         |                   |                 |                 |                   |
| <b>Net Receivables</b>             | <b>₱3,371,731</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

Market remains strong largely driven by government infrastructure projects. For the quarter, the Company's net sales improved from the same period last year despite lower cement prices from aggressive market competition and lower sales from other business associates. Net sales as at end of third quarter was Php27.3 billion, higher by 6.3% as compared to Php25.7 billion reported in the same period last year.

Company's production volumes as of the first three quarters of the year continued to improve compared to the same period last year from improved productivity across all plants. Cost of sales was higher driven by increasing cost of fuel, power and distribution coupled with the impact of peso depreciation on imported materials. The Company achieved a total operating EBITDA of Php3.4 billion for the first three quarters compared to the Php4.4 billion reported on the same period last year. The Company also incurred interest expenses on its short-term loans. Net income after tax stood at Php1.7 billion with earnings per share of Php0.27.

### Financial Position

The Group's financial position has remained healthy with very liquid cash position and strong asset utilization ratio as it still continues to generate high revenues. Total assets stood at P38.3 billion, 8% higher from end of 2017.

### Cash Flow Generation

The Group's cash requirements have been mainly sourced from operating activities.

### Key Performance Indicators

The comparative financial KPI's of the Group for the periods ended September 30, 2018 and 2017 were as follows:

| Financial KPI             | Definition                      | For the period ended September 30 |               |
|---------------------------|---------------------------------|-----------------------------------|---------------|
|                           |                                 | 2018                              | 2017          |
| <b>Profitability</b>      |                                 |                                   |               |
| Return on Equity (ROE)    | Net Income                      |                                   |               |
|                           | Ave. Total Shareholders' Equity | 8.0%                              | 9.5%          |
| Return on Asset (ROA)     | Net Income                      |                                   |               |
|                           | Average Total Assets            | 4.7%                              | 6.6%          |
| <b>Efficiency</b>         |                                 |                                   |               |
| EBITDA Margin             | Operating EBITDA                |                                   |               |
|                           | Net Sales                       | 12.5%                             | 17.3%         |
| <b>Liquidity</b>          |                                 |                                   |               |
| Gearing                   | Net Financial Debt (Asset)      |                                   |               |
|                           | Stockholders' Equity            | 28.8%                             | 4.5%          |
| EBITDA Net Interest Cover | Operating EBITDA                |                                   |               |
|                           | Net Interest                    | 25.9 times                        | (393.8) times |

## Profitability and Efficiency

Both profitability and efficiency indicators have slightly decreased as compared to the same period of last year due to lower income generated from operations.

## Liquidity

The Group'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 Group's annual financial statements as at December 31, 2017.

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments effective after the reporting period ended December 31, 2017:

Amendments to PFRS 2, *Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 include:

- a. Accounting for cash-settled share-based payment transactions that contain a performance condition. The amendment added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.
- b. Classification of share-based payment transactions with net settlement features. The amendment has introduced an exception into PFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
- c. Accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendment has introduced the following clarifications:
  - On modifications, the original liability recognized in respect of the cash-settled share-based payment is derecognized and the equity-settled share-based payment is recognized at the modification date fair value to the extent services have been rendered up to the modification date.
  - Any difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately.

The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

The management of the Group assessed that the application of the amendments will not have significant impact on the Group's consolidated financial statements as the Group does not have any cash-settled share-based payment transactions that contain a performance condition.

Amendments to PFRS 4, *Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*

The amendments provide two options for entities that issue insurance contracts within the scope of PFRS 4:

- an option that permits entities to reclassify, from profit or loss to OCI, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; and
- an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

An entity applies the deferral approach for annual periods beginning on or after January 1, 2018.

The management of the Group assessed that the application of the amendments will not have impact on the Group's consolidated financial statements as the Group does not have any insurance contracts.

*PFRS 9, Financial Instruments (2014)*

This standard consists of the following three phases:

Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement under this standard, all recognized financial assets that are currently within the scope of PAS 39 will be subsequently measured at either amortized cost or fair value. Specifically:

- A debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.
- A debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms of the financial asset five rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at fair value through other comprehensive income (FVTOCI), unless the asset is designated at FVTPL under the fair value option.
- All other debt instruments must be measured at FVTPL.
- All equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognized in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognized in profit or loss.

This standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from PAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk for the liability. Under this standard, such changes are presented in other comprehensive income (OCI), unless the presentation of the effect of the change in the liability credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under PAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

The management of the Group assessed that the application of this phase of PFRS 9 will not have a significant impact on its consolidated statement of financial position as its current financial assets carried at fair value are not significant.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortized cost under PFRS 9. However, the Group will analyze the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortized cost measurement under PFRS 9.

#### Phase 2: Impairment methodology

The impairment model under this standard reflects expected credit losses, as opposed to incurred credit losses under PAS 39. Under the impairment approach of this standard, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

PFRS 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or a lifetime basis. The Group plans to apply the simplified approach and record lifetime expected losses on all receivables. The Group assessed that the application of this phase of PFRS 9 will not have a significant impact on its equity due to the unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

#### Phase 3: Hedge accounting

The general hedge accounting requirements for this standard retain the three types of hedge accounting mechanism in PAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of economic relationships. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The Group assessed that the application of this phase of PFRS 9 will not have a significant impact as it does not apply hedge accounting on any existing hedge relationships.

The standard is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

The management of the Group plans to adopt the new standard on the required effective date. Based on the preliminary assessment, the Group expects no significant impact to its consolidated statement of financial position.

#### *PFRS 15, Revenue from Contracts with Customers*

The standard combines, enhances, and replaces specific guidance on recognizing revenue with a single standard. An entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

It defines a new five-step model to recognize revenue from customer contracts.

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

The standard is mandatory for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Group plans to adopt the new standard on the required effective date.

(a) Sale of goods

The Group is primarily involved in the delivery at a point in time of cement, aggregates and other construction materials. Contracts with customers in which the sale of these products is generally expected to be the only performance obligations are not expected to have any impact on the Group's profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) Variable consideration

Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Group recognizes revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of discounts, returns and allowances. Such provisions give rise to variable consideration under PFRS 15, and will be required to be estimated at contract inception.

(c) Disclosure requirements

PFRS 15 provides presentation and disclosure requirements, which are more detailed than under current PFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the consolidated financial statements. Many of the disclosure requirements in PFRS 15 are completely new. The Group is currently assessing the changes it needs to make in its current systems, internal controls, policies and procedures in order to collect and disclose the required information.

*Amendments to PFRS 15, Clarifications to PFRS 15*

The amendments in the standard addresses three topics namely identifying performance obligations, principal versus agent considerations, and licensing and provide some transition relief for modified contracts and completed contracts:

- Added a clarification that the objective of the assessment of a promise to transfer goods or services to a customer is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services are inputs.
- Clarification on how to assess control in determining whether a party providing goods or services is a principal or an agent
- Clarification on when an entity's activities significantly affect the intellectual property by amending the application guidance.

The standard is mandatory for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

The management of the Group assessed that the application of the amendments will not have a significant impact on the Group's consolidated financial statements, as the Group does not have complex revenue transactions.

*PIC Q&A No. 2016-04, Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts*

This interpretation applies to the accounting for revenue from the sale of a residential property unit under pre-completion stage (i.e., construction is on-going or has not yet commenced) by a real estate developer that enters into a Contract to Sell (CTS) with a buyer, and the developer has determined that the contract is within the scope of PFRS 15 by satisfying all the criteria in paragraph 9 of PFRS 15.

This interpretation does not deal with the accounting for other aspects of real estate sales such as variable considerations, financing components, commissions and other contract costs, timing of sales of completed properties, etc.

The interpretation is effective on the same date as the effective date of PFRS 15, *Revenue from Contracts with Customers*.

The management of the Group does not anticipate that the application of the new interpretation will have an impact on the Group's consolidated financial statements, as the Group does not sell any residential properties.

#### PFRS 16, *Leases*

This standard specifies how a PFRS reporter will recognize, measure, present and disclose leases. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use. An asset is typically identified by being explicitly specified in a contract, but an asset can also be identified by being implicitly specified at the time it is made available for use by the customer.

Lessors continue to classify leases as operating or finance, with PFRS 16's approach to lessor accounting substantially unchanged from its predecessor, PAS 17.

The standard is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted only if PFRS 15, *Revenue from Contracts with Customers*, is also adopted.

The management of the Group will adopt this standard when it becomes effective and the management of the Group is still evaluating the impact of the new standard.

#### *Annual Improvements to PFRSs 2014-2016 Cycle*

The annual improvements address the following issues:

##### *Amendments to PFRS 1, First-time Adoption of International Financial Reporting Standards*

The amendments include the deletion of short-term exemptions stated in the appendix of PFRS 1, because they have now served their intended purpose. The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

##### *Amendments to PAS 28, Investments in Associates and Joint Ventures*

The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

The management of the Group assessed that the application of the amendments will not have an impact on the Group's consolidated financial statements as the Group is neither a first time adopter of IFRS nor a venture capital organization. Furthermore, the Group does not have any associate or joint venture that is an investment entity.



### Amendments to PAS 40, *Investment Property - Transfers of Investment Property*

The amendments in Transfers of Investment Property (Amendments to IAS 40) are:

- Stating that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of evidence in paragraph 57(a) – (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list

The amendments are effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

The management of the Group assessed that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should there be a change in use of any of its properties.

### Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

The interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability.

The interpretation is effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

The management of the Group assessed that the application of the interpretation will not have a significant impact on the Group's consolidated financial statements. This is because the Group already accounts for the transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

### Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

The amendments include:

#### *Changes regarding symmetric prepayment options*

Under the current IFRS 9 requirements, the SPPI condition is not met if the lender has to make a settlement payment in the event of termination by the borrower (also referred to as early repayment gain).

Prepayment Features with Negative Compensation amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

#### *Clarification regarding the modification of financial liabilities*

The final amendments also contain a clarification regarding the accounting for a modification or exchange of a financial liability measured at amortized cost that does not result in the derecognition of the financial liability. The IASB clarifies that an entity recognizes any adjustment to the amortized cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. A retrospective change of the accounting treatment may therefore become necessary if in the past the effective interest rate was adjusted and not the amortized cost amount.

The amendments are effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

The management of the Group will adopt the amendments when they become effective and the management of the Group does not anticipate that the amendments will have a significant impact on the Group's consolidated financial statements as the Group does not have complex financial instruments.

#### Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments are:

Clarification that an entity applies PFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The amendment is effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

The management of the Group will adopt this amendment when it becomes effective and the management of the Group does not anticipate that the amendment will have a significant impact on the Group's consolidated financial statements as the Group does not have long-term interests in associates or joint ventures.

#### **New Accounting Standards Effective after the Reporting Period Ended December 31, 2017 - Adopted by FRSC but pending publication by the Board of Accountancy**

The Group will adopt the following once these become effective.

#### Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

This interpretation applies in determining the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under PAS 12, *Income Taxes*.

An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

- If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.
- If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

An entity has to reassess its judgements and estimates if facts and circumstances change.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The management of the Group is still evaluating the impact of the new Interpretation on the Group's determination of taxable profit/loss, unused tax losses, unused tax credit and tax rate.

#### Amendments to PAS 19, *Plan Amendment, Curtailment or Settlement*

The amendments in Plan Amendment, Curtailment or Settlement are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The amendments are effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

The management of the Group is still evaluating the impact of the amendment.

#### *Annual Improvements to PFRSs 2015-2017 Cycle*

##### *Amendments to PFRS 3 and PFRS 11, Previously held interest in a joint operation*

The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

##### *Amendments to PAS 12, Income tax consequences of payments on financial instruments classified as equity*

The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

##### *Amendments to PAS 23, Borrowing costs eligible for capitalization*

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalization rate on general borrowings.

The amendments are effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

The management of the Group is still evaluating the impact of the amendments.

##### *PFRS 17, Insurance Contracts*

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of PFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The key principles in PFRS 17 are that an entity:

- identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- divides the contracts into groups that it will recognize and measure;
- recognizes and measures groups of insurance contracts at:
  - a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)
  - an amount representing the unearned profit in the group of contracts (the contractual service margin);
- recognizes the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately;
- presents separately insurance revenue (that excludes the receipt of any investment component), insurance service expenses (that excludes the repayment of any investment components) and insurance finance income or expenses; and
- discloses information to enable users of financial statements to assess the effect that

contracts within the scope of PFRS 17 have on the financial position, financial performance and cash flows of an entity.

PFRS 17 includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts.

The standard is effective for periods beginning on or after January 1, 2021. Earlier application is permitted if both PFRS 15, *Revenue from Contracts with Customers* and PFRS 9, *Financial Instruments* have also been applied.

The management of the Group is still evaluating the impact of the new standard.

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

Like any other company in the construction industry, the operations of the Group are affected by seasonality. Net sales are generally higher in dry months from February to May and lower during the rainy months of June to November. Low sales are also experienced during December due to holidays until early January. Unpredictable weather could also significantly affect sales and profitability compared to previous periods coupled with any unforeseen circumstances like disruptions in productions.

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

### General Risk Management Approach

The Group 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 Group'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 Group. The Group 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 Group 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, use of derivative financial instruments and investing assets in excess of liquidity requirements.

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

The main risks arising from the Group'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. The Group's accounting policies in relation to financial instruments are set out in Note 5 to the consolidated financial statements.

### Market Risks

The Group is exposed to market risks, such as foreign currency, interest rate and equity price risks. To manage volatility relating to these exposures, the Group enters into derivative financial instruments, when necessary. The Group'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 Risk

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 Group has foreign exchange exposures, arising primarily from purchases of goods and services and debt servicing requirements in currencies other than the Philippine Peso that leads to currency translation effects. As of September 30, 2018, there are no revenues denominated in currencies other than the Philippine Peso.

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 Group 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, 2018, the Group had 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 Group is exposed to fluctuations in financing costs and market value movements of its debt portfolio related to changes in market interest rates. The Group's interest rate exposure is mainly addressed through the steering of the fixed/floating ratio of net debt. To manage this mix, the Group may enter into derivative transactions, as appropriate. As at September 30, 2018 and 2017, the Group has minimal exposure 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 Group periodically assesses the financial reliability of customers.

The Group constantly monitors its credit risk exposures. Counterparties to financial instruments consist of a large number of major financial institutions. The Group does not expect any counterparties to fail in meeting their obligations, given their high credit ratings. In addition, the Group 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 Group trades only with recognized, credit-worthy third parties. It is the Group'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 Group's exposure to bad debts to minimal.

With respect to credit risk arising from the other financial assets of the Group, which consist of due from related parties, advances to employees, available for sale (AFS) financial assets, and guarantee and refundable deposits, the Group'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 Group will encounter difficulty in raising funds to meet its contractual obligations and commitments. The seasonality of revenue generation exposes the Group to shortage of funds during slack season and may result in payment defaults of financial commitments. The Group 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 Group'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 Group 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 Group allows it to make efficient use of the financial markets for financing purposes. As at September 30, 2018, the Group has unutilized credit facilities of ₱12.7 billion.

#### Capital Management Policy

The Group considers equity attributable to the equity holders of the Parent Company as its capital. The Group's objectives when managing capital are to secure the Group'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 Group 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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group 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 Group's financial instruments, is equal to their carrying amount as at September 30, 2018 and December 31, 2017. 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, Short-term Financial Receivables, Loans 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 at end of each reporting period.

*Derivative Assets and Liabilities.* The fair values of the embedded currency forwards with notional amount of EUR€154.8 thousand and USD\$5.5 million of derivative assets and liabilities, respectively, are calculated by reference to current forward exchange.

*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 are carried at cost, net of any impairment in value.

*Long-term Financial Receivable and Guarantee Deposits.* These are carried at cost, less any impairment in value, which approximates their fair values calculated using the discounted cash flows method.

##### Fair Value Hierarchy

As at September 30, 2018 and December 31, 2017, the Group's financial instruments measured at fair value include only the quoted equity securities, classified as AFS financial assets (Level 1).

As at September 30, 2018 and December 31, 2017, the Group does not have financial instruments whose fair values are determined using inputs that are not based on observable market data (Level 3). There were no reclassifications made between the different fair value hierarchy levels in 2018 and 2017.

## 5. Segment Reporting

Operating segments are components of the Group 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 Group), 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 Group is organized into activities based on their products and has two 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.

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 statement of profit or loss and other comprehensive income. However, the Group'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, 2018 and 2017 are presented below:

|                     | 2018                  |                   |                    |                              |                    |
|---------------------|-----------------------|-------------------|--------------------|------------------------------|--------------------|
|                     | Clinker and cement    | Others            | Total              | Adjustments and eliminations | Consolidated       |
|                     | <i>(In Thousands)</i> |                   |                    |                              |                    |
| Revenue:            |                       |                   |                    |                              |                    |
| External customers  | ₱25,323,941           | ₱1,805,001        | ₱27,128,942        | ₱138,846                     | ₱27,267,788        |
| Inter-segment       | 209,516               | -                 | 209,516            | (209,516)                    | -                  |
|                     | <b>₱25,533,457</b>    | <b>₱1,805,001</b> | <b>₱27,338,458</b> | <b>(₱70,670)</b>             | <b>₱27,267,788</b> |
| Operating EBITDA    | ₱4,541,327            | ₱295,180          | ₱4,836,507         | (₱1,433,863)                 | ₱3,402,644         |
| Segment assets      | 31,167,423            | 185,021           | 31,352,444         | 6,968,909                    | 38,321,353         |
| Segment liabilities | 8,610,693             | 229,076           | 8,839,769          | 8,094,439                    | 16,934,208         |
|                     | <b>2017</b>           |                   |                    |                              |                    |
|                     | Clinker and cement    | Others            | Total              | Adjustments and eliminations | Consolidated       |
|                     | <i>(In Thousands)</i> |                   |                    |                              |                    |
| Revenue:            |                       |                   |                    |                              |                    |
| External customers  | ₱24,108,920           | ₱1,473,686        | ₱25,582,606        | ₱81,195                      | ₱25,663,801        |
| Inter-segment       | 568,881               | -                 | 568,881            | (568,881)                    | -                  |
|                     | <b>₱24,677,801</b>    | <b>₱1,473,686</b> | <b>₱26,151,487</b> | <b>(₱487,686)</b>            | <b>₱25,663,801</b> |
| Operating EBITDA    | ₱5,603,321            | ₱198,904          | ₱5,802,225         | (₱1,365,958)                 | ₱4,436,267         |
| Segment assets      | 26,549,167            | 623,277           | 27,172,444         | 8,865,611                    | 36,038,055         |
| Segment liabilities | 6,009,959             | 541,960           | 6,551,919          | 7,249,719                    | 13,801,638         |

\* Chief operating decision maker is composed of the Group's Executive Committee

## **6. Retained Earnings**

On May 18, 2018, the BOD declared cash dividends in the amount of Php0.42 per share to all stockholders of record as of June 15, 2018 with payment date of not later than July 10, 2018.

### **Interim Disclosures**

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

1. Unusual items that materially affect the Group'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 Group 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 Group.
8. Material off-balance sheet transactions, arrangements, obligations (direct or contingent), and other relationships of the Group 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 Group'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 Group, 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

### *35% decrease in Cash and cash equivalents*

Mainly due to lower cash flows from operations and higher spending for capital expenditures.

### *2% decrease in Trade and other receivables - net*

Primarily due to lower sales outstanding at the end of quarter compared with year-end and collection of outstanding receivables from related parties.

### *52% increase in Inventories*

The increase was driven by higher local clinker production volumes and purchases of imported production inputs. Spare parts also increased due to scheduled plant shutdowns during and in preparation for the next periods.

### *89% decrease in Short-term financial receivables*

Mainly due to receipt of payment of short-term financial receivable from related party.

### *45% increase in Other current assets*

Mostly from the increase in prepayments for real property and other business taxes, insurance, rentals, time-chartered services, creditable withholding taxes and deferred expenses.

### *107% increase in Other noncurrent assets*

Due to increase in long-term financial receivables from a related party and guarantee deposits, offset by decrease in deferred input value-added taxes due to amortization.

### *65% increase in Loan payables*

Due to additional short-term loan agreements with external and related parties.

### *15% increase in Trade and other payables*

Largely due to higher shipping / distribution costs and importations of clinker, fuel and spare parts.

### *35% decrease in Income tax payable*

Mainly due to payment of income taxes this year.

### *9% decrease in Retirement benefits liabilities*

Attributable to contributions made during the period.

### *9% decrease in Provisions*

Due to settlement of tax provisions during the period.

### *198% decrease in Other reserves*

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

### *12% decrease in Retained earnings*

The decrease was mainly due to dividend declaration net of income recognized for the period. Refer to discussion on Retained Earnings for details.

### **Material Changes in Income Statement Accounts**

*6% increase in Net sales*

The increase was a result of increasing demand from accelerated government construction projects.

*13% increase in Cost of sales*

Mostly due to higher fuel, energy and distribution costs.

*11% decrease in Depreciation and amortization*

Mainly due to impact from disposal of property, plant and equipment under other business associates.

*158% decrease in Other income (expenses) - net*

Mainly due to higher interest expenses recognized during the period from existing short-term loans.

*47% decrease in Provision for income tax*

Due to lower taxable income from first to third quarter of the year.

*8% decrease in Noncontrolling interest in net income*

Decrease was mainly due to lower profit of subsidiaries compared to same period last year and a declaration of dividends during the year.

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

| Financial KPI  | Definition   | For the nine (9) Months Ended September 30 |            |
|--|--|--|------------|
|  |  | 2018                                       | 2017       |
| <u>Current/Liquidity ratio</u><br>Current Ratio                              | Current Assets<br>Current Liabilities              | 72.1%                                      | 75.4%      |
| <u>Solvency ratio/Debt-to-equity ratio</u><br>Gearing                        | Net Financial Debt (Asset)<br>Stockholder's Equity | 28.8%                                      | (23.3%)    |
| <u>Asset to Equity Ratios</u><br>Asset to Equity Ratio/<br>Equity Multiplier | Total Assets<br>Stockholder's Equity               | 179.2%                                     | 181.0%     |
| <u>Interest Rate Coverage Ratio</u><br>Interest Rate Coverage                | Income before Tax<br>Net Interest                  | 18.5 times                                 | 28.2 times |
| <u>Profitability Ratios</u><br>Return on Assets                              | Net Income<br>Average Total Assets                 | 4.7%                                       | 4.3%       |
| Return on Equity   | Net Income<br>Average Total Equity                 | 8.0%                                       | 7.3%       |

**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.

**HOLCIM PHILIPPINES, INC.**

  
 Jesusa Natividad L. Rojas  
 Chief Financial Officer  
 Date: