



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, 2019
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 Republic of the 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, 2019 and December 31, 2018
- Exhibit II – Consolidated Statements of Income for the quarters ended September 30, 2019 and 2018 and for the nine (9) months ended September 30, 2019 and 2018
- Exhibit III – Consolidated Statements of Comprehensive Income for the quarters ended September 30, 2019 and 2018 and for the nine (9) months ended September 30, 2019 and 2018
- Exhibit IV – Consolidated Statements of Changes in Stockholders' Equity for the nine (9) months ended September 30, 2019 and 2018
- Exhibit V – Consolidated Statements of Cash Flows for the nine (9) months ended September 30, 2019 and 2018
- Exhibit VI – Aging of Trade and Other Receivables as of September 30, 2019

HOLCIM PHILIPPINES, INC.  
CONSOLIDATED BALANCE SHEETS  
As of September 30, 2019 and December 31, 2018  
(In Thousands)

	30 Sept 2019	31 Dec 2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P980,466	P5,399,853
Trade and other receivables – net	3,491,214	4,005,445
Inventories	3,905,726	5,127,343
Short-term financial receivables	95,074	34,064
Other current assets	912,720	796,236
<b>Total Current Assets</b>	<b>9,385,200</b>	<b>15,362,941</b>
<b>Noncurrent Assets</b>		
Investments and advances	4,332,288	4,249,699
Property, plant and equipment - net	22,007,243	18,607,371
Goodwill	2,635,738	2,635,738
Intangibles – net	102,656	27,542
Retirement assets – net	2,495,100	3,581,507
Other noncurrent assets	2,793,093	2,731,443
<b>Total Noncurrent Assets</b>	<b>34,366,118</b>	<b>31,833,300</b>
	<b>43,751,318</b>	<b>47,196,241</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables	9,961,838	11,574,971
Loan payables	4,275,849	9,125,849
Income tax payable	390,343	321,025
<b>Total Current Liabilities</b>	<b>14,628,030</b>	<b>21,021,845</b>
<b>Noncurrent Liabilities</b>		
Long-term finance lease liabilities	2,255,064	-
Provisions	63,498	70,947
Deferred tax liabilities - net	369,445	830,288
<b>Total Noncurrent Liabilities</b>	<b>2,688,007</b>	<b>901,235</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 gain on retirement benefits - net	2,008,554	2,719,531
Other reserves	214	2,344
Retained earnings	9,484,087	7,607,112
	<b>26,420,956</b>	<b>25,257,088</b>
<b>Noncontrolling Interest</b>	<b>14,325</b>	<b>16,073</b>
<b>Total Stockholders' Equity</b>	<b>26,435,281</b>	<b>25,273,161</b>
	<b>P43,751,318</b>	<b>P47,196,241</b>

HOLCIM PHILIPPINES, INC.  
CONSOLIDATED STATEMENTS OF INCOME  
For the quarters ended September 30, 2019 and 2018  
And for the nine (9) months ended September 30, 2019 and 2018  
(In Thousands, Except Per Share Data)

	Quarter Ended		Nine (9) Months Ended	
	Jul-Sept 2019	Jul-Sept 2018	Jan-Sept 2019	Jan-Sept 2018
<b>Net Sales</b>	<b>₱8,284,955</b>	<b>₱8,516,826</b>	<b>₱23,678,589</b>	<b>₱27,267,788</b>
Cost of sales	6,795,558	7,329,108	18,411,661	22,171,141
<b>Gross Profit</b>	<b>1,489,397</b>	<b>1,187,718</b>	<b>5,266,928</b>	<b>5,096,647</b>
Operating expenses	321,962	553,149	1,068,388	1,694,003
<b>Operating EBITDA</b>	<b>1,167,435</b>	<b>634,569</b>	<b>4,198,540</b>	<b>3,402,644</b>
Depreciation and amortization	402,608	286,295	1,257,289	882,187
<b>Profit from Operations</b>	<b>764,827</b>	<b>348,274</b>	<b>2,941,251</b>	<b>2,520,457</b>
Other income (expenses)				
Net financial expense	(118,412)	(40,163)	(402,013)	(117,913)
Other income - net	48,782	(30,200)	91,804	30,190
Total	(69,630)	(70,363)	(310,209)	(87,723)
<b>Profit before Income Tax</b>	<b>695,197</b>	<b>277,911</b>	<b>2,631,042</b>	<b>2,432,734</b>
Provision (benefit from) income tax				
Current	277,131	100,687	911,090	704,182
Deferred	(39,388)	343	(157,977)	(12,256)
	237,743	101,030	753,113	691,926
<b>Profit for the Period</b>	<b>457,454</b>	<b>176,881</b>	<b>1,877,929</b>	<b>1,740,808</b>
Noncontrolling interest	(259)	(137)	(954)	(768)
<b>Profit for the period attributable to Equity holders of the parent company</b>	<b>₱457,195</b>	<b>₱176,744</b>	<b>₱1,876,975</b>	<b>₱1,740,040</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	₱457,195	₱176,744	₱1,876,975	₱1,740,040
(b) Common shares issued and outstanding	6,452,099	6,452,099	6,452,099	6,452,099
<b>EPS [(a)/(b)]</b>	<b>₱0.071</b>	<b>₱0.027</b>	<b>₱0.291</b>	<b>₱0.270</b>

HOLCIM PHILIPPINES, INC.  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 For the quarters ended September 30, 2019 and 2018  
 And for the nine (9) months ended September 30, 2019 and 2018  
*(In Thousands)*

	Quarter Ended		Nine (9) Months Ended	
	Jul-Sept 2019	Jul-Sept 2018	Jan-Sept 2019	Jan-Sept 2018
<b>Profit for the Period</b>	<b>₱457,454</b>	<b>₱176,881</b>	<b>₱1,877,929</b>	<b>₱1,740,808</b>
<b>Other Comprehensive Income</b>	<b>1,187</b>	<b>943</b>	<b>2,130</b>	<b>2,830</b>
<b>Total Comprehensive Income</b>	<b>₱458,641</b>	<b>₱177,824</b>	<b>₱1,880,059</b>	<b>₱1,743,638</b>
Attributable to:				
Equity holders of Parent Company	₱460,628	₱179,005	₱1,881,807	₱1,744,230
Noncontrolling interest	(1,987)	(1,181)	(1,748)	(592)
<b>Total Comprehensive Income</b>	<b>₱458,641</b>	<b>₱177,824</b>	<b>₱1,880,059</b>	<b>₱1,743,638</b>

HOLCIM PHILIPPINES, INC.  
 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
 For the nine (9) months ended September 30, 2019 and 2018  
*(In Thousands)*

	Jan-Sept 2019	Jan-Sept 2018
<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 income/loss</b>	<b>2,008,554</b>	<b>(350,987)</b>
<b>Other reserves</b>	<b>214</b>	<b>1,400</b>
<b>Retained Earnings</b>		
Balance at beginning of period	7,607,112	7,773,468
Cash Dividends	-	(2,709,882)
Profit for the Period	1,876,975	1,740,040
Balance at end of period	<b>9,484,087</b>	<b>6,803,627</b>
<b>Noncontrolling Interest</b>	<b>14,325</b>	<b>5,004</b>
	<b>P26,435,281</b>	<b>P21,387,145</b>

HOLCIM PHILIPPINES, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the nine (9) months ended September 30, 2019 and 2018  
(In Thousands)


	Jan-Sept 2019	Jan-Sept 2018
<b>Operating Activities</b>		
Profit before Income Tax	P2,631,042	P2,432,734
Adjustments to reconcile profit to cash		
Depreciation and amortization	1,257,289	882,187
Other items (net)	(943,336)	(773,008)
Changes in current assets and liabilities	295,777	(1,458,148)
<b>Cash provided by operating activities</b>	<b>3,240,772</b>	<b>1,083,765</b>
<b>Investing Activities</b>		
Additions to plant, property and equipment	(2,183,899)	(1,498,188)
Increase in other investing activities	(74,731)	(26,456)
<b>Cash used in investing activities</b>	<b>(2,258,630)</b>	<b>(1,524,644)</b>
<b>Financing Activities</b>		
Dividends paid	-	(2,653,388)
Payment of short-term loans	(4,965,374)	(2,280,560)
Repayment of long-term leases	(369,915)	-
Increase in short-term financial receivables	(61,102)	(701,964)
Decrease in short-term financial receivables	-	355,462
Proceeds from short-term loan	-	5,044,775
<b>Cash used in financing activities</b>	<b>(5,396,391)</b>	<b>(235,104)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,414,249)</b>	<b>(675,983)</b>
<b>Cash and cash equivalents, beginning</b>	<b>5,399,853</b>	<b>1,945,797</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(5,138)</b>	<b>3,570</b>
<b>Cash and cash equivalents, end</b>	<b>P980,466</b>	<b>P1,273,384</b>



HOLCIM PHILIPPINES, INC  
Aging of Trade and Other Receivables  
As of September 30, 2019  
(In Thousands)

	Total	Current	1-30 days	31-60 days	Over 60 days
Trade Receivables	₱2,159,396	₱2,078,894	₱6,351	₱7,377	₱66,774
Other Receivables	1,581,792	82,789	20,801	1,032	1,477,170
<b>Total</b>	<b>3,741,188</b>	<b>₱2,161,683</b>	<b>₱27,152</b>	<b>₱8,409</b>	<b>₱1,543,944</b>
Allowance for Doubtful Accounts	(249,974)				
<b>Net Receivables</b>	<b>₱3,491,214</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**

Net Sales generated as of September 2019 was ₱23.7 billion, lower compared to ₱27.3 billion reported in the same period last year mainly due to lower volumes from lower demand due to delay of government projects. Despite this, the Group was able to sustain price increases for both cement and aggregates which partly compensated for the lower volumes.

The Group achieved a total operating EBITDA of ₱4.2 billion, 23.4% better than the same period last year from improved management of both cost of sales and operating expenses. Actions to manage operating expenses in 2018 were sustained and contributed to better EBITDA results. Favorable production costs were mainly due to lower electricity expenses and favorable fuel mix while distribution costs were better from advantageous delivery mix. Improved margins were also attributable to lower support process costs due to lower headcount and management of discretionary expenses. The Group incurred higher financial expenses due to its short-term loans used to finance strategic capital expenditures and lease liabilities.

Net income after tax stood at ₱1.9 billion resulting in earnings per share of ₱0.29.

### **Financial Position**

The Group's financial position has remained healthy with very liquid cash position. However, the return on assets declined to 4.1% as of September 30, 2019 which is 2% lower from the end of 2018. Total assets stood at ₱43.8 billion as of September 30, 2019, 7% lower from end of 2018.

### **Cash Flow Generation**

The Group's cash requirements have been mainly sourced through cash flow provided by operating activities from resolute collection of receivables coupled with higher advances from customers and better management of inventory positions. With this, the Group was able to pay off its third party loans. Please refer to the attached statement of cash flow for more details.

## Key Performance Indicators

The comparative financial KPI's of the Group for the periods ended September 30, 2019 and 2018 were as follows:

Financial KPI	Definition	For the period ended September 30	
		2019	2018
<b>Profitability</b>			
Return on Equity (ROE)	Net Income	7.3%	8.0%
	Ave. Total Shareholders' Equity		
Return on Asset (ROA)	Net Income	4.1%	4.7%
	Average Total Assets		
<b>Efficiency</b>			
EBITDA Margin	Operating EBITDA	17.7%	12.5%
	Net Sales		
<b>Liquidity</b>			
Gearing	Net Financial Debt	14.0%	28.8%
	Stockholders' Equity		
EBITDA Net Interest Cover	Operating EBITDA	10.8 times	25.9 times
	Net Interest		

### Profitability and Efficiency

Profit as of September 30, 2019 stood higher as compared to the same period of last year however, profitability indicators decreased due to higher average assets largely from fixed asset due to the recognition of right-of-use assets and retirement asset recognized in 2018. Consequently, average equity was also higher as a result of the recognized remeasurement gain on retirement benefit. Efficiency indicator improved by 5.6% due to higher EBITDA despite lower net sales.

### Liquidity

The Group's liquidity position remained strong evidenced by healthier gearing ratio.

## 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, 2018.

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, 2018:

#### PFRS 16, *Leases*

This standard 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 (i.e. short-term lease) or the underlying asset has a low value (i.e. lease of low-value assets).

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.

The management of the Group has assessed the impact of the new standard and opted to use modified retrospective method, and recognized corresponding right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments with corresponding depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss.

As of January 1, 2019, the Group recognized right-of-use assets with corresponding lease liability of ₱2.4 billion. The impact on profit or loss for 2019 is to decrease cost of goods and operating expenses by ₱618 million, consequently to increase depreciation by ₱528 million, and increase interest expense by ₱136 million. As of September 30, 2019, lease liability amounted to ₱2.3 billion. The Group recognized depreciation of ₱408 million and interest expense of ₱105 million.

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

The amendments include:

##### *Changes regarding symmetric prepayment options*

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 amendments 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. 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 does not anticipate that the amendments will have a significant impact on the Group's consolidated financial statements as the Group does not have any modification of financial liability measured at amortized cost.

#### *PAS 28 — Long-term Interests in Associates and Joint Ventures*

The amendment clarify 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 does not anticipate that the amendments will have a significant impact on the Group's financial statements as the Group accounts for its long-term interests in associates under equity method.

#### *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 will consider the impact of the amendments as it comes due.

#### *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.

The amendment is not applicable to the Group.

##### *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.

The amendment is not applicable to the Group.

##### *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 will consider the impact of the amendments as it comes due.

#### 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 fulfillment cash flows) that incorporates all of the available information about the fulfillment 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.

The management of the Group does not anticipate that the new standard will have a significant impact on the Group's consolidated financial statements as the Group does not issue insurance contracts.

#### **New Accounting Standards Effective After the Reporting Period Ended December 31, 2018 - Adopted by Financial Reporting Standards Council (FRSC) but pending for approval 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 1 and PAS 8, *Definition of Material*

The amendments relate to a revised definition of 'material':

*"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."*

Three new aspects of the new definition include (i) obscuring; (ii) could reasonably be expected to influence; and (iii) primary users.

The amendments stress especially five ways material information can be obscured:

- if the language regarding a material item, transaction or other event is vague or unclear;
- if information regarding a material item, transaction or other event is scattered in different places in the financial statements;
- if dissimilar items, transactions or other events are inappropriately aggregated;
- if similar items, transactions or other events are inappropriately disaggregated; and
- if material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The amendments are effective for periods beginning on or after January 1, 2020. Earlier application is permitted.

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

#### Amendments to PFRS 3, *Definition of Business*

The amendments are to:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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, 2019, 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, 2019, 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, 2019, 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.

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. 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.

With respect to credit risk arising from the other financial assets of the Group, which consist of due from related parties, advances to employees, 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, 2019, the Group has unutilized credit facilities of ₱4.3 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, 2019 and December 31, 2018. 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, 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 Liabilities.* The fair values of the embedded currency forwards with notional amount of US\$5.0 million are calculated by reference to current forward exchange.

*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, 2019 and December 31, 2018, 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 2019 and 2018.

## 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, 2019 and 2018 are presented below:

	2019				
	Clinker and cement	Others	Total	Adjustments and eliminations	Consolidated
	<i>(In Thousands)</i>				
Revenue:					
External customers	₱22,745,013	₱837,617	₱23,582,630	(₱444,288)	₱23,138,342
Inter-segment	100,731	-	100,731	(100,731)	-
	<b>₱22,845,744</b>	<b>₱837,617</b>	<b>₱23,683,361</b>	<b>(₱545,019)</b>	<b>₱23,138,342</b>
Operating EBITDA	₱4,950,764	₱515,282	₱5,466,046	(₱1,267,506)	₱4,198,540
Segment assets	35,603,837	384,226	35,988,063	7,763,255	43,751,318
Segment liabilities	8,456,549	260,698	8,717,246	8,598,790	17,316,037
	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	₱3,406,572	₱215,220	₱3,621,792	(₱853,718)	₱2,768,074
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

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

## 6. *Retained Earnings*

The BOD did not declare any cash dividends during the quarter.

### Interim Disclosures

On 10 May 2019, an agreement for the sale and purchase of shares in the Company was executed by Holderfin B.V., First Stronghold Cement Industries, Inc., San Miguel Corporation and LafargeHolcim Ltd. Subject to the Philippine Competition Commission's ("PCC's") prior written approval and fulfillment of customary closing conditions, it was agreed that Holderfin B.V. shall sell its shares in the Company and shall procure Cemco Holdings, Inc. and Union Cement Holdings Corporation to likewise sell their shares in the Company to First Stronghold Cement Industries, Inc. ("Proposed Transaction").

As of 30 September 2019, the Proposed Transaction is being reviewed by the PCC.

Aside from the disclosure above, 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. 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.
10. Significant elements of income or loss that did not arise from the Group's continuing operations.
11. Material events subsequent to end of the reporting period that have not been reflected in this report.
12. 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.
13. Any seasonal aspect that had a material effect on the financial condition or results of operation.

## Material Changes in Balance Sheet Accounts

### *82% decrease in Cash and cash equivalents*

Mainly due to lower cash generated from operations, higher spending in capital expenditure and settlement of loans.

### *13% decrease in Trade and other receivables - net*

Primarily due to improved collection as per days sales outstanding (DSO) for September 2019 of 17 days was lower compared to 20 days as of December 2018 due to lower sales outstanding coupled with resolute receivables collection.

### *24% decrease in Inventories*

Majority of the movement pertains to the lower fuel inventory and disposal of coal through sale of petcoke.

### *179% increase in Short-term financial receivables*

Increase was attributed to the intercompany loans to parent holdings company.

### *15% increase in Other current assets*

Movement pertains mostly to the advances to suppliers, and creditable withholding taxes, net of decrease due to the release of cash bond and prepaid expenses.

### *18% increase in Property, Plant and Equipment - net*

Due to additional capital expenditures, net of depreciation recognized during the period. Capitalized right-of-use asset in Q3 2019 pertains to lease agreement for office spaces.

### *273% increase in Intangibles - net*

Increase was mainly due to net of additional software cost acquired by the Group and decrease in accumulated amortization due to retirement of HPI's Corporate Life in compliance with the Revised Corporation Code.

### *53% decrease in Loan payables*

Payment of third party loans.

### *14% decrease in Trade and other payables*

Due to lower advances from customers and outstanding third party payables.

### *22% increase in Income tax payable*

Mainly due to higher taxable income for the period.

### *91% decrease in Other reserves*

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

### *25% increase in Retained earnings*

Due to net profit recognized for the period.

## Material Changes in Income Statement Accounts

### *13% decrease in Sales*

Due to lower demand and delayed government projects.

### *17% decrease in Cost of goods sold*

This was attributable to lower distribution costs from lower outbound costs due to lesser delivered volumes coupled with better fixed costs from improved management of third party services. Favorable production cost, on the other hand, was driven by favorable fuel mix from higher consumption of petcoke in BL and LN plants and lower electricity prices.

### *37% decrease in Operating expenses*

Reduction on the support process cost mainly from lower labor expenses and recalibration of branding program expenses.

### *43% increase in Depreciation and amortization*

Mainly due to increase in Right-of-Use Assets (RoU)-depreciation of fixed assets under IFRS 16.

### *241% increase in Net financial expenses*

Mainly due to higher interest expenses recognized during the period from existing short-term loan payables and lease interest expense from the recognized lease liabilities.

### *205% increase in Other income (expense)*

Mainly due to the higher share in net income from associates compared to same period last year, net of write-off of Corporate Life in compliance with the Revised Corporation Code.

### *9% increase in Provision for income tax*

Due to higher taxable income for the three quarters of the year compared to same period last year.

### *24% increase in Noncontrolling interest in net income*

Increase was mainly due to higher profit of subsidiaries compared to same period last year.

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

Financial KPI	Definition	For the nine (9) Months Ended September 30	
		2019	2018
<u>Current/Liquidity ratio</u> Current Ratio	Current Assets Current Liabilities	64.2%	72.1%
<u>Solvency ratio/Debt-to-equity ratio</u> Gearing	Net Financial Debt (Asset) Stockholder's Equity	14.0%	28.8%
<u>Asset to Equity Ratios</u> Asset to Equity Ratio/ Equity Multiplier	Total Assets Stockholder's Equity	165.6%	179.2%
<u>Interest Rate Coverage Ratio</u> Interest Rate Coverage	Income before Tax Net Interest	6.7 times	18.6 times
<u>Profitability Ratios</u> Return on Assets	Net Income Average Total Assets	4.1%	4.7%
Return on Equity	Net Income Average Total Equity	7.2%	8.0%

**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.

**HOLCIM PHILIPPINES, INC.**



Jesusa Natividad L. Rojas  
 Chief Financial Officer  
 Date: