

COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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

Dennis G. Segovia

(Contact Person)

8581-1511

(Company Telephone Number)

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Month Day
(Fiscal Year)

SEC FORM 17-A

For the year ended December 31, 2020
(Form Type)

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Month Day
(Annual Meeting)

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(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

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Amended Articles Number/Section

5,257

Total No. of Stockholders

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Domestic

--

Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document ID

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year endedDecember 31, 2020.....
2. SEC 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. Republic of the Philippines..... 6. (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. 7th Floor, Two World Square, McKinley Hill, Fort Bonifacio, Taguig City 1634.....
Address of principal office Postal Code
8. (632) 858-1511.....
Issuer's telephone number, including area code
9. Not applicable.....
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock.....	6,452,099,144.....
.....
.....

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

Yes [X] No []

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

x Philippine Stock Exchange, Inc. _____ Common Shares

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 that the registrant was required to file such reports);

Yes [X] No []

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

Yes No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

PhP6,673,821,301 (920,527,076 common shares @ PhP7.25 per share, the closing price at which stock was sold on December 29, 2020).

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Not Applicable

Yes No

DOCUMENTS INCORPORATED BY REFERENCE

15. The following documents are incorporated by reference:

- (a) Audited Consolidated Financial Statements as of December 31, 2020 and 2019 and for the three years in the period ended December 31, 2020 - Exhibit 1
- (b) Statement of Management's Responsibility for Consolidated Financial Statements as of December 31, 2020 and 2019 and for the three years in the period ended December 31, 2020 – part of Exhibit 1
- (c) Supplementary Schedules to the Audited Consolidated Financial Statements – Exhibit 2
- (d) SEC Form 17-Q – Exhibit 3
- (e) Legal Proceedings and Pending Legal Cases – Exhibit 4
- (f) SEC Form 17-C – Exhibit 5

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Holcim Philippines, Inc. (HPI or the "Company"), is one of the premier cement manufacturers in the Philippines and is a member of the LafargeHolcim Group, one of the world's leading suppliers of cement, aggregates, concrete and construction-related services. HPI is mainly engaged in the manufacture, sale and distribution of cement and cementitious products and the provision of technical support on various construction-related quality control, optimization, solutions development and skills upgrade.

The Company and its subsidiaries own four cement production facilities, one cement grinding mill, five ports, as well as multiple storage and distribution points across the country.

The consolidated operations of the four cement production facilities have fortified HPI's premier position in the Philippine cement industry with a total installed clinker production capacity of 5.2 million metric tons per year (MTPY) and cement production capacity of 9.4 million MTPY.

HPI was the first in the Philippine cement industry to receive ISO 9002 certification (Quality Management System Standards) from the International Organization for Standardization (ISO). Additionally, all four plants are ISO 14001 certified (Environment Management System Standards) and OH&S 18001 (Occupational Health & Safety Management) certified.

"Holcim" is one of the top selling brands and quality leaders in the Philippines.

(1) History and Business Development

HPI was incorporated and registered with the Philippines Securities and Exchange Commission (SEC) on November 12, 1964 under the name Hi-Cement Corporation (HCC).

On February 8, 2000, the SEC approved the merger of HCC, Davao Union Cement Corporation, and Bacnotan Cement Corporation, with HCC as the surviving entity. Simultaneously, the SEC also approved the request for a change of corporate name from HCC to Union Cement Corporation (UCC).

On January 11, 2001, the SEC approved the merger of Atlas Cement Marketing Corporation, Davao Union Marketing Corporation and Bacnotan Marketing Corporation into UCC.

On July 17, 2002, the Board of Directors of UCC approved the acquisition of 88% of the issued and outstanding common shares of Alsons Cement Corporation (ACC) from Cemco Holdings, Inc. (Cemco). In consideration of such shares, new shares of UCC were issued to Cemco, at the exchange ratio of one (1) UCC share for every 3.7 ACC shares owned by Cemco, thus, making ACC a subsidiary of UCC.

Pursuant to the Securities Regulation Code (SRC) and its implementing rules and regulations, HPI undertook a tender offer in favor of the remaining 12% non-controlling shareholders of ACC to exchange their holdings in ACC for new shares of UCC at the same exchange ratio, with the option to accept cash at a price of PhP0.28 per ACC share, in lieu of HPI shares. The foregoing transactions were approved by shareholders of UCC on September 4, 2002. The Company acquired additional ACC shares representing 0.02% equity interest in ACC after the end of the tender offer period.

On September 19, 2002, the Board of Directors of ACC approved a resolution for the delisting of the shares of stocks of the company from the Philippine Stock Exchange (PSE). The PSE approved the resolution for the delisting on December 15, 2002.

On August 17, 2004, the SEC approved ACC's reverse stock split, increasing the par value of ACC's shares to PhP1, 000 per share from PhP0.50 per share. As a result of additional purchases from the remaining non-controlling shareholders of ACC in 2004 and the effect of the reverse stock split, UCC equity interest in ACC increased from 98.74% to 99.6%.

On November 30, 2004, the SEC approved the request for change in corporate name from UCC to HPI. On January 19, 2005, the SEC also approved the change in corporate name of ACC to Holcim Philippines Manufacturing Corp. (HPMC).

On March 6, 2014, the SEC approved the increase in authorized capital stock of Holcim Mining and Development Corporation (HMDC) (formerly Sulu Resources Development Corp., later renamed Holcim Aggregates Corporation) to make way for additional subscription by HPI and HPMC, in consideration of properties such as parcels of land, mining claims and foreshore leases. On March 18, 2016, the SEC approved the increase in authorized capital stock of HMDC to make way for subscription by the Holcim Philippines, Inc. Retirement Fund of sixty percent of the issued and outstanding capital stock of HMDC. Today, HMDC is an associate company of HPI, providing most of the Company's raw materials from the quarries of HMDC and its subsidiaries in La Union, Bulacan, Lugait and Davao. HMDC and its subsidiaries also leases to the Company parcels of land and foreshore leases for the latter's operations.

As of December 31, 2020, HPI is 60.55% owned by Union Cement Holdings Corporation (UCHC), 18.11% owned by Holderfin B.V. (Holderfin), and 7.08% owned by Cemco while the remainder of its shares is owned by the public. HPI common shares are listed in the PSE.

The Company's Subsidiaries

Holcim Philippines Manufacturing Corporation (HPMC)

HPMC was incorporated and registered with the SEC on February 7, 1968 under the name of Victory Cement Corporation.

HPMC has 1.5 million MTPY line that was successfully commissioned in 1998 and started commercial operation in January 1999. HPMC's terminal located in Calaca, Batangas, which had been idle for several years, was rehabilitated in 2010 and resumed operations in January 2011. Today, substantially all of HPMC's cement manufacturing assets are being leased by HPI.

In January 2019, HPMC renewed the bareboat agreement with HPI for the latter's vessel requirements to transport cement to various destinations within the Philippines.

HPMC's subsidiary, Calamba Aggregates Company, Inc. (CACI), was incorporated and registered with the SEC on October 15, 1992, that operated an aggregates plant in Laguna. CACI ceased operations effective December 31, 2013.

HPMC's wholly owned subsidiary, Bulkcem Philippines, Inc. (BPI), was incorporated and registered with the SEC on April 5, 1995. Today, BPI owns a bulk terminal located in Iloilo which is currently being leased by HPI.

Alsons Construction Chemicals, Inc. (ALCHEM), another subsidiary, owned a cement and mineral admixture plant in Lugait, Misamis Oriental, was incorporated in the Philippines and was registered with the SEC on December 23, 1996. The operation of ALCHEM was discontinued since July 1999. ALCHEM filed an affidavit of non-operation with the SEC and is now going through the process of dissolution.

Excel Concrete Logistics, Inc. (ECLI)

Excel Concrete Logistics, Inc. was incorporated and registered with the SEC on August 9, 2012. On January 1, 2013, ECLI started its full operation servicing the distribution, transport and placing of concrete, as well as transport of cement and specialty products. On November 29, 2018, the Board of Directors of HPI approved the closure and dissolution of ECLI. On January 28, 2020, the SEC approved ECLI's application for amendment of ECLI's Articles of Incorporation to shorten its corporate term up to January 31, 2021.

Holcim Philippines Business Services Center, Inc. (HPBSCI)

Holcim Philippines Business Services Center, Inc. was incorporated and registered with the SEC on February 4, 2014. HPBSCI was set up to engage in the business of providing business process outsourcing and other information technology-enabled services to the Holcim Group. On February 13, 2015, HPBSCI transferred and sold its intellectual property rights and leasehold improvements to Holcim East Asia Business Service Centre B.V. – Philippine ROHQ. . The Board of Directors and the stockholders of the Company approved the dissolution of HPBSCI on November 19, 2020 and January 15, 2020, respectively.

HuBB Stores and Services Inc. (HSSI)

HuBB Stores and Services Inc. was incorporated and registered with the SEC on June 2, 2014. HSSI was set up to engage in the business of buying, selling and distributing construction and building materials, and to operate, maintain and franchise stores for the sale and distribution of said materials. HSSI ceased its business operations in August 2020. The Board of Directors and the stockholders of the Company approved the dissolution of HSSI on November 19, 2020 and January 15, 2020, respectively.

Mabini Grinding Mill Corporation (MGMC)

Mabini Grinding Mill Corporation was incorporated and registered with the SEC on September 29, 1999. In August 2013, the rehabilitation of MGMC's grinding station in Mabini, Batangas was completed. HPI is leasing and operating the said grinding station.

Bankruptcy Proceedings

The Company is not a party to any bankruptcy, receivership or similar proceedings.

Material Reclassification, Merger, Consolidation

On November 19, 2020, the Board of Directors of Holcim Philippines, Inc. approved the upstream merger of Holcim Philippines Manufacturing Corporation, Mabini Grinding Mill Corporation and Bulkcem Philippines, Inc. into Holcim Philippines, Inc. The stockholders likewise approved the upstream merger in a special meeting held on 15 January 2021.

On May 10, 2019, a Sale and Purchase Agreement (**SPA**) for the sale and purchase of shares in the Company was executed by Holderfin, First Stronghold Cement Industries, Inc., San Miguel Corporation and Lafargeholcim Ltd. Subject to the prior written approval of the Philippine Competition Commission and fulfillment of customary closing conditions, it was agreed that Holderfin shall sell its shares in the Company and shall procure Cemco and UCC to likewise sell their shares in the Company to First Stronghold Cement Industries, Inc.

The SPA has lapsed on May 10, 2020 and UCHC still holds the controlling interest in the Company.

(2) General Business Description

HPI is engaged in the manufacture, sale and distribution of cement, dry mix mortar products, clinker and aggregates. It also offers construction-related trainings, consultancies, testing and other technical services to its customers. With the Company's production facilities, ports, storage & distribution terminals, sales offices and channel partners, HPI has an extensive sales and distribution footprint due to its strategically located plants and terminals in the Philippines.

The Company has a portfolio of innovative solutions fostered by a wide range of building products and services. It's portfolio of cement, aggregates, finishing and concrete solutions aimed at helping local builders execute a wide range of projects with quality performance and efficiency, from massive infrastructures to simple home repairs. The Company's product quality and operational capability are geared toward meeting the customers' building needs.

(a) Product Lines

HPI manufactures five (5) main cement product brands namely: Holcim 4X (Type 1 high performance Portland cement), Holcim Premium (Type 1 Portland cement), Holcim Solido (Type IP Blended cement), Holcim Excel (Type 1P Blended cement), and Holcim WallRight (Type S Masonry cement).

Its products are sold mostly in bags except for Holcim Premium (in bulk) and Holcim 4X (bulk). Other packaging formats include tonner, jumbo bags and bulk. HPI also sells to cement producers a semi-finished product called clinker, which is sold only in bulk.

The company has also in its portfolio aggregates and dry mix mortar products. Dry Mix mortar products are Holcim Tile Adhesive and Holcim Skim Coat and the recently launched Holcim Multifix, an all-in-one mortar for plastering, floor screed and thick bed tile installation.

All HPI products meet the Philippine National Standards (PNS) and the American Society for Testing and Materials (ASTM) product quality standards.

The Business continues to serve SF Crete as a one-day concrete solution for road application in line with the Conditional Approval awarded by DPWH for this technology.

Below is a brief description of HPI's various products:

Holcim 4X

Holcim 4X is an ASTM C150 high performance Portland cement. It is specially formulated for ready mix concrete applications. It has high compressive strength, high workability and is compatible with commonly available admixtures. Supplied in bulk, Holcim 4X is mainly used for high-rise buildings and vertical structures that require high-strength cement. It is ideal for construction that requires optimized concrete mix designs and fast construction cycles. With the high 28-day compressive strength of Holcim 4X, lower cement factor is needed resulting in lower construction costs. Longer setting time results to better slump retention and pumpability of concrete.

Holcim Premium

Holcim Premium is an ASTM Type I Portland Cement. It is used for general concrete construction. To make Portland cement, powdered limestone, silica and iron-rich materials are homogenized and burnt at 1500°C. The resulting material is called clinker. Portland cement is produced by grinding clinker with a small amount of gypsum, a set retarder. When Portland cement is mixed with water and aggregates to make concrete, the mixture is initially flowable and easy to place, mold and finish. Eventually, the concrete sets, hardens and produces a strong and durable construction material.

Holcim Solido

Holcim Solido is a premium quality ASTM Type IP Cement which is Portland cement combined with advanced mineral additives. It is sold in bulk, tonner bags and 40-kg bags and used for roads and general concrete applications. Advance mineral additives are inter-ground with higher composition of Portland cement clinker to improve durability of concrete.

Holcim Excel

Holcim Excel Cement is an ASTM Type IP Cement, which is Portland cement combined with advanced mineral additives. It is sold mainly in 40-kg bags and used for general concrete construction. Advanced mineral additives (including granulated blast furnace slag) are inter-ground with Portland cement clinker and gypsum to improve the workability and early strength. The product is used for the same applications as the Portland cement described above but is preferred by many customers because the additives improve its performance.

Holcim WallRight Cement

Holcim WallRight Cement is an ASTM C91 Type S Masonry Cement designed for block laying, plastering and finishing use. It is made by inter-grinding mineral additives and an air-entraining additive with Portland cement clinker during the finish milling operation. The resulting cement will produce smoother, more cohesive and more cost-effective mortars and plasters which are preferred by masons.

Clinker

Clinker is an intermediate product in cement production. It is produced by grinding and burning a proportioned mixture of limestone, shale and silica. When clinker is further subjected to grinding and added with gypsum, Portland cement is produced.

SF Crete Technology

SF Crete is a total solution offering for one day concrete pavement. This solution is a package of materials i.e., cement, aggregates and admixtures and technical support to meet one-day concrete design.

Aggregates

Aggregates are granular materials of mineral compositions used for various construction applications. It is used with a binding medium to form concrete, bitumous concrete, precast concrete, mortar, plaster and other concrete and asphalt applications. It can be used alone for road bases, structural beddings, railroad ballast, filter beds, backfills, etc. The grading and quality conforms to the ASTM C33 Standard Specifications for coarse and fine aggregates.

Holcim Tile Adhesive

Holcim Tile Adhesive is a premium cement-based adhesive for tiles specially formulated for thin-bed vertical and horizontal application. Its unique formulation combined with Holcim cement provides for a faster, stronger adhesion, with excellent non-slip properties.

Holcim Skim Coat

Holcim Skim Coat is a cementitious plaster specially designed to smoothen vertical structures suitable for both indoor and outdoor use. Skim Coat is used for rendering and smoothening surfaces prior to application of sealants or decorative paints.

Holcim Multi-fix

Holcim Multifix is a high performance polymer modified mortar formulated for internal and external wall plastering, floor screed and tile installation by thick bed method. It is the best substitute for traditional mortar.

The following table shows the breakdown of sales revenues by product line of the Company for the periods indicated:

Table 1 – Revenue by Product Line

	Calendar Year Ended	Calendar Year Ended	Calendar Year Ended
<i>(In Thousand Pesos)</i>	December 31, 2020	December 31, 2019	December 31, 2018
Cement and cementitious materials	₱24,745,235	₱30,885,687	₱33,227,519
Others	1,270,107	2,601,084	2,395,594
Total	₱26,015,342	₱33,486,771	₱35,623,113

Contribution of Export Sales

The amounts and percentages of revenue attributable to export sales, including breakdown per region, for the calendar years ended December 31, 2020, 2019 and 2018 are as follows:

Table 2 – Export Revenue

	Calendar Year Ended	Calendar Year Ended	Calendar Year Ended
<i>(In Thousand Pesos)</i>	December 31, 2020	December 31, 2019	December 31, 2018
Total Export Revenues	NIL	NIL	NIL
% to Total Revenues	NIL	NIL	NIL
<i>Breakdown of Export Revenues per Region (in %)</i>			
Southeast Asia			
Eastern Asia			
Oceania	NIL	NIL	NIL
North America			
Western Europe			
Middle East			
Total % to Total Revenues	NIL	NIL	NIL

(b) Marketing and Distribution

The Company's major domestic customers are traders, wholesalers, retailers, contractors serving private and public projects, real-estate developers and concrete producers. Notably, HPI has supplied a number of big commercial and government flagship projects in the entire country.

(c) New Product

Holcim Multiflix, an all-in-one, cost-effective mortar which was first introduced last quarter of 2020 to help builders with a versatile product solution for plastering, floor screed and thick bend tiling resulting in time savings and less material wastage.

(d) Competition

There are ten cement manufacturers in the Philippines that include Holcim, Republic Cement, Cemex, Taiheiyo, Northern Cement, Eagle Cement, Goodfound, Mabuhay FilCement, Big Boss and Petra Cement. Eight of these local manufacturers operate integrated cement plants all over the country while Big Boss and Petra operate grinding plants only.

The positive long-term prospect of cement demand in the country has attracted new investments in the cement industry. Existing manufacturers are currently pursuing their expansion plans to add new capacities while new entrants joined in building new cement facilities. Century Peak Cement, a new entrant, is constructing an integrated cement plant in Cebu.

In recent years, independent traders have brought in imported cement mainly from Vietnam. These are sold in 40kg bags and tonner bags distributed in key markets across the country. Some big cement traders have started to install cement terminals with bagging and warehousing facilities in key trading ports. In 2019, the Philippine government imposed a permanent safeguard duty on cement imports for the next three years to curb the surge of cheap imported cement that adversely impacted the domestic cement manufacturing industry. Domestic cement manufacturers are expected to implement their adjustment plans to become more globally competitive after the safeguard duty expires.

Among the local players, Holcim has the widest market reach serving customers across the country from two integrated cement plants, one cement grinding plant and one dry mix plant in Luzon, and two integrated cement plants in Mindanao. Holcim also operates cement terminals in Iloilo, Batangas and Manila. There are various warehouses strategically set up in the different geographic markets to support the company's distribution network.

The four cement plants of Holcim are certified to meet the ISO 9002 (Quality Management), ISO 14001 (Environmental Management) and OH&S 18001 (Occupational Health and Safety Management) standards.

(e) Sources and Availability of Raw Materials and Supplies

Raw Materials

The Company sources most of its raw materials (limestone, pozzolan, shale) from its associate company, HMDC and its subsidiaries which hold Mineral Production Sharing Agreements for its quarries in various areas in La Union, Bulacan, Davao and Lugait, Misamis Oriental. HPI also source raw materials from third party suppliers.

Energy Supply

Being an energy-intensive process, cement production requires a reliable and competitively priced power supply for uninterrupted and cost-effective production.

The Bulacan plant's peak demand is currently at 35 megawatts ("MW") while La Union plant's peak demand is currently at 15 MW. On August 12, 2011, a 15-year Energy Services Agreement (ESA) was signed with Trans-Asia Oil and Energy Development Corp. (TA Oil), now AC Energy Philippines, Inc. (ACEPI) for the supply of both Bulacan Line 2 and La Union plants starting in 2014. On September 21, 2020, an amended and restated Energy Services Agreement was signed effective June 26, 2020 and valid until December 25, 2030.

The Davao plant's total power requirement is 22 MW. Effective September 26, 2013, Davao plant became a captive customer of Davao Light and Power Company (DLPC), the Distribution Utility (DU) which holds the franchise for power distribution in the area pursuant to Energy Regulatory Commission Resolution No. 27, Series of 2010.

The Lugait plant's total power requirement is 33 MW for both lines or 27 MW with Line 2 only. After the expiration of the Power Supply Agreement with NPC on December 25, 2012, Misamis I Oriental Electric Cooperative (Moresco I) took over as the power supplier of Lugait plant pursuant to Energy Regulatory Commission Resolution No. 27, Series of 2010. Currently, only Line 2 is operating.

Mabini Grinding plant which is a 6MW capacity establishment has qualified as a "Contestable Customer (CC)" when the Retail Competition and Open Access (RCOA) was implemented last June 26, 2013. As a result, a 10-year Power Supply Agreement with TA Oil now AC Energy Philippines, Inc. (ACEPI) was signed and took effect on June 26, 2014 in lieu of an agreement with distribution utility Department of Energy (DOE) Batangas Electric Cooperative, Inc. (BATELEC II). On September 21, 2020, an amended and restated Energy Services Agreement was signed effective June 26, 2020 and valid until December 25, 2030.

Coal and Fuel Supply

HPI uses coal for heating the Company's kilns in La Union, Bulacan, Davao and Lugait.

HPI's imported Indonesian coal requirements are covered with annual supply contracts. Spot purchases shall remain as an option to have a healthy balance of supply reliability, market competitive prices and opportunity for substitute fuels.

For local coal requirements, the Company entered into a 1-year contract with Semirara Mining & Power Corporation covering 2020.

HPI has an existing supply contract with Petron and SL Harbour for its Diesel and Bunker fuel needs. Contracts started from November 1, 2017 and valid until December 31, 2020.

The Company has not experienced any disruption in its solid and liquid fuel supply.

(f) Dependence on a Single or a Few Customers

The Company employs a multi-level distribution strategy in serving the market. This covers wholesaler and retailer intermediaries, traders, ready mix companies, concrete products manufacturers, international and local contractors, and real-estate developers. At the same time, HPI supports numerous large- and medium-scale government infrastructure projects.

The aim is for the business not to be dependent on a single or a few customers but rather achieve a well-balanced customer portfolio.

(g) Related Party Transactions

Please see Note 30 – Related Party Transactions to the Consolidated Financial Statements for details.

(h) Trademarks, Licenses, Concessions, Labor Contracts

In 2017, applications for transfer of MPSA to HMDC and/or its subsidiary, HRDC have been approved by the DENR.

On labor contracts, please see the discussion on employees under Item I.

In 2016, the Philippine Intellectual Property Office issued Certificates of Registration to HSSI for the following trademarks: (1) "HuBB" logo; and (2) "HUB Builders Center".

(i) Governmental Approval of Principal Products

The DTI Bureau of Product Standards (BPS) granted HPI the license to use the Philippine Standard Quality Certification Mark for its principal products. All other necessary licenses and permits required for the continuous production and sale of HPI products have been secured by the Company, including new licenses as well as those that have to be renewed periodically.

(j) *Research and Development*

The Company is engaged in research and development for improving the production process used in its plants and for improving the quality and strength of its products. The Company spent a total of ₱112.9 million research and development costs in last three years as follows:

Table 3 – Research and Development Costs

Period Covered	Amount ('000 Pesos)	Percentage to Revenues
CY ended December 31, 2020	₱ 37,251	0.14%
CY ended December 31, 2019	37,688	0.11%
CY ended December 31, 2018	37,919	0.11%
Total	₱112,858	

(k) *Costs and Effects of Compliance with Environmental Laws*

The Company conducts its operations consistent with sustainable development principles and continuously improves its environmental performance to ensure compliance to environmental laws and regulations both locally and internationally.

The Company is committed to comply with environmental laws, regulations and standards applicable to its products and operations and subscribes to leading industry initiatives and internal requirements. It also assesses and measures its environmental impacts and continuously improves its processes, tools and capabilities and promotes best practices in the industry. For example, in order to ensure compliance to air emission standards, the plants maintain and operate electrostatic precipitators, bag houses, multi-cyclone and bag filters to mitigate dust emissions. The plants are also equipped with Continuous Emission Monitoring System (CEMS) for real time monitoring of gaseous emissions such as nitrogen oxide (NOx) and sulfur dioxide (SO₂), carbon monoxide (CO) and volatile organic compound (VOC) emissions. Overall performance is validated regularly by quarterly monitoring of multi-stakeholders and government audits and is confirmed that HPI is compliant with the existing government standards.

The plants are ISO 14001 certified or have an effective environmental management system in place to ensure all environmental impacts and risks are effectively managed and mitigated. The company continuously optimize its use of resources through re-using, recovering and/or recycling waste materials in own production processes where feasible, minimizing the generation of any hazardous and non-hazardous waste, and disposing waste using safe and responsible methods.

The Company proactively engages with stakeholders and cooperates with legislators and regulators to ensure environmental obligations are fulfilled and local regulations are complied.

(l) **Employees**

As of December 31, 2020, HPI and subsidiaries had a total of 1,174 officers and regular employees broken down as follows:

Table 4 – Officers and Employees

Location	HPI	Subsidiaries	Total
Head Office*	346	0	346
Bulacan Plant	228	0	228
La Union Plant	161	0	161
Davao Plant	198	0	198
Lugait Plant	85	118	203
Calumpit	30	0	30
Calaca	8	0	8
Total	1,056	118	1,174

* Includes Mabini plant

There is a slight reduction in the company's manpower complement compared to last year's due to various employee separations and deliberate decision to defer hiring of replacements to 2021. Over-all attrition rate recorded 7%, where 3.5% of which was due to resignations and early retirement. The ongoing pandemic propelled the company to implement various cost measures such as Flexible Work Arrangement (FWA) or Alternative Work Schemes (AWS), working from home and deployment of temporary roles to maintain the level of workforce and to cushion the financial impact to employees.

The Company continued its commitment to develop people under the "new normal". The year 2020 focused on the execution of the different development actions identified in the development plans of employees, of which about 90% were completed. This will help the organization as it navigates this phase of business recovery where new skills set, flexibility and resilience are maybe required.

Talent Review and Succession Planning to make sure that internal talents are available continued in 2020. The scope expanded to developing talents in the early stages of the employees' career, more employees were included in this year's review compared to last year. More than twice the number of employees were identified as successors to critical leadership positions.

HPI cement plant supervisory and rank and file employees are unionized including the rank-and-file of the paper bag plant. All these labor unions have an existing Collective Bargaining Agreement (CBA) signed with the Company.

The following table shows the respective labor unions of HPI and its subsidiaries and the expiry dates of their CBAs:

Table 5 – Labor Unions

Location of the Plant/Site	Labor Union	CBA Expiry Date
Bacnotan, La Union	La Union Cement Workers Union	March 31, 2022
	Holcim La Union Supervisory Employees Union	March 31, 2024
Norzagaray, Bulacan	Holcim Philippines Employees Association (HPEA)	December 31, 2020
	UCC Bulacan Supervisory Employees Union (UBSEU)	February 28, 2024
Lugait, Misamis Oriental	Holcim Lugait Employees Labor Union	July 31, 2021
	Holcim Lugait Supervisors Independent Union	March 31, 2024
Davao City	Davao Holcim Employees Workers Union	March 31, 2025
	Holcim Davao Supervisory Independent Union	March 31, 2025
Calumpit, Bulacan	Holcim Paper Bag Plant Employees Association – FFW Chapter	December 31, 2023

Three (3) CBA Negotiations happened in 2019 and these were closed within three to five meetings without any intervention from external partners.

(m) Risk Factors

Political and Economic Factors

The Company and its subsidiaries are primarily engaged in the manufacture of clinker and cement in the Philippines. Cement is one of the basic materials for building works and sales are highly dependent on the demand for construction activities and the aggregate growth of the economy as well as political conditions in the country.

One of the principal factors that may materially affect financial performance is the level of construction activity in the public and private sectors. Public sector construction activity has always been a significant part of cement demand. However, government spending on construction-related activities (e.g. infrastructure and housing) is dependent on various factors mainly budgetary constraints and political considerations that could impact government's ability to execute its planned projects.

On the other hand, private sector spending is primarily driven by investors' confidence in the country, which in turn, is dependent on the country's economic and political conditions.

Any perceived political instability or lower-than-expected economic growth could have an adverse effect on the Company's financial performance.

Availability of Stable Power Supply

The contract with AC Energy Philippines, Inc. (ACEPI) valid until December 25, 2030 provides stable and guaranteed power supply for La Union Plant, Bulacan Plant, and Mabini Grinding Plant. The contract also provides island mode backup power for both La Union and Bulacan plants during grid failures.

Lugait and Davao Plants, both situated in Mindanao, are now enjoying electricity surplus compared to previous years where curtailments were prevalent due to limited generation capacities. The energy surplus in Mindanao resulted from new coal power plants starting commercial operations in mid-2016 and subsequent years. It is projected that the additional capacities will provide Mindanao with surplus power supply in the medium-term.

WESM is not yet available in Mindanao. Also, the Retail Competition and Open Access (RCOA) can only be launched after WESM has been implemented. Hence, Lugait and Davao Plants will remain captive customers of Distribution Utility – Moresco I and Davao Light and Power Company (DLPC), respectively.

The company is exploring measures to manage power costs and at the same time contribute to sustainability strategy.

Dependence on Key Facilities

Substantially all of HPI's income has been, and will be derived from the sale of products manufactured at its production facilities in Luzon and Mindanao. Any prolonged breakdown of, or significant damage to, the Company's production facilities could have an adverse effect on the results of its operations. HPI maintains comprehensive property and casualty insurance policies covering its production facilities and key assets under an Industrial All-Risk policy. However, there can be no assurance that the proceeds from HPI's insurance claims would be sufficient to compensate the Company for all the effects of possible loss and/or damage. Notwithstanding that, the Company has appropriate processes and measures in place to further mitigate the risk of any possible loss or damage.

Impact of the Exchange Rate Fluctuations

Based on the 2020 Bangko Sentral ng Pilipinas Annual Exchange Rate Report, the Philippine Peso appreciated from PhP50.74 against the US Dollar as of December 31, 2019 to PhP48.04 as of December 31, 2020. The Peso has undergone fluctuations during the year with an average rate of PhP49.62. The strengthening of the Peso resulted in the decrease of cost of production inputs such as imported fuel, coal and supplies.

Environmental and Regulatory Matters

Cement manufacturing uses extensive resource and energy. It uses raw materials such as limestone, fossil fuel (coal and bunker fuel), electric power and water. As such, the environmental risks and impacts should be mitigated to ensure compliance to regulatory requirements and maintain operations in sustainable manner. An effective environmental management system is in place to manage these risks and impacts.

HPI conforms to rules and regulations defined under the following: The Philippine Environmental Impact Statement System (PD 1586), The Philippine Clean Air Act 1999 (RA 8749), Philippine Clean Water Act of 2004 (RA 9275), Ecological Solid Waste Management Act of 2000 (RA 9003), and Toxic Substances & Hazardous & Nuclear Waste Control Act of 1990 (RA 6969). Other Applicable Laws & Regulations are also identified in the Company's Integrated Management System Manual.

In a group-wide program, the Company strives to reduce dust emissions below the prescribed 150 mg/Nm³ level that the government allows cement plants to emit under the Philippine Clean Air Act. The Company maintains and operates modern electrostatic precipitators, bag houses, multi-cyclone and bag filters for mitigating the dust coming from its plants' pre-heater towers, kilns and cement mill grinding systems. With these modern dust control systems in place, HPI's cement plants kept dust emission levels below the prescribed government standard. The Company has in place Continuous Emission Monitoring System (CEMS) in all its four plants for continuous monitoring of particulate and gaseous emissions of main stack. The emissions data are being reported daily to regulatory body. In terms of compliance to Clean Water Act, the Company has in place pollution control facilities to manage storm water run-off and seasonal process water discharge such as siltation ponds. In terms of managing domestic water discharge, the Company properly maintains and operates waste treatment facilities. The Company also have waste management disposal facilities in the plants. The wastes generated by the plant which are qualified to be used as alternative fuel for the kiln are being co-processed. This co-processing technology under Geocycle follows the highest standard of environmental compliance. The four plants are also granted with Treatment, Storage and Disposal (TSD) Certificate as attestation to Geocycle's responsible handling and management of hazardous industrial wastes.

HPI's four plants continue to be recognized by the relevant national government agencies for its environmental performance and programs.

The status of compliance on the conditions stated in the Environmental Compliance Certificate (ECC) is regularly reported to DENR through the submission of Self-Monitoring Reports (SMR), Compliance Monitoring Reports (CMR), and Compliance Monitoring and Verification Reports (CMVR). Overall environmental performance is validated regularly by quarterly monitoring of multi-partite monitoring team (MMT) and government audits and is confirmed that HPI is compliant with the existing government standards.

Item 2. Properties

The Company's major items of property, plant and equipment are located in Norzagaray, Bulacan; Bacnotan, La Union; Bo. Ilang, Davao City; Lugait, Misamis Oriental; Mabini, Batangas; Calaca, Batangas; Iloilo; and Manila. The table shows the consolidated properties of HPI as of December 31, 2020 compared to December 31, 2019.

Table 6 – Plant, Property and Equipment (Consolidated)

(In Thousand Pesos)	December 31, 2020	December 31, 2019
Machinery and equipment	₱29,559,173	₱26,985,692
Buildings and installations	14,112,017	13,593,446
Furniture, vehicles and tools	998,828	1,023,527
Construction in progress	1,330,800	3,747,152
	46,000,818	45,349,817
Less: Accumulated depreciation, depletion		
and allowance for impairment loss	26,475,284	25,350,514
Total	₱19,525,534	₱19,999,303

In connection with the principal properties of the Company, there are no existing mortgages, liens or encumbrances nor limitations in the usage or ownership.

There are no imminent acquisitions of property of significant amount that cannot be funded either by the Company's working capital or debt.

The table below summarizes the significant lease agreements entered into by the Company as a lessee.

Description	Start Date	Expiration Date	2020 Lease Payments (in '000)	Renewal Options
Plants, Terminals, Vessels, Ports	01.01.2016	01.01.2041	₱990,656	The contracts may be renewed or extended upon the mutual agreement of the Parties.
Head Office	15.11.2014	01.11.2023	47,997	The lease may be renewed upon the written agreement and under such terms and conditions as maybe acceptable to both Parties.
Industrial Warehouse	16.01.2013	24.04.2021	6,764	The contract may be renewed or extended upon the mutual agreement of the Parties.
Others (Housing, Vehicles)	15.03.2016	15.03.2022	300,820	The contract may be renewed or extended upon the mutual agreement of the Parties.

Item 3. Legal Proceedings

The Company is either a defendant or plaintiff in several civil, criminal and labor cases primarily involving collection and claims for damages. Based on the representation of management and the opinion of the Company's external legal counsels, the resolution of such cases will not result in any significant liability or loss of assets.

Other financial assets include the restricted funds in relation to court-mandated garnishment arising from a case filed by Seasia against the Group.

Pending material legal proceedings involving the Company are described in Exhibit 4.

Item 4. Submission of Matters to a Vote of Security Holders

Except for the matters taken up during the last annual meeting of the stockholders covered by the Company's SEC Form 20-IS report, no matter was submitted to a vote of security holders through solicitation of proxies or otherwise during the calendar year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

HPI common shares are listed in the PSE. The high and low market prices of HPI shares for each quarter of calendar year 2020 and that of the past two calendar years, as reported by the PSE, are shown below:

Table 7 – Market Prices of HPI Shares

Quarter Period	CY 2020		CY 2019		CY 2018	
	High	Low	High	Low	High	Low
January-March	14.08	10.08	10.34	10.18	10.84	9.40
April-June	8.93	6.02	13.70	13.42	9.90	7.02
July-September	6.44	5.20	14.50	14.10	7.70	6.78
October-December	7.92	6.72	13.70	13.50	6.92	5.70

Source: Philippine Stock Exchange, Inc.

As of February 22, 2021, the closing price of the Company's common shares at the PSE is ₱6.41 per share.

(2) Stockholders

As of December 31, 2020, HPI has 6,452,099,144 common shares outstanding held by 5,257 stockholders. The list of the top twenty stockholders of the Company as recorded by Stock Transfer Service, Inc., the Company's stock transfer agent, is as follows:

Table 8 – Top Twenty (20) Stockholders

Rank	Name	Citizenship	Shares (Sum)	%
1	UNION CEMENT HOLDINGS CORPORATION	FILIPINO	3,906,425,506	60.55%
2	B. V HOLDERFIN	DUTCH	1,168,450,996	18.11%
3	SUMITOMO OSAKA CEMENT CO., LTD.	JAPANESE	594,952,725	9.22%
4	CEMCO HOLDINGS, INC.	FILIPINO	456,689,560	7.08%
5	PCD NOMINEE CORP(FILIPINO)	FILIPINO	191,075,711,	2.96%
6	PCD NOMINEE CORP. (NON-FILIPINO)	FOREIGN	105,030,732	1.63%
7	ANTONIO M. DUMALIANG &/OR ROSALINDA S. DUMALIANG	FILIPINO	922,363	0.01%
8	KAKUGARA AKIHIKO LEONCIO TIU	FILIPINO	559,580	0.01%
9	LUIS CO CHI KIAT	FILIPINO	511,242	0.01%
10	LUIS ROLANDO GARCIA FADRIGO	FILIPINO	419,578	0.01%
11	JOAQUIN Q. TAN	FILIPINO	380,000	0.00%
12	AMERICAN WIRE & CABLE CO., INC.	FILIPINO	290,993	0.00%
13	LILIA V. QUITO	FILIPINO	288,000	0.00%
14	UNIVERSITY OF SANTO TOMAS VILLANUEVA	FILIPINO	190,750	0.00%
15	FRANCIS L. ESCALER	FILIPINO	186,935	0.00%
16	ANG GUAN PIAO		184,030	0.00%
17	ISABELA CULTURAL CORPORATION	FILIPINO	156,439	0.00%
18	FRANCISCO C. EIZMENDI, JR.	FILIPINO	149,459	0.00%
19	ROSALIA M. AMANDO	FILIPINO	141,069	0.00%
20	BENITO G. OBLENA	FILIPINO	137,337	0.00%
		Total	6,427,143,005	99.59%

(3) Dividends

The Company is authorized to pay cash or stock dividends, or a combination thereof, subject to approval by the Company's Board of Directors and/or its shareholders. Dividends paid in the form of additional shares are subject to approval by the Company's Board of Directors, the SEC and the stockholders of at least two thirds of the outstanding shares of the Company. Holders of outstanding shares on a dividend record date for such shares will be entitled to the full dividend declared without regard to any subsequent transfer of shares.

Other than the provisions in the loan covenants agreed to by the Company, there are no other limitations for the Company to declare dividends to its common stock.

Cash dividends were declared in for the years ended December 31, 2020, 2019 and 2018 as follows:

	2020	2019	2018
Cash Dividend Per Share (PhP)	NIL	NIL	₱0.42
Amount Declared (PhP)	NIL	NIL	₱2.7 billion
Declaration Date	-	-	18-May-18
Record Date	-	-	15-June-18

(4) Sales of Unregistered Securities within the Last Three (3) Years

There are no other securities sold for cash by the Company within the last three years that were not registered under the SRC.

Item 6. Management's Discussion and Analysis or Plan of Operation

Review of CY 2020 Operations vs. CY 2019

Philippines' Gross Domestic Product (GDP) grew by negative 9.5%*, lower than the 5.9% growth registered in the prior year.

Revenue generated for the year was Php26.0billion, lower compared to Php33.5billion reported in the same period last year mainly due to lower volumes in both cement and aggregates businesses due to pandemic outbreak. Sustaining our net selling prices was a challenge in the year from intensified market competition in a generally soft demand coupled with shift to more pick-up sales to counter the supply interruptions brought by local quarantine. Aggressive cost reductions in production, distribution and support process costs partially mitigated the topline decline. The Group achieved total EBITDA after lease of Php4.7billion, 29% lower than the same period last year.

The Group managed to incur lower financial expenses related to its short-term loans due to full settlement of third party loans during the year. Net income after tax stood at Php2.1bio giving earnings per share of Php0.32.

**Source: Philippine Statistics Authority*

Key Performance Indicators (“KPI”)

The comparative financial KPI for the years ended December 31, 2020 and 2019 are as follows:

Financial KPI	Definition	For the Calendar Year ended December 31	
		2020	2019
<u>Profitability</u>			
Return on Assets (ROA)	Net Income	4.8%	7.9%
	Ave. Total Assets		
Return on Equity (ROE)	Net Income	7.2%	13.5%
	Ave. Total Equity		
Operating EBITDA Margin	Operating EBITDA	18.2%	20.0%
	Net Sales		
<u>Liquidity</u>			
Gearing Ratio	Net Financial Debt	-6.0%	4.7%
	Total Equity		
EBITDA Net Interest Cover (times)	Operating EBITDA	23.8	25.5
	Net Interest		

Profitability

Lower compared with prior year from lower volume sold and net selling prices partially offset from lower operating costs.

Liquidity

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

Significant Disclosures

Please refer to Exhibit 5 of this report for the significant disclosures made by the Company during the year. Other than those mentioned in Exhibit 5, the Company is not aware of the following:

1. Unusual items that materially affect the Company’s consolidated assets, liabilities, equity, net income or cash flows because of their nature, size or incidents.
2. Changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts in prior financial years that have a material effect in the current period.
3. Issuances and repurchase 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 period.
6. Known trends, demands, commitments, events and uncertainties that will result in or likely decrease its liquidity in a material way. The Company does not anticipate having within the next 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 financial arrangements requiring it to make payments. With the improvement in the Company's operating performance, it expects to meet all financial loan covenants for the next interim period.
7. Events that will trigger direct or contingent material financial obligations to the Company.
8. Material off-balance sheet transactions, arrangements, obligations (direct or contingent), and other relationships of the Company with unconsolidated entities or other persons created during the year.
9. Material commitments for capital expenditures.
10. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales, revenues, net income from continuing operations.
11. Significant elements of income or loss that did not arise from the Company's continuing operations.
12. Material events subsequent to end of the reporting period that have not been reflected in the consolidated financial statements.

Notes to Financial Statements

Accounting Policies and Principles

The consolidated financial statements of the Company, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020 have been prepared in compliance with Philippine Financial Reporting Standards applied on a consistent basis. The detailed accounting policies are disclosed in Note 5 – Summary of Significant Accounting Policies in the Consolidated Financial Statements.

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.

Financial Risk Management Objectives and Policies

General Risk Management Approach

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

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

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

The main risks arising from the Company's financial instruments are market risks (which include foreign currency risk and interest rate risk), credit risk and liquidity risk. The Board of Directors (BOD) reviews and approves the policies for managing each of these risks and they are summarized below. The Company's accounting policies in relation to financial instruments are set out in Note 5 to the consolidated financial statements.

Market Risks

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

Foreign Currency 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 Company 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. Of the Company's revenues, approximately nil and 0.02% were denominated in currencies other than the Philippine Peso in 2020 and 2019.

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

As of December 31, 2020, the Company 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 Company is exposed to fluctuations in financing costs and market value movements of its debt portfolio related to changes in market interest rates. The Company's interest rate exposure is mainly addressed through the steering of the fixed/floating ratio of net debt. To manage this mix, the Company may enter into derivative transactions, as appropriate. As at December 31, 2020 and 2019, the Company had 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 Company periodically assesses the financial reliability of customers.

The Company constantly monitors its credit risk exposures. Counterparties to financial instruments consist of a large number of major financial institutions. The Company does not expect any counterparties to fail in meeting their obligations, given their high credit ratings. In addition, the Company has no significant concentration of credit risk with any single counterparty or group of counterparties.

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

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

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

The Company's exposure to credit risks arising from outstanding financial assets is disclosed in Note 19 – Financial Risk Management Objectives and Policies in the Consolidated Financial Statements.

Liquidity Risk

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

The Company maintains sufficient reserves of cash and cash equivalents, which are short-term in nature and unused credit lines to meet its liquidity requirements at all times. In addition, the strong credit worthiness of the Company allows it to make efficient use of the financial markets for financing purposes. As at December 31, 2020 and 2019, the Company has unutilized credit facilities of PhP12.0 billion and PhP13.6 billion, respectively.

The Company's financial assets and liabilities as of December 31, 2020 and 2019 are disclosed in Note 19 – Financial Risk Management Objectives and Policies in the Consolidated Financial Statements.

Capital Management Policy

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

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

The Company monitors capital, among others, on the basis of gearing ratio. Gearing is calculated as net financial debt divided by total equity in the parent company balance sheets as shown in the table below:

	2020	2019
Loans payable - Group	P -	P3,925,849
Customers' deposits	296,600	345,915
Financial debt	296,600	4,271,764
Less cash and cash equivalents	2,080,791	2,961,897
Net financial debt	(1,784,191)	1,309,867
Total equity	29,632,055	27,769,609
Gearing ratio	-6.0%	4.7%

The Company's target is to maintain a gearing in the range of no more than 100 percent. Total equity grew by 6.7% in 2020 as a result of increase in retained earnings coming from income from operations.

Material Changes in Balance Sheet Accounts

Cash and cash equivalents

Decrease was mainly due to settlement of third party and related party loans coupled with lower cash generated from operations.

Trade and other receivables - net

Decrease was primarily due to lower credit sales coupled with higher customer collections from resolute collection efforts.

Inventories

Decrease was due to consumption of own clinker and cement coupled with rationalization of purchase plan.

Other current assets

Decrease was largely attributable to lower input value added taxes brought by lower purchases / expenses as compared to prior year and lower advances to supplier caused by utilization / application of services.

Investments

Movement was due to due to the dividends received net of share from unrealized income from associates.

Property, plant and equipment – net

Decrease pertains to the depreciation, net of CAPEX additions and new and renewed lease contracts.

Right-of-Use Assets

Decrease was mainly due to the depreciation expense recognized for the period.

Retirement Benefit Assets - net

The decrease was due to recognized loss from re-measurement of retirement fund asset.

Other Non-current Asset

Increase pertains to movement in long-term prepaid assets pertaining to recognition of stranded cost for development.

Intangibles Assets - net

Decrease was mainly due to the amortization expense recognized for the period.

Loan payables

Decrease was due to the full settlement of loan extended by third parties and full settlement for related party loans.

Trade and other payables

Lower payables from the application of advances received from customers to their cement purchases, accrued rebates and settlement of amounts owed to related parties.

Income tax payable

Decrease was mainly due to payment for income taxes, net of lower income tax expense due to lower income generated for the period.

Provisions

Decrease in provisions was mainly due to amortization relating to stranded cost.

Deferred tax liabilities - net

Movement was driven by the tax effect on the remeasurement of retirement fund.

Remeasurement gain (loss) on retirement benefits

The decrease was due to the recognized loss in remeasurement of plan assets due to changes in actuarial assumptions and experience adjustments.

Retained Earnings

Increase was due to net profit recognized for the period

Non-controlling Interest

Decrease was due to lower profit of subsidiary compared with last year.

Material Changes in Income Statement Accounts

Revenue

Decrease was mainly due to lower volumes sold from the interruption in the sales operations as a result of the lockdown implemented by the government.

Cost of goods sold

Decrease was mainly attributable to lower volumes produced due to stoppage of operations during from March to May. Other than lower volumes (sold, transported and produced) cost of goods sold was lower driven by lower fixed cost, lower raw material and fuel prices, lower energy cost, as well as lower distribution costs from savings in maintenance and third party services.

General and Administrative Expenses

The movement was due to lower third party / outside service costs; net of higher personnel and taxes and licenses expense.

Selling Expenses

The decrease was due to lower third party / outside service costs, personnel expenses, and transportation and communication costs.

Interest and Financing Charges

The decrease was due to full settlement of a loan from a third party.

Interest and Other Financial Income

The decrease was due to lower net interest on net defined benefit asset.

Foreign Exchange Gains (Losses) - net

Decrease was due to decrease in foreign currency denominated assets which were revalued at year-end.

Provision for income tax

Decrease was due to lower taxable income as of the current period.

Review of CY 2019 Operations vs. CY 2018

Philippines' Gross Domestic Product (GDP) grew by 5.9%*, lower than the 6.2% growth registered in the prior year.

Revenue generated for the year was Php33.5 bio, lower compared to Php35.6 bio reported in the same period last year mainly due to lower volumes affected by external factors particularly tempered public government spending. The strong start in the year was later negated by slow two consecutive quarters from the tepid public infrastructure spending despite the growth of private development.

The Group achieved total EBITDA of Php6.7 bio, 37% better than the same period last year from sustained focus on operational efficiencies and cost management across all despite the demand challenges. Production cost was favorable from lower electricity expenses, better fuel mix and fixed cost management. Distribution cost was also better from logistics efficiencies, improved delivery and packaging mixes. 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 Php3.6 bio resulting in earnings per share of Php0.56.

*Source: Philippine Statistics Authority

Key Performance Indicators (“KPI”)

The comparative financial KPI for the years ended December 31, 2019 and 2018 are as follows:

Financial KPI	Definition	For the Calendar Year ended December 31	
		2019	2018
<u>Profitability</u>			
Return on Assets (ROA)	Net Income	7.9%	6.5%
	Ave. Total Assets		
Return on Equity (ROE)	Net Income	13.5%	10.7%
	Ave. Total Equity		
Operating EBITDA Margin	Operating EBITDA	20.0%	13.7%
	Net Sales		
<u>Liquidity</u>			
Gearing Ratio	Net Financial Debt	4.7%	16.7%
	Total Equity		
EBITDA Net Interest Cover (times)	Operating EBITDA	25.5	17.6
	Net Interest		

Profitability

While lower compared with last year, the profitability indicators remain to be at good levels remaining positive.

Liquidity

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

Significant Disclosures

Please refer to Exhibit 5 of this report for the significant disclosures made by the Company during the year. Other than those mentioned in Exhibit 5, the Company is not aware of the following:

1. Unusual items that materially affect the Company's consolidated assets, liabilities, equity, net income or cash flows because of their nature, size or incidents.
2. Changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts in prior financial years that have a material effect in the current period.
3. Issuances and repurchase 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 period.
6. Known trends, demands, commitments, events and uncertainties that will result in or likely decrease its liquidity in a material way. The Company does not anticipate having within the next 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 financial arrangements requiring it to make payments. With the improvement in the Company's operating performance, it expects to meet all financial loan covenants for the next interim period.
7. Events that will trigger direct or contingent material financial obligations to the Company.
8. Material off-balance sheet transactions, arrangements, obligations (direct or contingent), and other relationships of the Company with unconsolidated entities or other persons created during the year.
9. Material commitments for capital expenditures.
10. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales, revenues, net income from continuing operations.
11. Significant elements of income or loss that did not arise from the Company's continuing operations.
12. Material events subsequent to end of the reporting period that have not been reflected in the consolidated financial statements.

Notes to Financial Statements

Accounting Policies and Principles

The consolidated financial statements of the Company, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019 have been prepared in compliance with Philippine Financial Reporting Standards applied on a consistent basis. The detailed accounting policies are disclosed in Note 5 – Summary of Significant Accounting Policies in the Consolidated Financial Statements.

Seasonality Aspects of the Business

Like any other company in the construction industry, the operations of the Company is 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 production.

Financial Risk Management Objectives and Policies

General Risk Management Approach

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

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

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

The main risks arising from the Company's financial instruments are market risks (which include foreign currency risk and interest rate risk), credit risk and liquidity risk. The Board of Directors (BOD) reviews and approves the policies for managing each of these risks and they are summarized below. The Company's accounting policies in relation to financial instruments are set out in Note 5 to the consolidated financial statements.

Market Risks

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

Foreign Currency 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 Company 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. Of the Company's revenues, approximately 0.02% and nil were denominated in currencies other than the Philippine Peso in 2019 and 2018, respectively.

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

As of December 31, 2019, the Company 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 Company is exposed to fluctuations in financing costs and market value movements of its debt portfolio related to changes in market interest rates. The Company's interest rate exposure is mainly addressed through the steering of the fixed/floating ratio of net debt. To manage this mix, the Company may enter into derivative transactions, as appropriate. As at December 31, 2019 and 2018, the Company had 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 Company periodically assesses the financial reliability of customers.

The Company constantly monitors its credit risk exposures. Counterparties to financial instruments consist of a large number of major financial institutions. The Company does not expect any counterparties to fail in meeting their obligations, given their high credit ratings. In addition, the Company has no significant concentration of credit risk with any single counterparty or group of counterparties.

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

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

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

The Company's exposure to credit risks arising from outstanding financial assets is disclosed in Note 19 – Financial Risk Management Objectives and Policies in the Consolidated Financial Statements.

Liquidity Risk

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

The Company maintains sufficient reserves of cash and cash equivalents, which are short-term in nature and unused credit lines to meet its liquidity requirements at all times. In addition, the strong credit worthiness of the Company allows it to make efficient use of the financial markets for financing purposes. As at December 31, 2019 and 2018, the Company has unutilized credit facilities of PhP 9.9 billion and PhP9.5 billion, respectively.

The Company's financial assets and liabilities as of December 31, 2019 and 2018 are disclosed in Note 19 – Financial Risk Management Objectives and Policies in the Consolidated Financial Statements.

Capital Management Policy

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

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

The Company monitors capital, among others, on the basis of gearing ratio. Gearing is calculated as net financial debt divided by total equity in the parent company balance sheets as shown in the table below:

	2019	2018
Loans payable - Third Party	P -	P5,200,000
Loans payable - Group	3,925,849	3,925,850
Customers' deposits	345,915	496,305
Financial debt	4,271,764	9,622,155
Less cash and cash equivalents	2,961,897	5,399,853
Net financial debt (asset)	1,309,867	4,222,302
Total equity	27,769,609	25,273,162
Gearing ratio	4.7%	16.7%

The Company's target is to maintain a gearing in the range of no more than 100 percent.

Total equity grew by 9.9% in 2019 as a result of increase in other comprehensive income for the year.

Material Changes in Balance Sheet Accounts

Cash and cash equivalents

Decrease in cash and cash equivalents were mainly due to net of higher cash generated from operations, higher spending in capital expenditures and settlement of third party loans.

Trade and other receivables

Decrease was mainly due to improved collections despite lower sales outstanding.

Inventories

Significant decrease was mainly due to improved inventory management resulting to lower fuel and goods in process inventories.

Other current assets

Increase was mainly attributable to higher input VAT recognized for the year.

Investments

Increase was mainly due to the dividends received net of share from unrealized income from HMDC group.

Property, Plant and Equipment - net

Due to additional capital expenditures, net of depreciation recognized during the year.

Right-of-Use Assets

Recognized due to application of new accounting policy for leases, PFRS16.

Retirement benefit assets – net

The decrease was due to recognized loss from re-measurement of retirement fund asset.

Other Non-Current Assets

Decrease was primarily due to reclassification from long-term to short-term financial receivable from a related party.

Intangibles assets – net

Net decrease was mainly due to amortization recognized for the year.

Loans Payable

Decrease was due to full settlement of third party loans during the year.

Trade and Other Payables

Decrease in trade and other payables was mainly driven by lower trade payables, advances from customers and amounts owed to related parties.

Income Tax Payable

Increase was due to higher taxable income for the year.

Provisions

Decrease in provisions was mainly due to amortization relating to stranded cost.

Deferred tax liabilities

Movement was driven by the tax effect on the remeasurement of retirement fund.

Re-measurement gain on retirement benefits – net

The increase was due to recognized loss from additional retirement fund asset, updated actuarial assumptions and adjustments which were considered in the retirement liability calculation.

Retained Earnings

Increase was due to higher net income realized for the year.

Non-controlling interests

Decrease was due to lower profit of subsidiary compared with last year.

Material Changes in Income Statement Accounts

Revenues

Lower revenue earned for the year was mainly attributable to lower volume due to delayed government projects and temporary closure of Mabini Plant.

Cost of Sales

Decrease was mainly due to favorable distribution costs from lower outbound costs due to lesser delivered volumes coupled with better fixed costs from improved management of third party services. Lower production cost, on the other hand, was driven by favorable electricity and fuel mix.

General and administrative expenses

Movement was mainly due to lower software implementation costs, third party / outside services costs and personnel expenses.

Selling Expenses

The decrease was mainly due to lower third party costs, advertising expenses and personnel expenses.

Interest and Financing Charges

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

Interest and other financial income

Significant increase in interest and other financial income from cash in banks and retirement fund assets.

Foreign Exchange Gains (Losses) – net

Decrease was due to decrease in foreign currency denominated assets which were revalued at year-end.

Provision for Income Tax

The increase was mainly due to higher taxable income for the year.

Item 7. Financial Statements

The consolidated financial statements and supplementary schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this annual report under Item 14.1 and 14.2

Information on Independent Accountant

External Audit Fees

The fees billed for professional services rendered by Navarro Ampler & Co. (Deloitte) in 2020 and 2019 were inclusive of out-of-pocket expenses to cover the services rendered by the external auditor for audit of the financial statements of the Company and other services in connection with statutory and regulatory filings for years 2020 and 2019.

Tax Fees & All Other Fees

The Company did not engage Deloitte for tax and other services in 2020 and 2019.

The Audit Committee's Approval Policies and Procedures for the Above Services

Upon recommendation of the Audit Committee and approval of the Board of Directors, the appointment of the external auditor is proposed for confirmation by the shareholders at the annual stockholders' meeting. In addition, the consolidated financial statements are reviewed and endorsed by the Audit Committee and approved by the Board of Directors before its release.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There was no event in the past five years where Deloitte or its predecessor, SGV, and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

The audit findings are presented to the Company's Audit Committee, which reviews and makes recommendations to the Board on actions to be taken thereon. The Board passes upon and approves the Audit Committee's recommendations.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

1) *The Board of Directors*

The Company's Board of Directors (the Board) is responsible for the overall management and direction of the Company. The Board meets regularly every quarter, or as often as may be necessary, to review and monitor the Company's financial position and operations. Each Board member serves for a term of one year or until his successor is duly elected and qualified. None of the members of the Board of the Company own more than 2% of outstanding common shares of HPI.

As of December 31, 2020, the following are the members of the Board:

Table 9 – The Board of Directors

Office	Name	Nationality
Chairman	Tomas I. Alcantara	Filipino
Vice Chairman	Martin Kriegner	Austrian
Director	John Stull	American
Director	Tan Then Hwee	Singaporean
Independent Director	Leandro Javier	Filipino
Independent Director	Thomas Aquino	Filipino
Independent Director	VACANT	

Set forth below are the business experience of the Board during the last five years:

Tomas I. Alcantara, 73, holds a Bachelor of Science degree in Economics from Ateneo de Manila University, a Master's in Business Administration degree from Columbia University, USA and attended the Advance Management Program of the Harvard Business School. He is presently the Chairman and President of Alsons Consolidated Resources, Inc., and of several power and property development companies in the Alcantara Group. He is Chairman of the Eagle Ridge Golf & Country Club, Inc. and Philweb Corporation, Mr. Alcantara was Undersecretary for the Industry & Investment Group of the Department of Trade and Industry and the Vice Chairman and Managing Head of the Board of Investments from July 1986 to March 1995. He was also Special Envoy of the Philippine President to APEC in 1996. He was elected Director of the Company on July 4, 2003.

Martin Kriegner, 58, holds an MBA from the University of Economics in Vienna and a Doctorate degree from Vienna University Law Centre. He joined the Lafarge Group in 1990. In 1995, Mr. Kriegner was appointed as Chief Financial Officer of Lafarge Perlmöser AG, Austria. He served as Country CEO of Lafarge Austria from 1998 to 2001 and Lafarge India from 2002 to 2005 and 2012 to 2015. Mr. Kriegner was Lafarge Regional President, Asia and South West Asia, and was a member of the Lafarge Executive Committee from 2005 to 2012. Mr. Kriegner served as LafargeHolcim Area Manager for Central Europe from 2015 to 2016. He is presently LafargeHolcim Group's Head of India and South East Asia and a member of the LafargeHolcim Group Executive Committee. He was elected as director of the Company on August 18, 2016.

John William Stull, 59, is an accomplished leader with deep knowledge of the building materials industry. Prior to being assigned to Holcim Philippines, Inc. in April 2018, he was the CEO for LafargeHolcim's Cement Operations in the United States from 2015. Before that he served in various positions across the Group including responsibility for the US as well as markets in sub-Saharan Africa and Latin America. Mr. Stull received his Bachelor of Science in chemical engineering from the University of Akron in Ohio and earned an Advance Management Degree from Harvard University in Massachusetts.

Tan Then Hwee, (48) holds an MBA and BBA in marketing from Wichita State University, Kansas, USA. She has over 20 years of human resources management experience in an international business environment across Asia Pacific. She is currently the Vice President HR, Global Head Learning & Development of LafargeHolcim Ltd. and concurrently a director of Ambuja Cements Ltd, India. Prior to joining LafargeHolcim in 2019, Ms. Tan was the Vice President HR of Sika Asia Pacific from April 2007 to March 2019.

Leandro D. Javier, 68, has 20 years of experience in the cement industry. From 1983 to 1986, Mr. Javier worked for Iligan Cement Corporation (ICC) as Assistant Vice-President for Finance. He was assigned to "Holderbank" Switzerland to represent ICC in the Technical Center for the development of technical and financial feasibility studies involving plant rehabilitation and capacity expansion plans, and assist "HOFI's Regional Manager in the management of its investments in Asia.

He assumed the position of Executive Vice-President & General Manager in 1986, and served in the same position in Alsons Cement Corporation, after the acquisition of Floro Cement Corporation. He also served in similar senior executive positions in the various companies engaged in the related companies involved in domestic shipping and product distribution, bulk terminals, and aggregates. Mr. Javier left Alsons Cement Corporation and its related companies in 1998.

Since 2013, Mr. Javier is a Management Consultant of Rapid Forming Corporation.

Thomas Aquino, 71, holds a Doctorate degree in Management from IESE Business School, University of Navarre (Spain), Master of Science in Industrial Economics from the University of Asia and the Pacific, and Bachelor of Arts in Economics from the University of the Philippines. In 2000, he served at the Department of Trade and Industry as acting Secretary and as Senior undersecretary overseeing the country's international trade promotions with trading partners and policy negotiations at the World Trade Organization and in the ASEAN Economic Community. Dr. Aquino is the recipient of the Presidential Service Award for extraordinary contribution of national impact on public interest, security and patrimony, Gawad Mabini Award and the Philippines-Japan Society Medal of Honor.

Dr. Aquino is currently the Chairman of NOW CORPORATION, Member of the Board of Directors and President of NOW Telecom Company, Inc (formerly Next Mobile, Inc.) and an Independent Director of ACR Corporation and A Brown Company, Inc.

The Executive Officers

The officers are likewise elected annually by the Board and serve for one (1) year and until their respective successors have been elected. None of the officers of the Company own more than 2% of the total outstanding shares of the Company.

The Company's executive officers as of 31 December 2020 are set out below:

Table 10 – Executive Officers

Office	Name	Nationality
President/Chief Operating Officer	John William Stull	American
SVP - Chief Financial Officer/Treasurer	Jesusa Natividad L. Rojas	Filipino
SVP – Head of Cement Industrial Performance	Eung Rae Kim	Korean
SVP – Head of Sales	William C. Sumalinog	Filipino
SVP - Head of Marketing	Ramakrishna Maganti	Indian
SVP - Head of Organization and Human Resources	Bernadette L. Tansingco	Filipino
SVP – Head of Logistics	Edwin Villas	Filipino
VP – Head of Procurement	Ike C. Tan	Filipino
VP, Head of Corporate Communications	Anne Claire Ramirez	Filipino
VP, Head of Health Safety & Security	Richard C. Cruz	Filipino
VP, Head of Strategy	Zoe Verna M. Sibala	Filipino
VP, General Counsel/Corporate Secretary/ Compliance Officer	Belinda E. Dugan	Filipino
VP, Head of Geocycle and Head of CAPEX	Frederic Vallat	French
VP, Plant Manager – Bulacan	Bobby Garza	Filipino
VP Plant Manager - Davao	Samuel O. Manlosa, Jr.	Filipino
VP Plant Manager – La Union	Eraño Santos	Filipino
VP Plant Manager- Lugait	Arnold Pepino	Australian
VP- Regional Head of Mindanao and Offshore Region	Ernesto Paulo Tan	Filipino
VP – Regional Head for Northern and Central Luzon	Albert Leoveras	Filipino

The business experience of Mr. John William Stull during the last five years is provided above. Set forth below are the business experience of the Company's other executive officers during the last five years:

Jesusa Natividad L. Rojas, 53, is the Company's Chief Financial Officer. She holds a degree in Accounting from Xavier University and obtained her Master's degree in Development Finance and Banking from American University in Washington, DC as a Fullbright-Humphrey Fellow. Ms. Rojas is a Certified Public Accountant and a Certified Management Accountant. She held various positions in Finance in Del Monte Pacific Ltd from 2003 to 2007. Ms. Rojas then served as Chief Financial Officer of S&W Fine Foods International Ltd. from 2008 to 2010. Prior to joining the Company in September 2016, she also served as Chief Financial Officer of Del Monte Philippines, Inc.

William C. Sumalinog, 51, is the Senior Vice President, Head of Sales. Mr. Sumalinog holds a Bachelor of Science degree in Computer Engineering from the University of Cebu where he graduated with leadership honors in 1992. Prior to his current role, Mr. Sumalinog was the Company's Regional Operating Head for various areas in Mindanao and Visayas. He joined Alsons Cement Corporation in 1998 where he occupied various key positions in sales.

Eung Rae Kim, 60, is the Senior Vice President, Head of Cement Industrial Performance. Mr. Kim holds a degree in Electrical Engineering and Masteral in Electrical Engineering from Hoseo University in Korea. He has 33 years of experience in cement plant operation having joined the cement industry since 1987. He has held various leadership roles within the LafargeHolcim Group in South Korea, Malaysia, Regional (IPC Asia) and Bangladesh. Prior to joining Holcim Philippines, Inc. Mr. Kim was the Industrial Director of LafargeHolcim Bangladesh Ltd. Since October 2015.

Ramakrishna Maganti, 51, is the Senior Vice President, Head for Marketing & Innovation. He holds a degree in Mechanical Engineering, MBA in Marketing from the Indian Institute of Management and a degree in Strategic Marketing Management from Harvard Business School. Mr. Maganti brings more than 20 years of combined experience in global marketing, brand development, digital transformation, and project management. Prior to joining Holcim Philippines, Inc. he held various leadership and management positions in LafargeHolcim India, Malaysia, France and the most recently in Singapore as Head of Sales and Marketing for Asia Pacific Region. Mr. Maganti worked for Philips NV a global consumer lifestyle and healthcare firm before joining the LafargeHolcim Group in 2006.

Bernadette L. Tansingco, 46, is the Senior Vice President, Head of Organization and Human Resources. She has 25 years of experience in the Company's human resources division with key roles heading talent management and organization development. In 2014, she helped in transforming Holcim Philippines' business support functions into the Holcim East Asia Business Service Centre, LafargeHolcim Asia Pacific's shared services where she was appointed human resource head. Ms. Tansingco holds a Psychology degree from the De La Salle University and has completed leadership and management programs from the IMD Business School of Switzerland, Penn State University in the USA and the Asian Institute of Management.

Edwin Villas, 47, is the Senior Vice President, Head of Logistics. He joined the Company in September 1997 as Strategic Sourcing Specialist. He served as the Company's Procurement Manager from October 2007 to August 2010 and was laterally transferred as Area Sales Manager for South Luzon in August 2011. Prior to his appointment as Head of Institutional Sales in May 2016, he served as the Head of Institutional Sales in May 2016 and thereafter as Manager, National Sales, Bulk. Institutional Sales. He is a certified Information Systems Auditor and a certified Professional for Supply Management. He has a degree in Computer Science from the Philippine Christian University.

Ike C. Tan, 60, is the Vice President, Head of Procurement joined Holcim Philippines (HPI) in 2011 as Solid and Liquid Fuels Manager. He held various positions in the Procurement / Supply Chain of HPI prior to his appointment as Head of Procurement in January 2017. His close to 25 years of procurement experience started during his employment with Philippine Airlines which included a stint as the airlines' Procurement Manager, Americas based in San Francisco, CA, U.S.A. Ike holds a degree of B. S. in Aeronautical Engineering, placed 6th in the Board and is an MBA candidate at the Ateneo Graduate School.

Ann Claire "Cara" M. Ramirez, 46, is the Vice President, Head of Corporate Communications. She was the Head for Marketing when she joined Holcim Philippines, Inc. in January 2015. She first joined a local food company, SAFI-UFC (now known as NutriAsia) in 1999, focusing on brand management of catsup brands. Prior to joining Holcim, she worked for Energizer Philippines, Inc. where she managed the Company's Marketing Department. Ms. Ramirez has a degree of Bachelor of Science in Economics from the University of the Philippines, Diliman.

Richard C. Cruz, 38, is the Vice President, Head of Health & Safety. Mr. Richard Cruz joined Holcim Philippines, Inc. in May 2008 as Laboratory Engineer for AFR. In March 2010 he was appointed as Safety Officer responsible for delivering and maintaining safety systems and initiatives across all plants. From 2010 until his nomination for appointment as Head of Corporate Occupational Health and Safety, he served as Safety Manager for HPI's Commercial and Other Sites.

Zoe Verna M. Sibala, 46, is the Vice President, Head of Strategy. Ms. Sibala holds a master's degree in Business Administration from the Graduate School of Business, De la Salle University and a degree in Economics from the University of the Philippines. In January 2010, she joined Lafarge as a Finance Manager of Batong Angono Aggregates Corporation and later on became the commercial controller of the Lafarge's cement product line – Lafarge Cement Service Philippines, Inc. Prior to being appointed as Head of Strategy of Holcim Philippines, Inc. she served Lafarge Republic Aggregates, Inc. as Project Manager from July 2014 to December 2014 and as Strategy and Business Development Manager from January to December 2015.

Belinda E. Dugan, 52, is the General Counsel, Corporate Secretary and Compliance Officer of the Company. She obtained her Juris Doctor degree from Ateneo Law School and has over 23 years of experience with various multinational firms and a consulting company. Prior to joining Holcim Philippines, Inc. she was Vice President for Legal Management Services of Aboitiz Equity Ventures, Inc. (AEV) from October 2015 to October 2017. She served as Assistant Vice-president for Legal and Compliance of SN Aboitiz Power from May 2009 to October 2015.

Frederic Vallat, 61, has vast experience in business development and waste management. He joined Lafarge Chongqing – People's Republic of China in June 2006 and served as the Chine-Japan-Korea Industrial Ecology Vice President until April 2011. From April 2011 to December 2012, he served as Industry Ecology Technical Director of Lafarge Shui On, People's Republic of China and as West Asia and South East Asia Industrial Ecology Technical Director of Lafarge Asia, Malaysia from January 2013 to October 2015 where he supported the business development of seven countries. Prior to joining Holcim Philippines, Inc., he served as Geocycle APAC Head of Investment and Operation of LafargeHolcim – Singapore.

Bobby Garza, 63, is the Vice-President, Plant Manager of Lugait. Prior to being appointed as Plant Manager in 2012, he previously served as production manager of the Holcim La Union plant from 2010 and Area Coach for Manufacturing Excellence of the Bulacan plant. He joined the Company in 1995 as Quarry Manager of La Union plant. Mr. Garza is a registered Mining Engineer and a graduate of the Mapua Institute of Technology, Manila.

Eraño Santos, 57, is the Vice President, Plant Manager of La Union Plant. Mr. Santos served in various leadership capacities across several Holcim Philippines facilities. He joined the Company in November 1987 as Superintendent-Electrical. In September 2008, he was promoted as a manager and served as such until his promotion as Plant Manager of the La Union Plant.

Samuel O. Manlosa, Jr., 37 is the Vice President, Plant Manager of Davao. Mr. Manlosa is a licensed Chemical Engineer and placed 7th in the November 2004 Chemical Engineering Board Examinations. He joined the Company in June 2010 as Senior Process Engineer. In January 2016, he was engaged as Process and Automation Expert in Holcim Singapore where he supported 7 LafargeHolcim plants in the Southeast Asian region to resolve operational and efficiency issues in raw mean and cement grinding and to implement critical equipment modifications to drive process improvements. Prior to being appointed as Vice President, Mr. Manlosa held the position of Industrial Transformation and Operational Excellence Manager since November 2018.

Arnold Pepino, 49, is the Vice President, Plant Manager of Lugait Plant. Prior to being appointed as such, Mr. Pepino was the Production Manager of Lugait Plant. He is well-versed in the Company's plant operations having served the Company as early as 1996. He held the positions of Cadet Engineer, Production Engineer II, Shift Operations Manager, manufacturing Excellence Coach and Process Manager. As Production Manager of the Lugait Plant, he has achieved 18 months kiln run campaign without schedule plant shutdown that saved the Company refractory cost amounting to Php 61 Million and produced an additional clinker of 71,747 tons in 2016 and 16,740 in 2018.

Ernesto Paulo Tan, 44, is the Vice President, Regional Head of Mindanao and Offshore Region. He joined the Company in December 2015 as Head-Regional Commercial Sales of North Luzon. He served as the Zone Manager of JT International Philippines, Inc. from February 2012 to November 2015 where he was responsible for overall Luzon general trade performance, and as Sales and Marketing Head and Acting Market Manager from January 2011 to December 2011. He holds a Bachelor of Science in Business Administration from the University of the Philippines.

Albert Leoveras, 47, is the Vice President, Regional Head four Northern and Central Luzon. He has 15 years of experience in managing Sales Team, Distributors and key accounts sales. Prior to joining the Company, he was the Field Operations Manager and Regional Manager of Japan Tobacco International from 2012 to August 2015 and Sales Division Head of the Non-food Division of Wills International Sales Corporation.

2) *Family Relationships*

None of the members of the Board of Directors or any Executive Officer of the Company is related by affinity or consanguinity.

3) *Involvement in Certain Legal Proceedings*

To the knowledge and/or information of the Company, the present members of the Board of Directors or the Executive Officers are not, presently, or during the last five (5) years, involved or have been involved in criminal, bankruptcy or insolvency investigations or proceedings except for the pending legal proceedings involving certain directors and executive officers of the Company and its subsidiaries described in Exhibit 4 hereof.

Item 10. Executive Compensation

The Company has local and expatriate executives. Expatriates are holding positions that are technical and advisory in nature. The compensation of local executives is benchmarked against the established Focus Group (FG*). At 100% performance attainment of the Company's financial and business goals, the executive compensation is targeted to be at median (P50) of the FG and at the 3rd quartile for performance attainment of 110% and above. Expatriates are paid in accordance with the International Assignment compensation guidelines of LafargeHolcim.

The compensation received by the Executive Officers represents salaries, bonuses and benefits.

* The Company's Focus Group (FG) is composed of local and multi-national companies with annual gross revenues of PHP 5 - 50 billion and 500 to 5,000 employees.

Table 11 – Executive Compensation (in PHP)

Name and Principal Position	Year	Salary	Bonus	Benefits	
The CEO and five (5) most highly compensated Executive Officers	2021*	81,254,363	35,161,212	74,587,381	
	2020	81,254,363	35,161,212	74,587,381	
	<ol style="list-style-type: none"> 1. John William Stull – President and Chief Executive Officer 2. Niels Ledinek – SVP – Head, Cement Industrial Performance (CIP) 3. Ramakrishna Maganti – SVP – Head, Marketing & Innovations 4. Jesusa Natividad L. Rojas – SVP – Head, Chief Finance Officer 5. William C. Sumalinog – SVP – Head, Sales 6. Frederic Vallat – VP – Head, Geocycle 	2019	86,961,274	20,104,726	71,959,081
		2018	60,553,915	6,738,560	59,810,061
All other Executive Officers and Directors as a group unnamed	2021*	68,707,768	18,800,253	23,320,930	
	2020	68,707,768	18,800,253	23,320,930	
	2019	79,113,370	19,907,071	47,082,597	
	2018	97,153,715	14,794,950	112,184,355	

Benefits of the CEO and five (5) most highly compensated Executive Officers include retirement service cost with one (1) expatriate repatriated to home country.

All other Executive Officers and Directors as a group unnamed in 2020 include all incumbents in the Leadership Team with the rank of Vice President. This also includes the pro-rate salaries, bonuses and benefits of other repatriated expatriates.

2021 estimated compensation of executive officers for the ensuing year is assumed to approximate the 2020 level. Bonuses given are driven by actual performance of the company; hence, estimate may vary from actual.*

*2020** benefits of All Other Executives Officers and Directors include two (2) expatriates repatriated to home country*

*2019*** benefits of All Other Executive Officers and Directors include one (1) expatriate repatriated to home country.*

*2018**** benefits of All Other Executive Officers and Directors include four (4) expatriate repatriated to home countries.*

Other than directors' per diem, the directors of the Company do not receive any other compensation from the Company, including any of the following arrangements:

- a. Standard arrangement and any other material arrangements;
- b. Employment contract (between the Company and named executive officers);
- c. Compensatory plan or arrangement;
- d. Outstanding warrants or options; and
- e. Adjustments or amendments on the price of stock warrants or options.

Warrants and Options Outstanding

There are no warrants or options granted by the Company to any of its Directors or Executive Officers.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The table below shows persons or groups known to HPI as of December 31, 2020 to be directly or indirectly the record or beneficial owner of more than 5% of the Company's voting securities:

Table 12 – Beneficial Ownership of Voting Securities

Title of Class	Name & Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner And Relationship with Record Owner	No of Shares Held	% of Ownership
Common	Union Cement Holdings Corporation 7th Floor, Two World Square, McKinley Hill Fort Bonifacio, Taguig City (Filipino) Stockholder	Union Cement Holdings Corp. (same as record owner)	3,906,425,506	60.55%
Common	Holderfin B.V. De Lairesestraat 129Hs 1075 HJ Amsterdam the Netherlands	Holderfin B.V. (same as record owner)	1,168,450,996	18.11%
Common	Sumitomo Osaka Cement Co., Ltd. 1, Kanda Mitoshiro-cho Chiyoda-ku, Tokyo 101-8677	Sumitomo Osaka Cement Co., Ltd. (same as record owner)	594,952,725	9.22%
Common	Cemco Holdings, Inc. 815/816 Tower One & Exchange Plaza Ayala Avenue, Makati City (Filipino)	Cemco Holdings, Inc. (same as record owner)	456,689,560	7.08%

The respective Board of Directors of each of UHC, Holderfin, Sumitomo Osaka Cement Co., Ltd. and Cemco has the power to decide how their shares in the Company are to be voted.

Security Ownership of Management

The table below shows the securities beneficially owned by all directors, nominees and executive officers of HPI as of December 31, 2020:

Table 13 – Security Ownership of Management

Title of Class	Name and Address of Beneficial Owner	Amount / Nature of Ownership	Registered (R) or Beneficial (B)	% of Ownership
Common	Tomas I. Alcantara	1(D)	R	0.00%
Common	Martin Kriegner	1(D)	R	0.00%
Common	John William Stull	1(D)	R	0.00%
Common	Tan Then Hwee	1(D)	R	0.00%
Common	Leandro Javier	1(D)	R	0.00%
Common	Thomas Aquino	1(D)	R	0.00%
Common	Boby Garza	3,000	R	0.00%
Common	Erano Santos	3,000	R	0.00%
	Total	6,006	R	0.00%

Directors and officers as a group hold a total of 6,006 common shares, equivalent to approximately 0.00% of the Company's issued and outstanding capital stock.

(1) Voting Trust Holders of 5% or more

No person holds five percent (5%) or more of the issued and outstanding shares of stock of the Company under a voting trust or similar agreement.

(2) Changes in Control

There were no material changes in the control of the Company since the beginning of the Company's last calendar year.

Item 12. Certain Relationships and Related Transactions

For a detailed discussion of other material related party transactions, please see Note 30 – Related Party Transactions to the accompanying consolidated financial statements in Item 14.1.

Except for the transactions discussed in Note 30 – Related Party Transactions to the accompanying consolidated financial statements in Item 14.1, there were no other material related party transactions during the last three financial years, nor are there any material transactions currently proposed between the Company and any: (i) director, officer, direct or indirect owner of 10% or more of the outstanding shares in the Company; (ii) close family member of such director, officer or owner; (iii) associates of the Company; (iv) enterprises controlling, controlled by or under common control with the Company; or (v) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any director, officer or owner of 10% or more of the outstanding shares in the Company or any close family member of such director, key officer or owner, or collectively, the Related Parties.

There was no outstanding indebtedness at any time during the last three (3) financial years that was owed to the Company and/or its subsidiaries by any Related Party.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Company has in place a robust internal control system which is an overall process effected by the Board, management and other personnel designed to provide reasonable assurance concerning: (i) the reliability of the financial reporting and statements; (ii) compliance with laws and regulations; (iii) protection of assets and fraud prevention; (iv) effectiveness and efficiency of processes. Additionally, in accordance with the Company's Corporate Governance Manual, the Board is assisted by a Compliance Officer who is in charge of evaluating and ensuring compliance by the Company, the Board of Directors and officers with its Manual of Corporate Governance, Code of Corporate Governance for Publicly-Listed Companies (the "CG Code") and all relevant laws, rules and regulations

The Board has established a Corporate Governance Committee which ensures that the Board and the Company, as a whole, is sufficiently conversant and compliant with the adopted leading practices in corporate governance. This committee is required to be composed of at least three (3) independent directors and one (1) non-executive non-independent director.

There has been no known deviation from the Company's Manual of Corporate Governance.

The Board always seeks to improve corporate governance of the Company by improving existing policies, developing and establishing new policies required by the Company's Corporate Governance Manual and undertaking measures to implement such policies.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

14.1 Consolidated Financial Statements

The audited consolidated financial statements for the years ended December 31, 2020 and 2019 are attached as Exhibit 1:

- Statement of Management's Responsibility to the Financial Statements
- Independent Auditors' Report
- Consolidated Statements of Financial Position as at December 31, 2020 and 2019
- Consolidated Statements of Profit or Loss and Other Comprehensive Income for the years ended December 31, 2020, 2019 and 2018
- Consolidated Statements of Changes in Equity for the years ended December 31, 2020, 2019 and 2018
- Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018
- Notes to Consolidated Financial Statements

14.2 Supplementary Schedules

- Supplementary Schedule of Retained Earnings Available for Dividend Declaration
- Illustration of relationships between the Company, its Ultimate Parent Company, Middle Parent, and its Subsidiaries
- Philippine Financial Reporting Standards and Interpretations Effective as of December 31, 2020
- Schedule of Financial Soundness Indicators
- The supplementary schedules of the Consolidated Financial Statements for the year ended December 31, 2020 are attached as Exhibit 2.

14.3 SEC Form 17 – Q

During the year 2020, the Company has filed the following SEC quarterly reports pursuant to Section 17 of SRC Rule 17 (2) (b) hereto attached as Exhibit 3.

Date of Filing	Quarter Ending
April 30, 2020	March 31, 2020
July 30, 2020	June 30, 2020
October 30, 2020	September 30, 2020

14.4 Legal Proceedings and Pending Cases (See Exhibit 4)**14.5 Reports on SEC Form 17-C**

Reports on SEC Form 17-C filed during the year ended December 31, 2020 are attached together with this report as Exhibit 5:

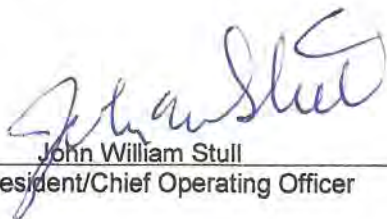

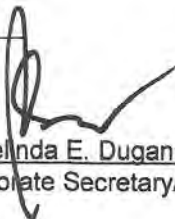
Date Filed/ Disclosed	Subject
January 6, 2020	An advisory on the Board's appointment of Mr. Samuel O. Manlosa, Jr. as Vice President – Plant Manager of Davao Plant.
March 3, 2020	An advisory on the Board's approval to postpone the Annual Stockholder's Meeting from 2nd Thursday of May each year as stated in its By-Laws to June 17, 2020.
March 16, 2020	An advisory in response to the SEC Notice issued on March 12, 2020 regarding the COVID-19 pandemic.
March 31, 2020	An advisory on the change in the Corporation's contact details.
May 11, 2020	An advisory on the lapse of the agreement for the sale and purchase of the Company shares among Holderfin, First Stronghold Cement Industries, Inc., San Miguel Corporation and LafargeHolcim Ltd., effective May 10, 2020.
May 22, 2020	An advisory on the postponement of the Annual Stockholders' Meeting to July 22, 2020 to be conducted via video conferencing.
May 26, 2020	An advisory on the resumption of operations in Luzon and Davao City.
July 22, 2020	An advisory on the results of the Annual Stockholders Meeting and Organizational Board Meeting held on July 22, 2020.
August 24, 2020	An advisory on the change in designation of the following officers: (a) Mr. Ike Tan, from Head of Procurement to Vice President, Head of Procurement; and (b) Ms. Victoria T. Tomelden, from Chief Audit Executive to Vice President, Chief Audit Executive
September 18, 2020	An advisory update on the disclosure of the Company made on October 18, 2018 regarding the dispute with Seasia Nectar Port Services, Inc.
September 18, 2020	An advisory on the resignation of Ms. Rajani Kesari as member of the Board of Directors and the Audit Committee of the Company, effective immediately.
September 18, 2020	An advisory on the results of the Special Board Meeting held on 17 September 2020, where Ms. Tan Then Hwee was elected as director and appointed as member of the Audit Committee of the Company, to serve for the unexpired portion of the term of Ms. Rajani Kesari.

November 20, 2020	<p>An advisory on the following results of the Board of Directors' Meeting held on November 19, 2020:</p> <ul style="list-style-type: none"> a. Approval of the proposed merger of Holcim Philippines Manufacturing Corporation, Mabini Grinding Mill Corporation and Bulkcem Philippines, inc. into the Company b. Approval of the dissolution of the following subsidiaries of the Company: (1) HuBB Stores and Services, Inc., (2) Holcim Philippines Business Service Center, Inc., and (3) Wellborne International Group Limited. c. Approval of the holding of the Special Stockholders' Meeting on January 15, 2021 via remote communication and delegation to the Corporate Secretary of the authority and responsibility to determine and finalize the agenda, time, venue and other details of the meeting.
December 3, 2020	<p>An advisory on the retirement of Ms. Victoria Tomelden as Vice President, Chief Audit Executive of the Company, effective January 1, 2021.</p>

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Taguig on FEB 22 2021, 2021.

By:

 <u>John William Stull</u> President/Chief Operating Officer	 <u>Jesusa Natividad L. Rojas</u> Chief Financial Officer/ Treasurer	 <u>Belinda E. Dugan</u> General Counsel/Corporate Secretary/ Compliance Officer
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SUBSCRIBED AND SWORN to before me this _____ day of FEB 22 2021 2021 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Holcim Philippines, Inc.	00136603	January 4, 2019	Taguig City
	PASSPORT NO		
John William Stull	530501732	May 12, 2015	USA
Jesusa Natividad L. Rojas	P9003195A	October 3, 2018	Manila
Belinda E. Dugan	P7916925A	July 12, 2018	DFA Legazpi

Doc No: 169
 Page No: 3
 Book No: 10
 Series of: 2021



Notary Public

Patrick Henry G. Salazar

PATRICK HENRY G. SALAZAR
 Notary Public for Taguig City
 Appointment No. 8 valid until 30 June 2021
 Pursuant to Bar Matter no. 8725, dated 1 December 2020
 20th Floor, One/Neo Building 26th Street corner 3rd Avenue
 Crescent Park West, Bonifacio Global City Taguig City
 Roll of Attorney No. 62515
 PTR No. A-4945190, 01/6/2021; Taguig City

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A

Consolidated Financial Statements

Exhibit 1

Statement of Management's Responsibility for Consolidated Financial Statements

Independent Auditors' Report

Consolidated Balance Sheets as of December 31, 2020 and 2019

Consolidated Statements of Income

for each of the three years in the period ended December 31, 2020

Consolidated Statements of Comprehensive Income

for each of the three years in the period ended December 31, 2020

Consolidated Statements of Changes in Equity

for each of the three years in the period ended December 31, 2020

Consolidated Statements of Cash Flows

for each of the three years in the period ended December 31, 2020

Notes to Consolidated Financial Statements

Supplementary Schedules

Exhibit 2

Independent Auditors' Report on Supplementary Schedules

Supplementary Schedule of Retained Earnings Available for Dividend Declaration

Illustration of relationships between the Company and its Ultimate Parent Company,
Middle Parent, and its Subsidiaries

Philippine Financial Reporting Standards and Interpretations Effective as of December 31, 2020

Schedule A. Financial Assets

N/A

Schedule B. Amounts Receivable from Directors, Officers, Employees,

Schedule C. Amounts Receivable from Related Parties which are Eliminated

Schedule D. Long-Term Debt

N/A

Schedule E. Indebtedness to Related Parties

N/A

Schedule F. Guarantees of Securities of Other Issuers

N/A

Schedule G. Capital Stock



Holcim Philippines, Inc.
7th Floor Two World Square
McKinley Hill, Fort Bonifacio
Taguig City 1634
Philippines

Phone +63 2 459 3333
Fax +63 2 459 4444
www.holcim.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Holcim Philippines, Inc. and its Subsidiaries (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

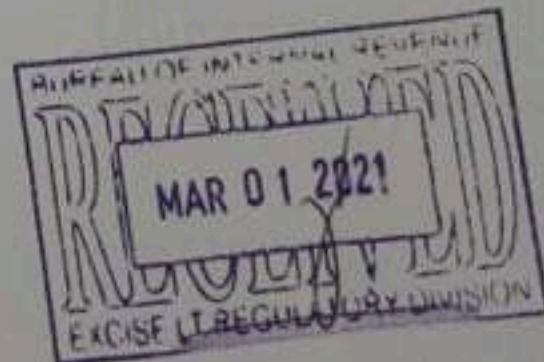
Navarro Amper & Co., the independent auditor appointed by the stockholders, has examined the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and its reports to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such examination.

Tomas I. Alcantara
Chairman of the Board

John William Stull
President and Chief Executive Officer

Jesusa Natividad L. Rojas
Chief Financial Officer

Signed this 22nd day of February, 2021





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 7th Floor Two World Square
 McKinley Hill, Fort Bonifacio
 Taguig City 1634
 Philippines

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 Fax +63 2 459 4444
 www.holcim.com

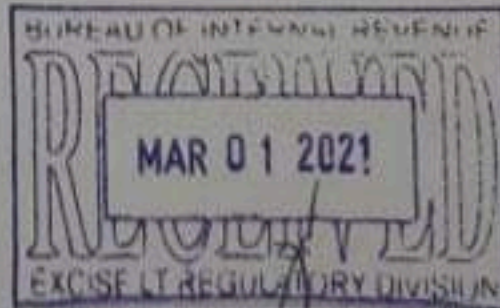
SUBSCRIBED AND SWORN to before me this FEB 22 2021 with the presentation of the following:

Name	UMID ID	Place Issued	Date Issued
Tomas L. Alcantara	0111-05213746	USA	May 12, 2015
John William Stull	Passport No. 530501732	Manila	April 29, 2014
Jesusa Natividad L. Rojas	ECO971234		

Doc. No. 142
 Page No. 35
 Book No. 17
 Series of 2020.



Atty. Henry B. Salazar
ATTY. HENRY B. SALAZAR
 Notary Public for Taguig City
 Appointment No. 8 valid until 30 June 2021
 Order No. Bar Matter no. 37115, dated 1 December 2020
 10th, OneNeo Building 26th Street corner 3rd Avenue
 Alibon Park West, Bonifacio Global City Taguig City
 Roll of Attorney No. 62515
 PTR No. A-4945190; 01/5/2021; Taguig City



Consolidated Financial Statements
For the years ended
December 31, 2020 and 2019

**HOLCIM PHILIPPINES, INC.
AND ITS SUBSIDIARIES**

**Consolidated Financial Statements
December 31, 2020 and 2019
and
Independent Auditors' Report**

7th Floor, Two World Square
McKinley Hill, Fort Bonifacio, Taguig City, Philippines

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

H	O	L	C	I	M		P	H	I	L	I	P	P	I	N	E	S	,		I	N	C	.		A	N	D		
I	T	S		S	U	B	S	I	D	I	A	R	I	E	S														

Principal Office (No./Street/Barangay/City/Town)Province)

7	/	F	,		T	W	O		W	O	R	L	D		S	Q	U	A	R	E	,								
M	C	K	I	N	L	E	Y		H	I	L	L	,		F	O	R	T		B	O	N	I	F	A	C	I	O	,
T	A	G	U	I	G		C	I	T	Y																			

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N/A

COMPANY INFORMATION

Company's Email Address

N/A

Company's Telephone Number/s

(02) 459-3333

Mobile Number

N/A

No. of Stockholders

5,259

Annual Meeting
Month/Day

July 22

Fiscal Year
Month/Day

December 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Dennis G. Segovia Jr.

Email Address

dennis.segovia@lafargeholcim.com
--

Telephone Number/s

8-459-3333

Mobile Number

09175308837

Contact Person's Address

7/F Two World Square, McKinley Hill, Fort Bonifacio, Taguig City
--

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



SUPPLEMENTAL WRITTEN STATEMENT OF AUDITORS

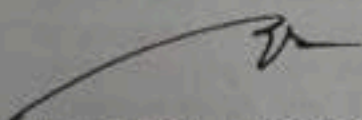
To the Board of Directors and Shareholders
HOLCIM PHILIPPINES, INC. AND ITS SUBSIDIARIES
7/F, Two World Square, McKinley Hill
Fort Bonifacio, Taguig City

Gentlemen:

We have audited the consolidated financial statements of Holcim Philippines, Inc. and its Subsidiaries (the "Group") as at and for the year ended December 31, 2020, in accordance with Philippine Standards on Auditing, on which we have rendered the attached report dated February 22, 2021. In connection with our audit, we wish to state that Holcim Philippines, Inc. (the "Parent Company") is listed with the Philippine Stock Exchange.

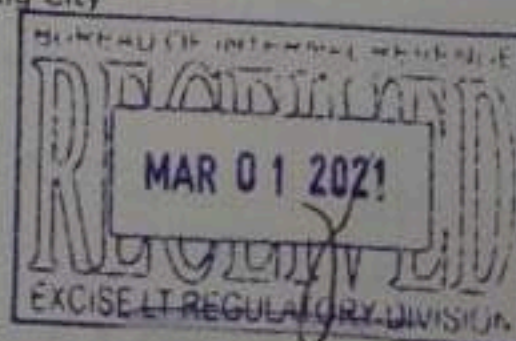
Navarro Amper & Co.
BOA Registration No. 0004, valid from November 12, 2018 to July 16, 2021
SEC Accreditation No. 0001-FR-5, issued on January 15, 2019; effective until January 14, 2022, Group A
TIN 005299331

By:



Bonifacio F. Lamacang, Jr.
Partner
CPA License No. 0098090
SEC A.N. 1793-A, issued on November 11, 2019; effective until November 10, 2022, Group A
TIN 170035681
BIR A.N. 08-002552-18-2020, issued on December 28, 2020; effective until December 27, 2023
PTR No. A-5047290, issued on January 4, 2021, Taguig City

Taguig City, Philippines
February 22, 2021



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
HOLCIM PHILIPPINES, INC. AND ITS SUBSIDIARIES
7/F, Two World Square, McKinley Hill,
Fort Bonifacio, Taguig City

Opinion

We have audited the consolidated financial statements of Holcim Philippines, Inc. and its Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years ended December 31, 2020 and notes to the consolidated financial statements, including a summary of significant accounting policies.

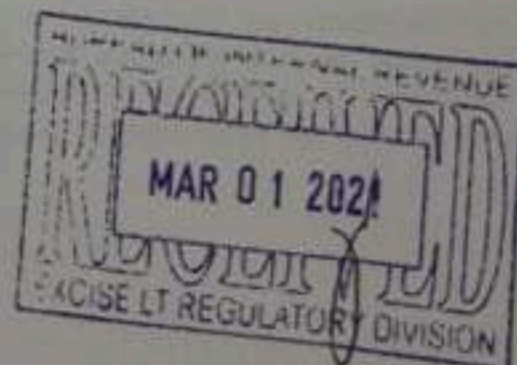
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2020 and 2019, and its financial performance and its cash flows for each of the three years ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (the Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



We identified the following key audit matter:

Key Audit Matter

Goodwill

Goodwill has been recognized in the consolidated financial statements which is attributable to the cement operations of the Group. Under Philippine Financial Reporting Standards (PFRS), the Group is required to annually test the goodwill for impairment. This annual impairment test is significant to our audit because the aggregated balance of goodwill amounting to P2.64 billion is material to the consolidated financial statements and represents 6.37% of the total assets of the Group as at December 31, 2020.

In addition, the Management conducts annual impairment tests to assess the recoverability of the carrying value of goodwill. This annual impairment test involves a number of key sensitive judgments and estimates made in determining the inputs used in the assessment process.

The Group's carrying value of goodwill as at December 31, 2020 are disclosed in Note 14 to the consolidated financial statements.

Our audit performed and responses thereon

Our audit procedures focused on performing a detailed walkthrough and understanding on the Management's assessment process and challenging the key assumptions and judgments as follows:

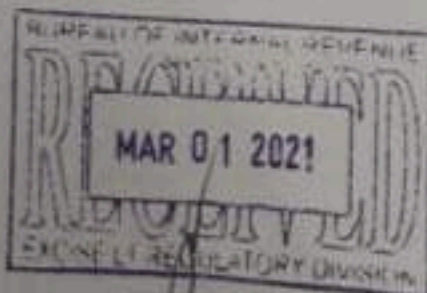
1. We assessed the appropriateness and reasonableness of the Group's position on the impairment of goodwill including consideration of various factors such as historical business performance, current year developments, current risk evaluations, business plans, outlook, revenue potential and other market considerations.
2. We engaged our internal valuation specialist to review and assess the appropriateness of the valuation methodology and key assumptions used in the impairment analysis, in particular the discount rates and terminal growth rates by comparing the expectations to those used by Management.
3. We also compared the revenue and margin growth rates and EBITDA to the historical performance of the cash-generating unit (CGU), management plans and analysts' reports on market outlook.
4. We performed stress test of the key assumptions, assessed the impact on the recoverable amounts based on sensitivity analysis, and understood the degree to which assumptions would need to move before impairment would be triggered.
5. We also considered the adequacy and appropriateness of the related disclosures in the financial statements.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2020, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover this other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or with our knowledge obtained in the audit, or otherwise appears to be materially misstated.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with PFRS, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

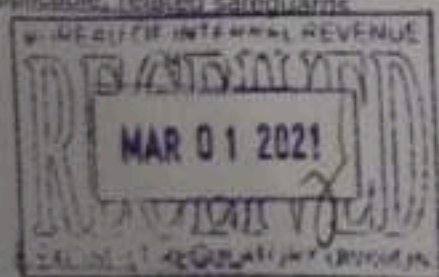
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Bonifacio F. Lamacang, Jr.

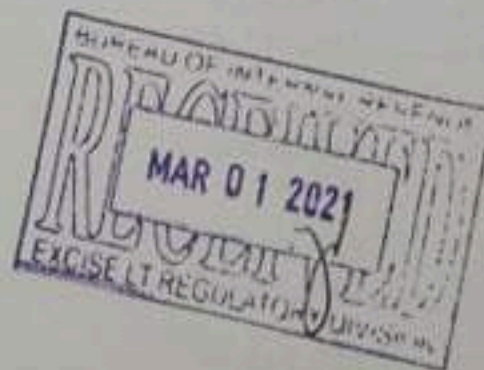
Navarro Amper & Co.
BOA Registration No. 0004, valid from November 12, 2018 to July 16, 2021
SEC Accreditation No. 0001-FR-5, issued on January 15, 2019; effective until January 14, 2022, Group A
TIN 005299331

By:


Bonifacio F. Lamacang, Jr.
Partner

CPA License No. 0098090
SEC A.N. 1793-A, issued on November 11, 2019; effective until November 10, 2022, Group A
TIN 170035681
BIR A.N. 08-002552-18-2020, issued on December 28, 2020; effective until December 27, 2023
PTR No. A-5047290, issued on January 4, 2021, Taguig City

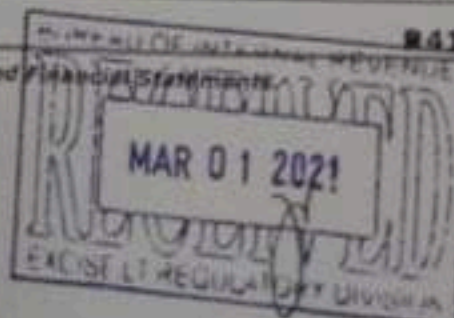
Taguig City, Philippines
February 22, 2021



HOLCIM PHILIPPINES, INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Notes	2020	2019
(In Thousands)			
ASSETS			
Current Assets			
Cash in banks	8	P 2,080,791	P 2,961,897
Trade and other receivables - net	9	3,067,077	3,958,580
Inventories - net	10	2,851,169	3,077,546
Other current assets	11	417,775	939,348
Total Current Assets		8,416,812	10,937,371
Non-current Assets			
Investments	12	4,299,259	4,363,425
Property, plant and equipment - net	13	19,525,534	19,999,303
Right-of-use assets	18	1,866,896	2,130,518
Goodwill	14	2,635,738	2,635,738
Intangible assets - net	14	19,445	26,875
Retirement benefit asset	33	2,161,204	2,313,807
Other non-current assets	15	2,440,534	2,420,872
Total Non-current Assets		32,948,610	33,890,538
		P41,365,422	P44,827,909
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	17	P9,301,296	P10,340,029
Loans payable	16	-	3,925,849
Lease liabilities - current portion	18	1,218,146	396,704
Income tax payable		161,427	306,453
Total current liabilities		10,680,869	14,969,035
Non-current Liabilities			
Provisions	21	74,479	77,082
Deferred tax liabilities - net	32	136,099	244,384
Lease liabilities - non-current portion	18	841,920	1,767,799
Total non-current liabilities		1,052,498	2,089,265
		11,733,367	17,058,300
Equity			
Capital stock	22	6,452,099	6,452,099
Additional paid-in capital		8,476,002	8,476,002
Other reserves		4,050	4,475
Reserves for remeasurement gain on retirement benefits - net	33	1,423,446	1,624,206
Retained earnings	22	13,261,328	11,199,025
Equity attributable to equity holders of the Parent Company		29,616,925	27,755,807
Non-controlling interest		15,130	13,802
Total Equity		29,632,055	27,769,609
		P41,365,422	P44,827,909

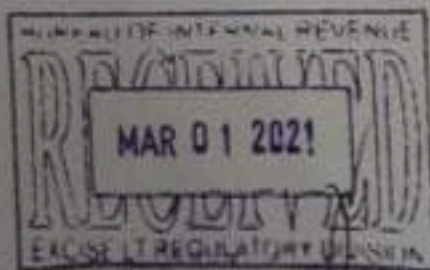
See Accompanying Notes to Consolidated Financial Statements



HOLCIM PHILIPPINES, INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		For the Years Ended December 31		
	Notes	2020	2019	2018
<i>(in Thousands, Except Per Share Amounts)</i>				
Revenue	7	P26,015,342	P33,486,771	P35,623,113
Cost of Sales	23	21,884,624	27,040,914	29,850,205
Gross Profit		4,130,718	6,445,857	5,772,908
General and administrative expenses	24	(906,592)	(959,282)	(1,235,721)
Selling expenses	25	(460,606)	(544,548)	(815,597)
Interest and financing charges	28	(357,460)	(581,515)	(327,804)
Interest and other financial income	29	158,755	319,128	33,128
Other income (expense) - net	30	187,526	(18,273)	1,446
Share of results of associate	12	22,234	134,146	122,898
Profit Before Income Tax		2,774,575	4,795,513	3,551,258
Income Tax Expense	32	710,491	1,205,871	1,005,865
Profit for the Year		P2,064,084	P 3,589,642	P 2,545,393
Profit for the year attributable to:				
Equity holders of the Parent Company		P2,062,303	P 3,587,301	2,544,411
Non-controlling interest		1,781	2,341	982
		P2,064,084	P 3,589,642	P 2,545,393
Other Comprehensive Income (Loss) not to be reclassified to profit or loss in subsequent period:				
Remeasurement gain (loss) on retirement benefits	33	(P286,800)	(P 1,564,752)	P 4,401,952
Income tax effect		86,040	469,427	(1,320,586)
		(200,760)	(1,095,325)	3,081,366
Reversal of remeasurement loss on retirement benefit		(453)	-	-
Other reserves		(425)	2,131	3,774
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods - net of tax		(201,638)	(1,093,194)	3,085,140
Total Comprehensive Income		P1,862,446	P 2,496,448	P 5,630,533
Total Comprehensive Income Attributable to:				
Equity holders of the Parent Company		P1,861,118	P 2,498,719	P 5,618,703
Non-controlling interest		1,328	(2,271)	11,830
Total Comprehensive Income		P1,862,446	P 2,496,448	P 5,630,533
Basic/Diluted Earnings per Common Share of Net Income Attributable to Equity Holders of the Parent Company	35	P 0.32	P 0.56	P 0.39

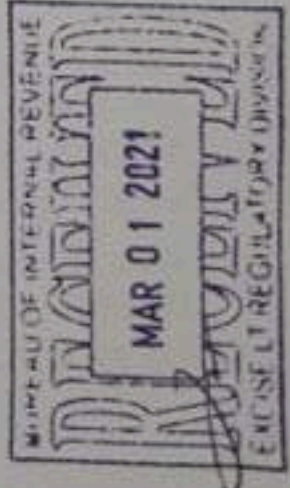
See Accompanying Notes to Consolidated Financial Statements.



HOLCIM PHILIPPINES, INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Other Reserves (Note 22)	Reserves for Remeasurement Gain (Loss) on Retirement Benefits - net (Note 33)	Retained Earnings (Note 22)	Total	Non-controlling Interest	Total Equity
<i>(In Thousands, Except Per Share Amounts)</i>								
Balances at January 1, 2018	₱6,452,099	₱8,476,002	(₱1,430)	(₱350,987)	₱7,773,468	₱22,349,152	₱3,596	₱22,354,748
Profit for the year	-	-	-	-	2,544,411	2,544,411	962	2,545,373
Other comprehensive income	-	-	3,774	3,070,518	-	3,074,292	10,848	3,085,140
Total comprehensive income	-	-	3,774	3,070,518	2,544,411	5,618,703	11,830	5,630,533
Transactions with owners:								
Cash dividends - ₱0.42 per share	-	-	-	-	(2,710,767)	(2,710,767)	(1,353)	(2,712,120)
Balances at December 31, 2018	6,452,099	8,476,002	2,344	2,719,531	7,607,112	25,257,088	16,073	25,273,161
Profit for the year	-	-	-	-	3,587,301	3,587,301	2,341	3,589,642
Other comprehensive income (loss)	-	-	2,131	(1,095,325)	4,612	(1,088,582)	(4,612)	(1,093,194)
Total comprehensive income (loss)	-	-	2,131	(1,095,325)	3,591,913	2,498,719	(2,271)	2,496,448
Balances at December 31, 2019	6,452,099	8,476,002	4,475	1,624,206	11,199,025	27,755,807	13,802	27,769,609
Profit for the year	-	-	(425)	(200,760)	2,062,303	2,062,303	1,781	2,064,084
Other comprehensive income (loss)	-	-	(425)	(200,760)	-	(201,185)	(453)	(201,638)
Total comprehensive income (loss)	-	-	(425)	(200,760)	2,062,303	1,861,118	1,328	1,862,446
Balances at December 31, 2020	₱6,452,099	₱8,476,002	₱4,050	₱1,423,446	₱13,261,328	₱29,616,925	₱15,130	₱29,632,055

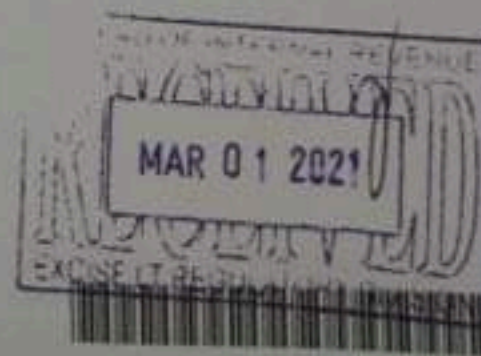
See Accompanying Notes to Consolidated Financial Statements.



HOLCIM PHILIPPINES, INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		For the Years Ended December 31		
	Notes	2020	2019	2018
		(In Thousands)		
		P2,774,575	P 4,795,513	P3,551,258
Cash Flows from Operating Activities				
Profit before income tax				1,173,199
Adjustments for:			1,746,800	327,804
Depreciation and amortization	27	1,967,923	581,515	106,105
Interest and financing charges	28	357,460	64,594	9,260
Retirement benefits expense	33	87,220	(9,364)	17,503
Provision for (Reversal) of expected credit losses	9	31,778	22,822	5,961
Provision for inventory obsolescence	10	16,829	15,859	(122,898)
Unrealized foreign exchange losses (gains) - net		(24,272)	(134,147)	(33,128)
Share in undistributed earnings of an associate		(22,234)	(319,128)	22,472
Interest and other financial income	29	(158,755)	-	3,610
Other losses - net		-	(8,322)	-
Loss (Gain) on sale of property, plant and equipment	30	-	105,859	-
Loss on disposal of intangible asset	30	-	-	-
Income before working capital changes		5,030,524	6,862,001	5,061,146
Decrease (Increase) in:			94,695	(581,415)
Trade and other receivables		849,528	2,027,215	(1,354,447)
Inventories		209,919	(169,152)	48,834
Other current assets		547,218	(1,347,267)	3,141,683
Increase (decrease) in trade and other payables		(799,248)	-	-
Cash generated from operations		5,837,941	7,467,492	6,315,801
Contributions paid the retirement fund	33	(117,457)	(114,098)	(70,059)
Settlements on defined benefit	33	-	-	(1,950)
Income taxes paid		(856,798)	(1,234,069)	(1,088,495)
Net cash generated (used) from operating activities		4,863,686	6,119,325	5,155,297
Cash Flows from Investing Activities				
Additions to property and equipment	13	(890,447)	(2,599,089)	(1,926,729)
Additions to intangible assets	14	-	(107,577)	-
Additions to investments	12	-	(18,750)	-
Decrease (Increase) in other non-current assets	15	(38,982)	275,073	(2,408,909)
Interest received		12,599	78,543	25,868
Proceeds from sale of property, plant and equipment	13	258	31,986	61,529
Dividends received	12	88,530	39,170	341,556
Net cash used in investing activities		(828,042)	(2,300,644)	(3,906,685)
Cash Flows from Financing Activities				
Payments of:				(2,712,296)
Cash dividends		-	-	(8,335,826)
Loans payable	16	(9,225,849)	(11,400,000)	-
Lease liabilities		(507,601)	(667,995)	-
Interest and financing charges		(489,819)	(399,948)	(27,495)
Proceeds from availment of loans	16	5,300,000	6,200,000	13,283,676
Net cash (used in) generated from financing activities		(4,923,269)	(6,267,943)	2,208,059
Effects of Exchange Rate Changes		6,519	11,306	(2,615)
Net (Decrease) Increase in Cash and Cash Equivalents		(881,106)	(2,437,956)	3,454,056
Cash and Cash Equivalents, Beginning		2,961,897	5,399,853	1,945,797
Cash and Cash Equivalents, End		P2,080,791	P 2,961,897	P5,399,853

See Accompanying Notes to Consolidated Financial Statements.



HOLCIM PHILIPPINES, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

1. CORPORATE INFORMATION

Holcim Philippines, Inc. (HPI or the "Parent Company") and its subsidiaries (collectively referred to as the "Group"), except Wellborne International Group Limited (WEB), were incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company is primarily engaged in the manufacture, sale and distribution of cement and cementitious products.

The plant sites of the Parent Company are in Davao City and in the provinces of La Union and Bulacan while the plant sites of Mabini Grinding Mill Corporation and Holcim Philippines Manufacturing Corporation are in the provinces of Batangas and Misamis Oriental, respectively. The registered address and principal place of business of the Parent Company is at 7th Floor, Two World Square McKinley Hill, Fort Bonifacio, Taguig City.

The Parent Company is majority-owned by Union Cement Holdings Corporation (UCHC), a Group incorporated in the Philippines. The ultimate parent of the Group is Lafarge Holcim Limited, a company incorporated in Switzerland.

The Parent Company's shares of stocks were listed in the Philippine Stock Exchange on June 17, 1996. Total shares registered and outstanding as at December 31, 2020 and 2019 is 6.5 billion.

Status of Operations

Following is the status of operations of some of the subsidiaries within the Group:

Excel Concrete Logistics, Inc. (ECLI) was incorporated and registered with the SEC on August 9, 2012. On January 1, 2013, ECLI started its full operation servicing the distribution, transport and placing of concrete, as well as transport of cement and specialty products. On November 29, 2018, the Board of Directors (BOD) of the Parent Company approved the closure and dissolution of ECLI. On January 28, 2020, the SEC approved ECLI's application for amendment of ECLI's Articles of Incorporation to shorten its corporate term. Accordingly, the Parent Company impaired its investment in ECLI in 2019 amounting to ₱125.0 million and the financial statements of ECLI has been prepared using the alternative authoritative basis of accounting.

HUBB Stores and Services, Inc. (HSSI) incurred losses in 2020 and 2019 amounting to ₱35.6 million and ₱10.5 million, resulting in an accumulated deficit of ₱221.6 million and ₱185.9 million as at December 31, 2020 and 2019, respectively. In 2019, the Parent Company impaired its investment amounting to ₱112.5 million as the Parent Company foresees that the relevant investment will no longer be realized due to its current operations and financial stability. However, Management has taken appropriate actions by implementing strategies that will assist in improving the results of operations and maintaining financial stability. Management is currently reviewing its current business model to improve HSSI's results of operations going forward. Accordingly, the financial statements of HSSI still have been prepared on a going concern basis.



2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and Board of Accountancy (BOA) and adopted by the SEC.

Basis of Preparation

The Group's consolidated financial statements have been prepared on historical cost basis except for:

- financial instruments measured at amortized cost;
- financial instruments which are valued at fair value;
- derivative liabilities measured at fair value;
- inventories at lower of cost and net realizable value (NRV);
- defined benefit asset or obligation recognized as the net total of the fair value of plan assets less the present value of the defined benefit obligation; and
- provisions measured at its best estimate of the expenditure required to settle the present obligation, with discounting if the effect of time value of money is material.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of PFRS 2, *Share-based payments*, leasing transactions that are within the scope of PAS 17 and PFRS 16, *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS 2, *Inventories* or value in use in PAS 36, *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Functional and Presentation Currency

These consolidated financial statements are presented in Philippine Peso, the currency of the primary economic environment in which the Group operates. All amounts are rounded in the nearest thousand pesos, except when otherwise indicated.



3. COMPOSITION OF THE GROUP

Details of the Parent Company's subsidiaries as at December 31, 2020 and 2019 are as follows:

	Ownership and Voting Interest	
	2020	2019
Held by the Parent Company		
WEB ^(a)	100.00%	100.00%
Excel Concrete Logistics, Inc. (ECLI) ^(b)	100.00%	100.00%
Holcim Philippines Business Services Center, Inc. (HPBSCI) ^(c)	100.00%	100.00%
Hubb Stores and Services, Inc. (HSSI) ^(d)	100.00%	100.00%
Holcim Philippines Manufacturing Corporation (HPMC) ^(e)	99.62%	99.62%
Held by WEB		
Mabini Grinding Mill Corporation (MGMC) ^(e)	100.00%	100.00%
Held by HPMC		
Alsons Construction Chemicals, Inc. (Alchem) ^(f)	99.62%	99.62%
Bulkcem Philippines, Inc. (Bulkcem) ^(g)	99.62%	99.62%
Calamba Aggregates Co., Inc. (CACI) ^(h)	99.62%	99.62%

Incorporated outside the Philippines

(a) A Group incorporated in British Virgin Islands and is dissolved as approved by the Board of Director on June 28, 2019.

Incorporated in the Philippines

(b) Ceased commercial operations of distributing and transporting cement effective December 31, 2018

(c) Ceased commercial operations of providing business process outsourcing effective January 2015

(d) Ceased commercial operations of retail of all kinds of construction and building materials effective August 2020

(e) Engaged in leasing of cement manufacturing plant

(f) Ceased commercial operations effective December 31, 2013

(g) Engaged in leasing of pack houses.

(h) Ceased commercial operations of mining and selling raw materials and other quarry resources effective October 2004

The interest that Non-Controlling Interest (NCI) have in the Group's activities and cash flows is not significant.

4. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Adoption of New and Revised Accounting Standard Effective in 2020

The Group adopted all accounting standards and interpretations as at December 31, 2020. The new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and approved by the FRSC in the Philippines, were assessed to be applicable to the Group's financial statements, are as follows:

PFRS 16, *Leases*

Amendments to PFRS 16, *COVID-19-Related Rent Concessions*

Amendment to PFRS 16 provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to PFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying PFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2021 and increased lease payments that extend beyond June 30, 2021); and
- There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to PFRS 16 in advance of its effective date.



Impact on accounting for changes in lease payments applying the exemption

The Group did not apply the practical expedient retrospectively to all rent concessions that meet the conditions in PFRS 16:46B, and has not restated prior period figures.

The amendments are effective for annual periods beginning on or after June 1, 2020. Earlier application is permitted, including in financial statements not authorised for issue at May 28, 2020.

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 adoption of these amendments has no significant impact on the Company's financial statements.

New Accounting Standard Effective after the Reporting Period Ended December 31, 2020

PFRS 17, Insurance Contracts

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes PFRS 4 Insurance Contracts.

PFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

An amendment issued on June 2020 and adopted by FRSC on August 2020 addresses concerns and implementation challenges that were identified after PFRS 17 was published.

PFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.



The standard (incorporating the amendments) is effective for periods beginning on or after January 1, 2023. Earlier application is permitted.

The adoption of the new standard does not have an impact on the Group for it is not an issuer of insurance contracts.

Amendments to PFRS 3, References to the Conceptual Framework

The amendments update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to PFRS 3 a requirement that, for obligations within the scope of PAS 37, an acquirer applies PAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The Management of the Group is still evaluating the impact of these new amendments.

Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between and Investor and Its Associate or Joint Venture

The amendments to PFRS 10 and PAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

The Management of the Group is still evaluating the impact of these new amendments.

Amendments to PAS 1, Classification of Liabilities as Current or Non-current

The amendments to PAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

The Management of the Group is still evaluating the impact of these new amendments.



Amendments to PAS 16, Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with PAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. PAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Group is still evaluating the impact of these new amendments.

Amendments to PAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Group is still evaluating the impact of these new amendments.



Amendments to PFRS 1 – Subsidiary as a first-time adopter

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in PFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

Amendments to PFRS 9 – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

Amendments to PFRS 16 – Lease Incentives

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to PFRS 16 only regards an illustrative example, no effective date is stated.

Amendments to PAS 41 – Taxation in fair value measurements

The amendment removes the requirement in PAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in PAS 41 with the requirements of PFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

The Management of the Group is still evaluating the impact of these new amendments.



New Accounting Standards Effective in 2020 - Adopted by Financial Reporting Standards Council (FRSC) but pending for approval by the Board of Accountancy.

The Group will adopt the following standards once these become effective.

PIC Q&A No. 2019-04, Conforming Changes to PIC Q&As – Cycle 2019

The interpretation sets out the changes (i.e., amendments or withdrawal) to certain interpretations. These changes are made as a consequence of the issuance of new PFRS that become effective starting January 1, 2019 and other relevant developments.

PIC Q&As Amended

The following table summarizes the changes made to the amended interpretations:

PIC Q&A Amended	Amendment
PIC Q&A No. 2011-05: PFRS 1 – Fair Value or Revaluation as Deemed Cost	Updated because of applying PFRS 16, Leases, for the first time starting January 1, 2019
PIC Q&A No. 2011-06: Acquisition of investment properties – asset acquisition or business combination?	Reference to PAS 40, Investment Property, has been updated because of applying PFRS 16 for the first time starting January 1, 2019.
PIC Q&A No. 2012-02: Cost of a new building constructed on the site of a previous building	Reference to PAS 40 has been updated because of applying PFRS 16 for the first time starting January 1, 2019.
PIC Q&A No. 2017-02: PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building	Updated to comply with the provisions of PFRS 16 and renamed as PIC Q&A No. 2017-02: PAS 2 and PAS 16 - Capitalization of depreciation of right-of-use asset as part of construction costs of a building
PIC Q&A No. 2017-10: PAS 40 - Separation of property and classification as investment property	Reference to PAS 40 has been updated because of applying PFRS 16 for the first time starting January 1, 2019.
PIC Q&A No. 2018-05: PAS 37 - Liability arising from maintenance requirement of an asset held under a lease	Updated to comply with the provisions of PFRS 16
PIC Q&A No. 2018-15: PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current	Reference to PAS 40 (included as an attachment to the Q&A) has been updated because of applying PFRS 16 for the first time starting January 1, 2019.

PIC Q&A Withdrawn

PIC Q&A Withdrawn	Basis for Withdrawal
PIC Q&A No. 2017-09: PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees	This PIC Q&A is considered withdrawn starting January 1, 2019, which is the effective date of PFRS 16. PFRS 16 superseded PAS 17, Leases, and Philippine Interpretation SIC-15, Operating Leases - Incentives
PIC Q&A No. 2018-07: PAS 27 and PAS 28 - Cost of an associate, joint venture, or subsidiary in separate financial statements	This PIC Q&A is considered withdrawn upon publication of IFRIC agenda decision - Investment in a subsidiary accounted for at cost: Step acquisition (IAS 27 Separate Financial Statements) in January 2019.

The effective date of the amendments is included in the affected interpretations.

The Management of the Group is still evaluating the impact of the interpretation.



PIC Q&A No. 2019-06, *Accounting for step acquisition of a subsidiary in a parent*

The interpretation clarifies how a parent should account for the step acquisition of a subsidiary in its separate financial statements.

Salient points of the interpretation are the following:

IFRIC concluded either of the two approaches may be applied:

- Fair value as deemed cost approach
Under this approach, the entity is exchanging its initial interest (plus consideration paid for the additional interest) for a controlling interest in the investee (exchange view). Hence, the entity's investment in subsidiary is measured at the fair value at the time the control is acquired.
- Accumulated cost approach
Under this approach, the entity is purchasing additional interest while retaining the initial interest (non-exchange view). Hence, the entity's investment in subsidiary is measured at the accumulated cost (original consideration).

Any difference between the fair value of the initial interest at the date of obtaining control of the subsidiary and its original consideration is taken to profit or loss, regardless of whether, before the step acquisition transaction, the entity had presented subsequent changes in fair value of its initial interest in profit or loss or other comprehensive income (OCI).

The interpretation is effective for periods beginning on or after October 19, 2019.

The amendments will not have an impact on the Group's consolidated financial statements as the Group has no plans for a step acquisition of a subsidiary.

PIC Q&A No. 2019-07, *Classification of Members' Capital Contributions of Non-Stock Savings and Loan Associations (NSSLA)*

The Bangko Sentral ng Pilipinas (BSP) issued Circular No. 1045 on August 29, 2019 to amend the Manual of Regulations for Non-Bank Financial Institutions Applicable to Non-Stock Savings and Loan Associations (MORNBFIS) – Regulatory Capital of Non-Stock Savings and Loan Associations (NSSLAs) and Capital Contributions of Members.

Under the Circular, each qualified member of an NSSLA shall maintain only one capital contribution account representing his/her capital contribution. While only one capital account is maintained, the Circular breaks down a member's capital contributions as follows:

- a. Fixed capital which cannot be reduced for the duration of membership except upon termination of membership. The minimum amount of fixed capital is ₱1,000, but a higher minimum can be prescribed under the NSSLA's by-laws.
- b. Capital contribution buffer, which pertains to capital contributions in excess of fixed capital. The capital contribution buffer can be withdrawn or reduced by the member without affecting his membership. However, the NSSLA shall establish and prescribe the conditions and/or circumstances when the NSSLA may limit the reduction of the members' capital contribution buffer, such as, when the NSSLA is under liquidity stress or is unable to meet the capital-to-risk assets ratio requirement under Sec. 4116S of the MORNBFIS Regulations. Such conditions and/or circumstances have to be disclosed to the members upon their placement of capital contribution buffer and in manners as may be determined by the Board.

For purposes of identifying and monitoring the fixed capital and capital contribution buffer of a member's capital contribution, NSSLAs shall maintain subsidiary ledgers showing separately the fixed and capital contribution buffer of each member. Further, upon receipt of capital contributions from their members, NSSLAs shall simultaneously record the amount contributed as fixed and capital contribution buffer in the aforementioned subsidiary ledgers. However, NSSLAs may use other systems in lieu of subsidiary ledgers provided that that the system will separately show the fixed and capital contribution buffer of each member. *remove*



The interpretation assessed and concluded that both Fixed Capital and the Capital contribution buffer qualify as "equity" in the NSSLA's financial statements as they both meet all the requirements of paragraphs 16A and 16B of PAS 32, *Financial Instruments: Presentation*.

The interpretation is effective for periods beginning on December 11, 2019 and should be applied retrospectively.

The amendments will not have an impact on the Group's financial statements as the Group is not a non-stock savings and loan association.

PIC Q&A No. 2019-08, *PFRS 16, Leases - Accounting for Asset Retirement or Restoration Obligation ("ARO")*

The interpretation clarifies the recognition of ARO under the following scenarios:

1) Accounting for ARO at lease commencement date

The cost of dismantling and restoration (i.e., the ARO) should be calculated and recognized as a provision in accordance with PAS 37, with a corresponding adjustment to the related ROU asset as required by PFRS 16.24(d). As such, the lessee will add the amount of ARO to the cost of the ROU asset on lease commencement date, which will then form part of the amount that will be amortized over the lease term.

2) Change in ARO after initial recognition

2.1) Because ARO is not included as a component of lease liability, the measurement of such ARO is outside the scope of PFRS 16. Hence, its measurement is generally not affected by the transition to PFRS 16. Except in cases where the reassessment of lease-related assumptions (e.g., lease term) would affect the measurement of ARO-related provision, the amount of ARO existing at transition date would not be remeasured; rather, the balance of the ARO provision and any related asset will remain as previously measured. The asset will simply be reclassified from property and equipment to the related ROU asset as required under PFRS 16.24(d).

2.2) Assuming there is a change in lease-related assumptions that would impact the ARO measurement (e.g., change in lease term due to the new PFRS 16 requirements), the following will be the accounting treatment depending on the method used by the lessee in adopting PFRS 16:

- a. *Modified retrospective approach* - Under this approach, the lessee uses the remaining lease term to discount back the amount of provision to transition date. Any adjustment is recognized as an adjustment to the ROU asset and ARO provision. This adjustment applies irrespective of which of the two methods in measuring the ROU asset will be chosen under the modified retrospective approach.
- b. *Full retrospective approach* - The ARO provision and related asset, which gets adjusted to the ROU asset, should be remeasured from commencement of the lease, and then amortized over the revised or reassessed lease term. Because full retrospective approach is chosen, it is possible that the amount of cumulative adjustment to the ARO provision and the ROU asset at the beginning of the earliest period presented will not be the same; hence, it is possible that it might impact retained earnings.

The Management of the Group is still evaluating the impact of the interpretation.



PIC Q&A No. 2019-09, *Accounting for Prepaid Rent or Rent Liability Arising from Straight-lining under PAS 17 on Transition to PFRS 16 and the Related Deferred Tax Effects*

The interpretation aims to provide guidance on the following:

1. How a lessee should account for its transition from PAS 17 to PFRS 16 using the modified retrospective approach. Specifically, this aims to address how a lessee should, on transition, account for any existing prepaid rent or rent liability arising from straight-lining of an operating lease under PAS 17;
2. How to account for the related deferred tax effects on transition from PAS 17 to PFRS 16.

The Management of the Group is still evaluating the impact of the interpretation.

PIC Q&A No. 2019-10, *Accounting for variable payments with rent review*

Some lease contracts provide for market rent review in the middle of the lease term to adjust the lease payments to reflect a fair market rent for the remainder of the lease term. This Q&A provides guidance on how to measure the lease liability when the contract provides for a market rent review.

The Management of the Group is still evaluating the impact of the interpretation.

PIC Q&A No. 2019-11, *Determining the current portion of an amortizing loan/lease liability*

The interpretation aims to provide guidance on how to determine the current portion of an amortizing loan/lease liability for proper classification/presentation between current and non-current in the statement of financial position.

The Management of the Group is still evaluating the impact of the interpretation.

PIC Q&A No. 2019-12, *PFRS 16, Leases – Determining the lease term*

The interpretation provides guidance on how an entity determines the lease term under PFRS 16.

A contract would be considered to exist only when it creates rights and obligations that are enforceable. Therefore, any non-cancellable period or notice period in a lease would meet the definition of a contract and, thus, would be included as part of the lease term. To be part of a contract, any option to extend or terminate the lease that are included in the lease term must also be enforceable.

If optional periods are not enforceable (e.g., if the lessee cannot enforce the extension of the lease without the agreement of the lessor), the lessee does not have the right to use the asset beyond the non-cancellable period. Consequently, by definition, there is no contract beyond the non-cancellable period (plus any notice period) if there are no enforceable rights and obligations existing between lessee and lessor beyond that term.

In assessing the enforceability of a contract, an entity should consider whether the lessor can refuse to agree to a request from the lessee to extend the lease. Accordingly, if the lessee has the right to extend or terminate the lease, there are enforceable rights and obligations beyond the initial non-cancellable period and thus, the parties to the lease would be required to consider those optional periods in their assessment of the lease term. In contrast, a lessor's right to terminate a lease is ignored when determining the lease term because, in that case, the lessee has an unconditional obligation to pay for the right to use the asset for the period of the lease, unless and until the lessor decides to terminate the lease.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, an entity shall consider all relevant facts and circumstances (i.e., including those that are not indicated in the lease contract) that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

The Management of the Group is still evaluating the impact of the interpretation.



PIC Q&A No. 2019-13, *PFRS 16, Leases – Determining the lease term of leases that are renewable subject to mutual agreement of the lessor and the lessee*

The interpretation provides guidance on how an entity determines the lease term under PFRS 16. This interpretation focuses on lease contracts that are renewable subject to mutual agreement of the parties.

A renewal option is only considered in determining the lease term if it is enforceable. A renewal that is still subject to mutual agreement of the parties is legally unenforceable under Philippine laws until both parties come to an agreement on the terms.

In instances where the lessee has known to be, historically, renewing the lease contract after securing mutual agreement with the lessor to renew the lease contract, the lessee's right to use the underlying asset does not go beyond the one-year period covered by the current contract, as any renewal still has to be agreed on by both parties. A renewal is treated as a new contract.

The Management of the Group is still evaluating the impact of the interpretation.

PIC Q&A No. 2020-01, *Conforming Changes to PIC Q&As – Cycle 2020*

The interpretation sets out the changes (i.e., amendments or withdrawal) to certain interpretations. These changes are made as a consequence of the issuance of new PFRS that become effective starting January 1, 2019 and other relevant developments.

PIC Q&As Amended

The following table summarizes the changes made to the amended interpretations:

PIC Q&A Amended	Amendment
Framework 4.1 and PAS 1.25 – Financial statements prepared on a basis other than going concern	References to <i>The Conceptual Framework for Financial Reporting</i> have been updated due to the revised framework effective January 1, 2020
PIC Q&A No. 2016-03: Accounting for common areas and the related subsequent costs by condominium corporations	References to <i>The Conceptual Framework for Financial Reporting</i> have been updated due to the revised framework effective January 1, 2020
PIC Q&A No. 2011-03: Accounting for intercompany loans	References to <i>The Conceptual Framework for Financial Reporting</i> have been updated due to the revised framework effective January 1, 2020
PIC Q&A No. 2017-08: PFRS 10 – Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture	References to <i>The Conceptual Framework for Financial Reporting</i> have been updated due to the revised framework effective January 1, 2020
PIC Q&A No. 2018-14: PFRS 15 – Accounting for cancellation of real estate sales	References to <i>The Conceptual Framework for Financial Reporting</i> have been updated due to the revised framework effective January 1, 2020

PIC Q&A Withdrawn

PIC Q&A Withdrawn	Basis for Withdrawal
PIC Q&A No. 2011-06: Acquisition of investment properties – asset acquisition or business combination?	With the amendment to PFRS 3 on the definition of a business effective January 1, 2020, there is additional guidance in paragraphs B7A-B12D of PFRS 3 in assessing whether acquisition of investment properties is an asset acquisition or business combination (i.e. optional concentration test and assessment of whether an acquired process is substantive)

The effective date of the amendments is included in the affected interpretations.

The Management of the Group is still evaluating the impact of the interpretation.



PIC Q&A No. 2020-02, Conclusion on PIC QA 2018-12E: On certain materials delivered on site but not yet installed

The interpretation provides guidance on the treatment of the customized materials in recognizing revenue using a cost-based input method.

For each performance obligation satisfied over time, entity shall recognize the revenue by measuring towards complete satisfaction. In such case, materials that are customized, even if uninstalled, are to be included in the measurement of progress in completing its performance obligations.

However, in the case of uninstalled materials that are not customized, revenue should only be recognized upon installation or use in construction. Revenue cannot be recognized even up to the extent of cost unless it met all the criteria listed in the standards.

The Management of the Group is still evaluating the impact of the interpretation.

PIC Q&A No. 2020-03, On the accounting of the difference when the percentage of completion is ahead of the buyer's payment

The interpretation clarifies that recognition of either contract asset or receivable is acceptable in case the revenue recognized based on percentage of completion (POC) is ahead of the buyer's payment as long as this is consistently applied in transactions of the same nature and disclosure requirements of PFRS 15 for contract assets or receivables, as applicable, are complied.

The Management of the Group is still evaluating the impact of the interpretation.

PIC Q&A No. 2020-04 (Addendum to PIC Q&A 2018-12-D), PFRS 15 - Step 3 - Requires and Entity to Determine the Transaction Price for the Contract

The interpretation clarifies that, in case of mismatch between the POC and schedule of payments, there is no significant financing component if the difference between the promised consideration and the cash selling price of the goods or service arises for the reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference.

The Management of the Group is still evaluating the impact of the interpretation.

PIC Q&A No. 2020-05, PFRS 15 - Accounting for Cancellation of Real Estate Sales

The interpretation provided guidance on the accounting for cancellation of real estate sales and the repossession of the property. They provided three (3) approaches as follows:

1. The reposessed property is recognized at its fair value less cost to repossess
2. The reposessed property is recognized at its fair value plus repossession cost
3. Accounted as modification of contract

Either of the above mentioned approaches are acceptable as long as it's applied consistently. All approaches above should consider payments to buyers required under the Maceda Law and the write-off of any unamortized portion of cost of obtaining a contract in its determination of gain/loss from repossession.

The Management of the Group is still evaluating the impact of the interpretation.



PIC Q&A No. 2020-06, PFRS 16 - Accounting for payments between and among lessors and lessees

The interpretation provides for the treatment of payments between and among lessors and lessees as follows:

Transaction	Treatments in the financial statements of			Basis
	Lessor	Old lessor	New Lessee	
Lessor pays old lessee - lessor intends to renovate the building	<p>i. Recalculate the revised leased payments (net of the one-off amount to be paid) and amortize over the revised lease term.</p> <p>ii. If net payable, recognize as expense unless the amount to be paid qualifies as capitalizable cost under PAS 16 or PAS 40; in which case it is capitalized as part of the carrying amount of the associated property if it meets the definition of construction costs under PAS 16 or PAS 40.</p>	<p>i. Recognize in profit and loss at the date of modification the difference between the proportionate decrease in the right-of-use asset based on the remaining right-of-use asset for the remaining period and remaining lease liability calculated as the present value of the remaining lease payments discounted using the original discount rate of the lease.</p> <p>ii. Recognize the effect of remeasurement of the remaining lease liability as an adjustment to the right-of-use-asset by referring to the revised lease payments (net of any amount to be received from the lessor) and using a revised discount rate.</p> <p>iii. Revisit the amortization period of right-of-use asset and any related leasehold improvement following the shortening of the term.</p>		<ul style="list-style-type: none"> • PFRS 16; par. 87 • PAS 16; pars. 6, 16-17 • PAS 40; par. 21 • PFRS 16; par. 45 • Illustrative example 18 issued by IASB • PAS 16; pars. 56-57
Lessor pays old lessee - new lease with higher quality lessee	Same as Item 1	Same as Item 1		Same as Item 1 PFRS 16 par. 83
Lessor pays new lessee - an incentive to occupy	<p>i. Finance lease:</p> <ul style="list-style-type: none"> • If made after commencement date, incentive payable is credited with offsetting debit entry to the net investment lease. • If paid at or prior to commencement date, included in the calculation of gain or loss on disposal on finance lease. <p>ii. Operating lease add the initial direct costs to the carrying amount of underlying asset and recognize as expense over the lease term either on a straight-line basis or another systematic basis.</p>		<p>i. Record as a deduction to the cost of the right-of-use asset.</p> <p>ii. Lease incentive receivable is also included as reduction in measurement of lease liability.</p> <p>iii. When lessee receives the payment of lease incentive, the amount received is debited with a credit entry to gross up the lease liability.</p>	<ul style="list-style-type: none"> • PAS 16; par. 68 • PAS 16; par. 71 • PFRS 16; par. 83 • PFRS 16; par. 24



Transaction	Treatments in the financial statements of			Basis
	Lessor	Old lessor	New Lessee	
Lessor pays new lessee - building alterations specific to the lessee with no further value to lessor	Same as Item 3		<ul style="list-style-type: none"> i. Same as in fact pattern 1C. ii. Capitalize costs incurred by the lessee for alterations to the building as leasehold improvement in accordance with PAS 16 or PAS 40. 	<ul style="list-style-type: none"> • Same as in fact pattern 1C. • PAS 40; par. 21 • PAS 16; pars. 16-17
Old lessee pays lessor to vacate the leased premises early	Recognize as income immediately, unless it was within the original contract and the probability criterion was previously met, in which case, the amount would have already been recognized as income using either a straight-line basis or another systematic basis.	Recognize as expense immediately unless it was within the original contract and the probability criterion was previously met, in which case, the financial impact would have been recognized already as part of the lease liability.		<ul style="list-style-type: none"> • PAS 16 • PAS 38 • PFRS 16; par. 18
Old lessee pays new lessee to take over the lease		Recognize as an expense immediately.	Recognize as income immediately.	<ul style="list-style-type: none"> • PAS 16 • PAS 38 • PFRS 16; Appendix A
New lessee pays lessor to secure the right to obtain a lease agreement	<ul style="list-style-type: none"> i. If finance lease, recognize gain or loss in the profit or loss arising from the derecognition of underlying assets ii. If operating lease, recognize as deferred revenue and amortize over the lease term on a straight-line basis or another systematic basis. 		Recognize as part of the cost of the right-of-use asset.	<ul style="list-style-type: none"> PFRS 16; par. 24 • PAS 16; par. 71 • PFRS 16; par 81
New lessee pays old lessee to buy out the lease agreement		Recognize as again immediately. Any remaining lease liability and right-of-use asset will be derecognized with net amount through P&L.	Account for as initial direct cost included in the measurement of the right-of-use asset.	<ul style="list-style-type: none"> • PFRS 16; Appendix A • PFRS 16; Example 13 in par. IE5 • PFRS 16; par. 24

The Management of the Group is still evaluating the impact of the interpretation.



5. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and all subsidiaries it controls.

Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- and has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements of control.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Parent Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interest even if this results in the non-controlling interest having deficit balance.

The consolidated financial statements of the subsidiaries are prepared for the same reporting year as the Group, using uniform accounting policies for like transactions and other events in similar circumstances. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealized gains and losses are eliminated.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.



When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable PFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under PFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with PAS 12, *Income Taxes* and PAS 19, *Employee Benefits* respectively;
- liabilities and equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangement of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with PFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any) is recognized immediately in profit or loss as bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interest are measured at fair value or, when applicable, on the basis specified in another PFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from acquisition date) about facts and circumstances that existed at the acquisition date.



The subsequent accounting for the changes in fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with PFRS 9, *Financial Instruments*, or PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities. Subsequently, goodwill arising on an acquisition of a business is measured at cost less any accumulated impairment losses.

Goodwill is not amortized but is reviewed for impairment at least annually. For purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating unit (CGU) that are expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the amount attributable to goodwill is included in the determination of the profit or loss on disposal.

Current Versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current or noncurrent classification. An asset is current if:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.



Fair Value Measurement

The Group measures financial instruments such as derivatives and financial assets at fair value through profit or loss (FVTPL) at each balance sheet date.

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

Fair-value related disclosures for financial instruments that are measured at fair value are summarized in Notes 12 (Investments) and 17 (Trade and other payables).

Financial Assets

Financial assets are recognized in the Group's consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

Classification and Subsequent Measurement

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period established by regulation or convention in the marketplace.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Financial assets are subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as follows:

- financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost;
- financial assets that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);



- all other financial assets managed on their fair value basis and equity instruments are subsequently measured at FVTPL.

However, the Group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3 applies, in OCI; and
- the Group may irrevocably designate a debt investment that meets the amortized cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate (EIR) is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI.

For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset.



Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss;
- for debt instruments measured at FVOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss. Other exchange differences are recognized in OCI in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedge accounting relationship, exchange differences are recognized in profit or loss; and
- for equity instruments measured at FVOCI, exchange differences are recognized in OCI in the investments revaluation reserve.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECL) on trade receivables, contract assets, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognized for investments in equity instruments.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime ECL for trade receivables, amounts due from customers under construction contracts and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

ECLs are required to be measured for all other financial instruments through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

ECLs are probability-weighted estimates of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.



Significant increase in credit risk

The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the current credit status of customers as assessed regularly by credit and sales officers of the Group, the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument (e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost);
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.



The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 360 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortized cost or FVOCI are credit-impaired at each reporting date. To assess if debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

Write-off

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.



Measurement and recognition of expected credit losses

The measurement of ECL is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with PFRS 16, *Leases*.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investment's revaluation reserve; and
- for loan commitments and financial guarantee contracts: as a provision.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the asset's cash flows expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at FVOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss, but is transferred to retained earnings.



On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain/loss allocated to it that had been recognized in OCI is recognized in profit or loss. A cumulative gain/loss that had been recognized in OCI is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

Cash and Cash Equivalents

Cash includes cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and that are subject to an insignificant risk of change in value. Cash and cash equivalents exclude any restricted cash (presented as part of "Other non-current assets") that is not available for use by the Group and therefore, is not considered highly liquid, such as cash set aside to cover rehabilitation obligations.

Inventories

Inventories are initially measured at cost. Subsequently, valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

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|---|---|
| Finished goods and goods in process | - determined using the moving average method; cost includes direct materials, direct labor and a proportion of manufacturing overhead costs. |
| Raw materials, fuel, spare parts and others | - determined using the moving average method; cost includes purchase price and other costs incurred in bringing these inventories to their present location or condition. |

The NRV of finished goods and goods in process inventories is the selling price in the ordinary course of business, less estimated costs to complete the product and make the sale. The NRV of raw materials, fuel and spare parts and other inventories is the current replacement cost.

When the net realizable value of the inventories is lower than the cost, the Group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in profit or loss. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

Other Current Assets

Other current assets mainly include advances to suppliers and prepaid expenses. These are amounts paid in advance for goods or services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or within 12 months from the balance sheet date, otherwise, these are classified under non-current assets. They are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.



Investment in Associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations*.

Under the equity method, an investment in an associate is recognized initially in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investments and is assessed for impairment as part of that investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition, i.e. discount on acquisition is immediately recognized in profit or loss in the period of acquisition.

The results of operations and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held-for-sale in which measured at lower of carrying amount and fair value less cost to sell. Under the equity method, investments in associates are carried in the statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group's accounting policy for impairment of financial assets is applied to determine whether it is necessary to recognize any impairment loss with respect to its investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the Group's accounting policy on impairment of tangible and intangible assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues to use the equity method from the date the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with PFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as reclassification adjustment) when the equity method is discontinued.



When the Group reduces in its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in an associate that are not related to the Group.

Property, Plant and Equipment

Property, plant and equipment are initially recognized at cost. The cost of an item of property, plant and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management; and

The cost of construction in progress includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Major spare parts and stand-by equipment qualify as property, plant and equipment when the Group expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, these are accounted for as property, plant and equipment.

At the end of each reporting period, item of property, plant and equipment measured using the cost model are carried at cost less any subsequent accumulated depreciation and impairment losses.

Property, plant and equipment are subsequently measured at cost less any subsequent accumulated depreciation, and impairment losses. Subsequent expenditures relating to an item of property, plant and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Building and installations	20 to 40 years
Machinery and equipment	10 to 30 years
Furniture, vehicles and tools	3 to 10 years

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy.

Depreciation of these assets, on the same basis as other property assets, commences at the time the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Construction in progress represents plant and properties under construction or development and is stated at cost. This includes costs of construction, plant and equipment, borrowing costs directly attributable to such assets during the construction period and other direct costs. Construction in-progress is not depreciated until such time when the relevant assets are substantially completed and available for its intended use.



Intangible Assets

Intangible assets are initially measured at cost. Subsequent to initial recognition, intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives of the intangible assets which is between 5 to 10 years. The estimated useful life and the amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Group assesses whether there is any indication that any of its tangible and intangible assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized as an expense. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income.

Goodwill that forms part of the carrying amount of an investment in subsidiaries are not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an investment in subsidiaries is tested for impairment as a single asset when there is objective evidence that the investment in subsidiaries may be impaired.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.



Financial Liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and PFRS 9 permits the entire hybrid contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in profit or loss.

However, for non-derivative financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognized in profit or loss.

In making the determination of whether recognizing changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Group assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. This determination is made at initial recognition.

Since the Group does not have financial liabilities classified at FVTPL, all financial liabilities are subsequently measured at amortized cost.



Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with PFRS 9; and
- the amount recognized initially less, where appropriate, cumulative amortization recognized.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments.

These foreign exchange gains and losses are recognized in the other income (expense) – net line in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those, which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

A right to offset must be available today rather being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.



Derecognition of financial liabilities

Financial liabilities are derecognized by the Group when the obligation under the liability is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as a modification gain or loss within other gains and losses.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Capital Stock

Capital stock are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Preference Shares

Preference share capital is classified as equity for non-redeemable and redeemable only at the Group's option, and any dividends are discretionary dividends thereon are recognized as distribution within equity upon approval by the Group's shareholders.

Additional paid-in capital

When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

Retained earnings

Retained earnings represent accumulated profit earned by the Group after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Dividends

Dividend distribution to the Group's shareholders is recognized as liability in the Group's consolidated financial statements in the period in which the dividends are declared by the Group's Board of Directors (BOD).

Derivative Financial Instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, such as foreign exchange forward contracts. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.



Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. All derivatives are carried as assets if the fair value is positive, otherwise derivatives are carried as liabilities. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the consolidated financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months, and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognized when the Group has a present obligation, either legal or constructive, as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision should be reversed.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Contingent liabilities and assets

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent liabilities assumed in a business combination are only recognized when these are present obligation and can be measured reliably.

Contingent assets are not recognized, but are disclosed only when an inflow of economic benefits is probable. When the realization of income is virtually certain, asset should be recognized.



Share-based Payments

Equity-settled share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments to employees is recognized as expense on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except when the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Cash-settled share-based payments

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

Employee Benefits

Short-term benefits

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before twelve months after the end of the reporting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Post-employment benefits

The Group has both defined benefit and defined contribution plans.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due to be settled for more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value.



Defined benefit plan

Net retirement benefits asset, as presented in the consolidated statements of financial position, is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for the effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the defined benefit liability and the return on plan assets, are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit to equity through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

Net interest is calculated by applying the single effective discount rate based on different term-dependent zero-coupon rate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

The level of benefits provided depends on the member's length of service and salary at retirement age.

Plan assets are assets that are held in trust and governed by the Board of Trustees, which consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

The net retirement benefit asset recognized in the consolidated statements of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Termination benefits

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

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



Employee leave entitlement

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

Revenue Recognition

The Group recognizes revenue from selling cement and other cementitious products such as dry-mix and aggregates.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

Sale of goods

The Group sells goods both to the wholesale market and directly to customers.

The Group has official written agreements with customers documented in supply agreements and approved purchase orders. The supply agreements contain each party's respective obligations.

For sales of goods to the wholesale market, revenue is recognized when control of the goods has transferred, being when the goods have been delivered depending on the shipping terms. The Group's shipping terms includes transfer of ownership upon departure of the goods on the plant and upon delivery to the customer's specific location. Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognized by the Group when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

For sales of goods to directly to customers, revenue is recognized when control of the goods has transferred, being at the point the goods has been delivered based on the shipping terms. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Transaction Price

The transaction price of the sale of goods varies from each sales order. The Group offers variable consideration in form of rebates for select customers on the sale of cement and aggregates. The rebates to be given to customers were already determined at the beginning of the year and recorded at the end of each month. Revenue is measured based on the consideration specified in a sales order with a customer and excludes amounts collected on behalf of third parties.

The Group has only one distinct performance obligation and that is to deliver the promised goods.

Under the Group's standard contract terms, customers have a right of return within 30 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognized for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return so consequently recognizes a right to returned goods asset and a corresponding adjustment to cost of sales. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognized will not occur given the consistent level of returns over previous years.



Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Other income

Other income is income generated outside the normal course of business and is recognized when it is probable that the economic benefits will flow to the Group and it can be measured reliably.

Expense Recognition

Expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss on the basis of: (i) a direct association between the costs incurred and the earning of specific items of income; (ii) systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statements of comprehensive income are presented using the function of expense method. Costs of goods sold are expenses incurred that are associated with the goods sold and includes direct materials, direct labor and factory overhead. Operating expenses are costs attributable to administrative, marketing, selling and other business activities of the Group.

Leases

The Group has applied PFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under PAS 17. The details of accounting policies under both PAS 17 and PFRS 16 are presented separately below.

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The Group uses its incremental borrowing rate.



Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

The lease liability is presented as a separate line in the consolidated statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under PAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statements of financial position. The Group applies PAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

As a practical expedient, PFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or nonlease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.



Value-Added Tax (VAT)

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other current assets" or "Trade and other payables" in the consolidated statements of financial position.

Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange prevailing at the end of the reporting period. All differences are recognized in the consolidated statements of comprehensive income except for foreign exchange differences that qualify as capitalizable borrowing costs for qualifying assets. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as adjustments to interest costs on those foreign currency borrowings.
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that has a post-employment benefit plan for the employees and key management personnel of the Group are also considered to be related parties.

Taxation

Income tax expense represents the sum of the current tax and deferred tax expense.

Current tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using 30% regular corporate income tax (RCIT) rate or 2% minimum corporate income tax rate, whichever is higher.



Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the Group reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to PAS 12, Income Taxes is not rebutted. As a result, the Group has not recognized any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.



Earnings per Share

The Group computes its basic earnings per share by dividing profit or loss for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period.

For the purpose of calculating diluted earnings per share, profit or loss for the year attributable to ordinary equity holders of the Group and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

Events after the Reporting Period

The Group identifies events after the end of each reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the consolidated financial statements are authorized for issue. The consolidated financial statements of the Group are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to the consolidated financial statements when material.

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Financial Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group reports separately, information about an operating segment that meets any of the following quantitative thresholds:

- the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of the combined reported profit of all operating segments that did not report a loss and the combined reported loss of all operating segments that reported a loss; and
- its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if Management believes that information about the segment would be useful to users of the consolidated financial statements.

For Management purposes, the Group is currently organized into two business segments: clinker and cement segment and other materials and construction segments. These divisions are the basis on which the Group reports its primary segment information.

Financial information on segment reporting is presented in Note 7.



6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations, that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Determination of lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of 2 to 5 years. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Lease commitments - Group as lessee

The Group has various lease agreements as a lessee. The Group has determined, based on evaluation of the terms and condition of the lease agreements, that the significant risks and rewards of ownership of the leased properties were retained by the lessor (e.g., no transfer of ownership at the end of the lease term, lease term is not for the majority of the economic life of the asset and the amount of the present value of the minimum lease payments is not substantially the same as the fair value of the leased asset).

Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. PFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.



Key Sources of Estimation Uncertainty

The key estimates concerning the future and other key sources of estimation uncertainty as at balance sheet date that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are as follows:

Useful lives of property, plant and equipment and intangible assets

The useful lives of property, plant and equipment are estimated based on the period over which the property, plant and equipment are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property, plant and equipment are reviewed at each financial year-end, and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property, plant and equipment. However, it is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recording of depreciation expense for any period would be affected by changes in these factors and circumstances. There were no changes in the estimated useful lives of property, plant and equipment in 2020 and 2019.

The Group recognized depreciation expense related to property, plant and equipment amounting to ₱1.4 billion and ₱1.2 billion in 2020 and 2019, respectively, as disclosed in Notes 13 and 27. The carrying value of depreciable property, plant and equipment amounted to ₱19.5 billion and ₱20.0 billion as at December 31, 2020 and 2019, respectively, as disclosed in Note 13. Total accumulated depreciation as at December 31, 2020 and 2019 amounted to ₱26.5 billion and ₱25.4 billion, respectively, as disclosed in Note 13.

Impairment of non-financial assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. If any such indicators exist, the Group estimates the recoverable amount of the relevant asset.

Determining the recoverable amount of property plant and equipment, investments in associates, intangible assets and rights-of-use assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposal of such assets. Future events could cause management to conclude that assets associated with an acquired business are impaired.

Any resulting impairment loss could have a material adverse impact on the Group's financial position and financial performance. The preparation of estimated future cash flows involves significant estimations and assumptions. While the Group believes that its assumptions are appropriate and reasonable, significant changes in the Group's assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

The carrying values of investment in associate, property, plant and equipment, intangible assets and right-of-use assets are disclosed in Notes 12, 13, 14 and 18, respectively.

Impairment of goodwill

The Group performs impairment testing of its goodwill on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the CGU unit to which the goodwill is allocated. Value-in-use is estimated by making an estimate of the expected future cash flows from the CGU and to apply a suitable discount rate in order to calculate the present value of those cash flows. The recoverable amount of the goodwill has been determined based on a value-in-use calculation using cash flow projections based on the seven-year financial plan approved by the senior management. As the cash flow projections is based on both prospective financial and non-financial information, it is highly subjective in nature. Accordingly, actual outcome is likely to be different from that forecasted since anticipated events frequently do not occur as expected and the variation may be material. The Group has determined that the goodwill is not impaired. The carrying amount of goodwill amounted to ₱2.7 billion as at December 31, 2020 and 2019, as disclosed in Note 14.



Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default (LGD)

LGD is an estimate of the loss arising on default.

Estimating loss allowance for expected credit losses

The Group measures expected credit losses of a financial instrument in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and information about past events, current conditions and forecasts of future economic conditions. When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This level of allowance is based on the status of the accounts receivable, past collection experience and other factors that may affect collectability.

The expected credit losses amounted to ₱67.0 million and ₱52.1 million as at December 31, 2020 and 2019, respectively, as disclosed in Note 9. Trade and other receivables, net of expected credit losses, amounted to ₱3.1 billion and ₱4.0 billion as at December 31, 2020 and 2019, respectively, as disclosed in Note 9.

Retirement benefit costs and other post-employment benefits

The costs of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about the assumptions used are provided in Note 33.

In determining the appropriate discount rate, Group management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases are based on historical actual salary increases of the Group.

Total retirement expense recognized amounted to ₱0.3 billion and ₱1.4 billion as at December 31, 2020 and 2019, respectively. Total retirement benefit asset amounted to ₱2.2 billion and ₱2.3 billion for December 31, 2020 and 2019, respectively, as disclosed in Note 33.



Deferred tax assets

The Group reviews the carrying amounts of deferred income tax assets at the end of each reporting period and reduces these to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. This forecast is based on the past results and future expectations of revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Group will generate sufficient future taxable income to allow all or part of deferred income tax assets to be utilized. Management also reviews the level of projected gross margin for the use of Optional Standard Deduction (OSD) and assesses the future tax consequences for the recognition of deferred income tax assets and deferred income tax liabilities. Based on the Group's projected margin, management expects to use the itemized deduction method for the Parent Company and most of the subsidiaries. HPMC and Mabini expect to use the OSD for the next three years and Bulkcem and HPBSCI for the next four years.

Total deferred tax assets recognized in the Group's consolidated statements of financial position amounted to ₱733.0 million and ₱691.0 million as at December 31, 2020 and 2019, respectively. The amounts of temporary differences and carry-forward benefits of unused tax credits and unused tax losses, for which no deferred income tax assets as at December 31, 2020 and 2019 are disclosed in Note 32.

Net realizable value of inventories

The Group writes down the cost of inventories whenever the net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, change in price levels or other causes. The lower of cost and net realizable value of inventories is reviewed on a periodic basis. Inventory items identified to be obsolete and unusable are written-off and charged as expense in the consolidated statements of comprehensive income. The allowance for inventory obsolescence amounted to ₱230.7 million and ₱213.9 million as at December 31, 2020 and 2019, respectively, as disclosed in Note 10. The carrying values of inventories amounted to ₱2.9 billion and ₱3.1 billion as at December 31, 2020 and 2019, respectively, as disclosed in Note 10.

Provisions for claims, litigations and assessments

The Group is currently involved in various legal proceedings and tax assessments. Management's estimate of the probable costs for the resolution of these claims has been developed based upon an analysis of potential results. The Group currently believes that these proceedings will not have a material adverse effect on the consolidated financial statements. It is possible however, that future financial performance could be materially affected by changes in the estimates or effectiveness of the strategies relating to these proceedings and assessments. As at December 31, 2020 and 2019, the Group's provision for probable losses amounted to ₱10.0 million and ₱10.1 million, respectively, as disclosed in Note 21.

Contingencies

The Company is either a defendant or plaintiff in several legal cases primarily involving collection and claims for damages.

The Company has an outstanding legal case with Seasia Nectar Port Services Inc. ("Seasia") concerning the termination of the port services agreement with the latter. The Group lodged multiple petitions that are still pending with the Regional Trial Court of Bataan and the Regional Trial Court of Taguig. An interim measure of protection in the form of a preliminary attachment of the Group's assets was secured by Seasia, as disclosed in Note 15. Based on the assessment of Management and the opinion of the Company's external legal counsels, the outflow of resources is not probable to happen or more likely than not to occur, as disclosed in Note 34.



Onerous contract

The Group reviews contracts in which the unfavorable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it. These unfavorable costs are recognized as provisions and discounted using the applicable weighted average cost of capital (WACC). As at December 31, 2020 and 2019, the Group's provisions on stranded cost amounted to ₱64.5 million and ₱67.0 million, respectively, as disclosed in Note 21.

7. 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 domestic customers; and
- Other Construction Materials and services segment, which includes operations from the 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.



The Group has determined the Clinker and Cement segment as the only reportable segment. Information on the other segments that are not reportable are combined and presented as "Others". Segment revenues, EBITDA, assets, liabilities and other information for segments as at December 31, 2020 and 2019 and for each of the three years ended December 31, 2020, 2019 and 2018 are presented below:

	Clinker and Cement	Others	Total	Adjustments and Eliminations	Consolidated
<i>(In Thousands)</i>					
2020					
Revenue:					
External customers	₱25,788,478	₱ 226,864	₱26,015,342	₱ -	₱26,005,342
Inter-segment	214,647	1,043,243	1,257,890	(1,257,890)	-
	26,003,125	1,270,107	27,273,232	(1,257,890)	26,015,342
Operating EBITDA	4,376,272	355,171	4,731,443	-	4,731,443
Segment assets	23,200,791	11,784,581	34,985,372	6,380,050	41,365,422
Segment liabilities	9,483,912	3,582,209	13,066,121	(1,332,754)	11,733,367
Results -					
Depreciation, amortization and depletion	1,957,414	10,509	1,967,923	-	1,967,923
Other disclosures					
Construction-in-progress	1,330,295	505	1,330,800	-	1,330,800
2019					
Revenue:					
External customers	₱30,885,687	₱2,601,084	₱33,486,771	₱ -	₱33,486,771
Inter-segment	128,676	-	128,676	(128,676)	-
	31,014,363	2,601,084	33,615,447	(128,676)	33,486,771
Operating EBITDA	7,727,851	(1,039,024)	6,688,827	-	6,688,827
Segment assets	37,134,595	367,992	37,502,587	7,325,322	44,827,909
Segment liabilities	8,749,988	267,636	9,017,624	8,040,676	17,058,300
Results -					
Depreciation, amortization and depletion	1,733,413	13,387	1,746,800	-	1,746,800
Other disclosures					
Construction-in-progress	3,744,731	2,420	3,747,151	-	3,747,151
2018					
Revenue:					
External customers	₱33,227,519	₱2,395,594	₱35,623,113	₱ -	₱35,623,113
Inter-segment	244,313	4,296	248,609	(248,609)	-
	33,471,832	2,399,890	35,871,722	(248,609)	35,623,113
Operating EBITDA	6,473,381	(1,578,592)	4,894,789	-	4,894,789
Segment assets	37,089,069	457,620	37,546,689	9,649,552	47,196,241
Segment liabilities	9,863,298	208,004	10,071,302	11,851,778	21,923,080
Results -					
Depreciation, amortization and depletion	1,162,998	10,201	1,173,199	-	1,173,199
Other disclosures					
Construction-in-progress	6,202,519	2,420	6,204,939	-	6,204,939

Inter-segment revenues, other than those outside the Group, are eliminated upon consolidation and reflected in the "Adjustments and eliminations" column. All other adjustments that are part of detailed reconciliations presented further below include the following:

- Finance income and charges, and foreign exchange gains (losses) on financial assets and liabilities are not allocated to individual segments as the underlying instruments are managed on a group basis.
- Deferred income taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Following is the reconciliation of segment operating profit to consolidated profit before income tax:

	2020	2019	2018
<i>(In Thousands)</i>			
Operating EBITDA	₱4,731,443	₱6,688,827	₱4,894,789
Depreciation, amortization and depletion	(1,967,923)	(1,746,800)	(1,173,199)
Interest and financing charges	(357,460)	(581,515)	(327,804)
Interest and other financial income	158,755	319,128	33,128
Share in undistributed earnings	22,234	134,146	122,898
Other income (expense) – net	187,526	(18,273)	1,446
Profit before income tax	₱2,774,575	₱4,795,513	₱3,551,258



	December 31, 2020	December 31, 2019
	<i>(In Thousands)</i>	
Segment assets	₱34,985,372	₱37,502,587
Cash and cash equivalents	2,080,663	2,961,897
Investments	4,299,259	4,363,425
Consolidated assets	₱41,365,294	₱44,827,909
Segment liabilities	₱10,217,695	₱12,184,910
Loans payable	-	3,925,849
Lease liabilities - current portion	1,218,146	396,704
Income tax payable	161,427	306,453
Deferred income tax liabilities - net	136,099	244,384
Consolidated liabilities	₱11,733,367	₱17,058,300

Geographic Information

	2020	2019	2018
	<i>(In Thousands)</i>		
Revenues from external customers			
Local	₱26,015,342	₱33,486,771	₱35,623,113

The Group has no revenue from transactions with a single external customer accounting for 10% or more of the consolidated revenues. Moreover, there are no noted additions of non-current assets allocable to the reportable segments. All property, plant and equipment of the Group are located in the Philippines.

8. CASH IN BANK

	2020	2019
	<i>(In Thousands)</i>	
Cash in banks	₱2,080,791	₱2,961,897

Cash in banks earn interest at prevailing bank deposit rates from 1.29% to 2.0% for 2020 and 2019, respectively.

Interest income earned from cash in banks and on loans extended to a related party amounted to ₱35.3 million, ₱53.1 million and ₱33.1 million in 2020, 2019 and 2018 respectively as disclosed in Note 29.

9. TRADE AND OTHER RECEIVABLES - net

	Note	2020	2019
		<i>(In Thousands)</i>	
Trade receivables from:			
Third party customers		₱ 694,955	₱1,598,114
Less: Expected credit losses		(61,887)	(46,950)
		633,068	1,551,164
Due from related parties	31	1,519,089	1,441,423
Loans receivable from related parties	31	465,657	511,463
		1,984,746	1,952,886
Others		454,368	459,635
Less: Expected credit losses		(5,105)	(5,105)
		449,263	454,530
		₱3,067,077	₱3,958,580



Trade receivables are non-interest bearing and generally have credit terms of 30 to 60 days. Due from related parties and other receivables are collectible within the next financial year.

Other receivables consist mainly of collectibles from various parties for transactions other than sale of goods and accrued interests.

Movements in the expected credit losses which pertain to trade and other receivables are as follows:

	Note	2020	2019
		<i>(In Thousands)</i>	
Balance, beginning		₱52,055	₱232,524
Provisions (Reversals) - net	25	31,778	(9,364)
Write-off		(16,841)	(171,105)
		₱66,992	₱ 52,055
Individually impaired		₱60,360	₱ 51,971
Collectively impaired		₱ 6,632	₱ 84

Customary to the credit practices of the Company, customers are required to provide guarantees in the form of a standby letter of credit, bank guarantee and cash bond to allow them to purchase on credit. In the event that customers are deemed incapable of settling their obligations, the company shall exercise its right to call out the letter of credit or bank guarantee from the issuing banks or apply the cash bond accordingly. However, for some customers that are deemed to be reputable, competent and with sound business practices are exempted. These are normally the large real estate developers and construction companies that have been in operation for a long time. As at December 31, 2020, 71% of the total trade receivables (₱483 million) is covered by guarantees while 29% (₱200 million) is not covered by guarantees. As at December 31, 2019, 66% of the total trade receivables (₱1.04 billion) is covered by guarantees while 34% (₱530 million) is not covered by guarantees. There has not been any significant change in the quality of the guarantees. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Management believes that there is no further expected credit losses required in excess of those that were already provided. Aging of past due accounts but not impaired and credit quality of trade and other receivable are disclosed in Note 19.

The Group writes off a trade receivable when there is information indicating that the customer is in severe financial difficulty and there is no realistic prospect of recovery, i.e. when the customer has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

Management believes that the recoverability of its due from related parties is certain; accordingly, no expected credit losses were recognized in 2020 and 2019, respectively.



10. INVENTORIES – net

	Finished Goods	Goods in process	Raw materials	Fuels	Spare Parts and others	Total
2020						
At cost:	₱810,155	₱850,203	₱ 253,558	₱180,094	₱987,888	₱3,081,898
Less: Allowance for inventory obsolescence	-	-	-	-	(230,729)	(230,729)
At net realizable value	₱810,155	₱850,203	₱253,558	₱180,094	₱757,159	₱2,851,169
2019						
At cost:	₱651,387	₱975,221	₱289,352	₱314,060	₱1,061,426	₱3,291,446
Less: Allowance for inventory obsolescence	-	-	-	-	(213,900)	(213,900)
At net realizable value	₱651,387	₱975,221	₱289,352	₱314,060	₱847,526	₱3,077,546

Total inventories charged to cost of sales amounted to ₱15.3 billion, ₱18.9 billion, and ₱19.9 billion in 2020, 2019 and 2018, respectively, as disclosed in Note 23. Allowance for inventory obsolescence relates to allowance for spare parts.

The table below shows the movement of allowance for inventory obsolescence as at December 31:

	Note	2020	2019
<i>(In Thousands)</i>			
Balance, beginning		₱213,900	₱219,219
Additions (Reversal)	23	16,829	(5,319)
Balance, end		₱230,729	₱213,900

11. OTHER CURRENT ASSETS

	2020	2019
<i>(In Thousands)</i>		
Prepaid expenses	₱261,212	₱155,538
Input VAT	99,839	509,521
Advances to suppliers	39,132	259,427
Advances to employees	8,970	9,010
Creditable withholding taxes	8,622	1,460
Others	-	4,392
	₱417,775	₱939,348

Advances to suppliers represent advances that are applied against subsequent purchases and are outstanding for less than one year from initial recognition.

Advances to employees are non-interest bearing and generally have terms of 30 days.

Prepaid expenses include rent, insurance and taxes paid in advance that are amortized within next year.



12. INVESTMENTS

Investment as at December 31, 2020 and 2019 consist of the following:

	2020	2019
	<i>(In Thousands)</i>	
Investments in associate	₱4,295,219	₱4,359,485
Financial asset at fair value through profit or loss	3,940	3,940
	₱4,299,159	₱4,363,425

The details of investments in associate as at December 31, 2020 and 2019 are as follows:

	2020	2019
	<i>(In Thousands)</i>	
HMDC ⁽¹⁾	₱4,295,319	₱4,359,485

⁽¹⁾ HMDC is audited by another firm of auditors for consolidation purposes.

HMDC - 40%

HMDC was incorporated in the Philippines and registered with the SEC on October 5, 1987. Its registered place of business is 5th Floor, One Campus Place, Tower B, 1080 Campus Avenue, McKinley Town Center, Taguig City. HMDC is involved in mining, processing and sale of quarry resources of mineral rights.

Pursuant to the subscription by the Holcim Philippines, Inc. Retirement Fund ("HPI RF") to 60% of the issued and outstanding capital stock of HMDC, on February 2015, the Parent Company and HPMC appointed and designated HPI RF as their proxy for their respective 60% voting shares in HMDC, which proxy is irrevocable until SEC approves the increase in capital stock. Thereafter, three nominees of HPI RF were elected to the five-member Board of HMDC. As a result, HPI RF has effectively taken over the control of HMDC. Consequently, the Group accounted for its remaining 40% interest in HMDC as investment in an associate. At the date of the loss of control, the Parent Company's investment in HMDC was remeasured at ₱4.2 billion based on the fair value of its retained equity in HMDC.

Following are the summarized consolidated statements of financial position as at December 31, 2020 and 2019:

	2020	2019
	<i>(In Thousands)</i>	
Current assets	₱2,710,027	₱1,796,450
Non-current assets	6,303,122	6,336,623
Current liabilities	(3,642,718)	(3,412,591)
Non-current liabilities	(819,418)	(225,637)
Net assets	₱4,551,013	₱4,494,845



The reconciliation of the above summarized financial information to the carrying amount of the interest in HMDC recognized in the consolidated financial statements is shown below:

	2020	2019
	<i>(In Thousands)</i>	
Net assets of the associate	₱4,551,013	₱4,494,845
Ownership interest in HMDC	40%	40%
Proportion of the Group's ownership interest in HMDC	1,820,405	1,797,938
Gain on remeasurement of retained earnings at deconsolidation	2,379,015	2,379,015
Others	95,889	182,532
Carrying amount of the Group's interest in HMDC	₱4,295,319	₱4,359,485

Gain on remeasurement of retained equity at deconsolidation pertains to the amount recognized in profit or loss arising mainly from the fair value adjustments of certain assets owned by HMDC and its subsidiaries as a result of the change of HMDC from a subsidiary to an associate in 2015.

Others primarily pertain to the accumulated gains resulting from the sale of land assets originally invested by HPI, in accordance with the shareholders' agreement.

Following are the summarized consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019:

	2020	2019
	<i>(In Thousands)</i>	
Revenues	₱1,866,065	₱2,569,462
Cost and expenses	(1,334,829)	(1,978,549)
Gross profit	531,236	590,913
Other income (loss)	(441,301)	(357,425)
Income before income tax	89,935	233,488
Provision from income tax	(34,599)	(87,000)
Net income	₱ 55,336	₱ 146,488
Dividends received from the associate during the year	₱ 88,530	₱ 39,170

Movements of the investment in HMDC in 2020 and 2019 are as follows:

	2020	2019
	<i>(In Thousands)</i>	
Cost:		
Balance beginning of year	₱4,319,496	₱4,300,746
Additional investment	-	18,750
Balance end of year	4,319,496	4,319,496
Share of post-acquisition profit, net of dividend received	(24,177)	39,989
	₱4,295,319	₱4,359,485



On March 6, 2019, the Group subscribed to additional 3,750,000 Class A Common Shares of HMDC with a par value of Five pesos (₱5.00) per Share or an aggregate par value of ₱18.8 million.

On August 19, 2019, the BOD of HMDC declared total cash dividends of ₱44.9 million at ₱0.22 per share to its stockholders of record as of date.

On September 4, 2020, the BOD of HMDC declared total cash dividends of ₱172 million at ₱3.17 per share to its stockholders of record as of date.

Management believes that there is no indication that an impairment loss has occurred during the year.

13. PROPERTY, PLANT AND EQUIPMENT - net

	December 31, 2019	Additions/ Depreciation	Disposals/ Retirements	Transfers/ Reclassification	December 31, 2020
<i>(In Thousands)</i>					
Cost:					
Buildings and installations	₱13,593,446	₱ 18,484	₱ -	₱ 500,088	₱14,112,018
Machinery and equipment	26,985,692	362,637	(238,564)	2,449,407	29,559,172
Furniture, vehicles and tools	1,023,527	5,112	(44,473)	14,662	998,828
Construction in-progress	3,747,152	589,443	-	(3,005,795)	1,330,800
	45,349,817	975,676	(₱ 283,037)	(41,638)	46,000,818
Less accumulated depreciation and impairment losses:					
Buildings and installations	8,458,268	307,763	-	-	8,766,031
Machinery and equipment	16,141,139	1,015,588	(238,564)	-	16,918,163
Furniture, vehicles and tools	751,107	84,198	(44,215)	-	791,090
	25,350,514	1,407,549	(282,779)	-	26,475,284
Carrying Amount	₱19,999,303	(₱ 431,873)	(₱ 258)	(₱ 41,638)	₱19,525,534
	December 31, 2018	Additions/ Depreciation/	Disposals/ Retirements	Transfers/ Reclassification	December 31, 2019
<i>(In Thousands)</i>					
Cost:					
Buildings and installations	₱12,905,681	₱ 20,000	(₱ 118,770)	₱ 786,535	₱13,593,446
Machinery and equipment	24,355,667	-	(1,517,550)	4,147,575	26,985,692
Furniture, vehicles and tools	940,936	-	(24,765)	107,356	1,023,527
Construction in-progress	6,204,939	2,583,679	-	(5,041,466)	3,747,152
	44,407,223	2,603,679	(1,661,085)	-	45,349,817
Less accumulated depreciation and impairment losses:					
Buildings and installations	8,208,843	367,642	(118,217)	-	8,458,268
Machinery and equipment	16,854,834	782,200	(1,495,895)	-	16,141,139
Furniture, vehicles and tools	736,175	38,241	(23,309)	-	751,107
	25,799,852	1,188,083	(1,637,421)	-	25,350,514
Carrying Amount	₱18,607,371	₱1,415,596	(₱ 23,664)	₱ -	₱19,999,303

Construction in progress includes on-going item replacements and expansion projects for the Group's operations. Transfers from construction in-progress to intangibles amounting to ₱41.6 million occurred during the year, as disclosed in Note 14.

The Group recognized gain (loss) from the disposal of property, plant and equipment amounting to nil, ₱8.3 million and (₱3.6) million in 2020, 2019 and 2018, respectively, as disclosed in Note 30.

Of the total amount of additions to property, plant and equipment, ₱89.8 million and ₱4.6 million are unpaid as of December 31, 2020 and 2019, respectively, presented as part of non-trade payables, as disclosed in Note 17.

On December 31, 2020 and 2019, the Group sold various equipment with a total net carrying amount of ₱0.3 million and ₱23.7 million, respectively. Proceeds from sale of property, plant and equipment for the years ended December 31, 2020 and 2019 amounted to ₱0.3 million and ₱31.9 million, respectively.

Management believes that there is no indication that an impairment loss has occurred for the years ended December 31, 2020 and 2019.

No property, plant and equipment are pledged as security for the Group's borrowings.



14. GOODWILL AND INTANGIBLE ASSETS – net

The movements of goodwill and intangible assets are as follows:

	December 31, 2019	Additions/ Amortization/ Transfers	Retirements	December 31, 2020
Goodwill	₱2,635,738	(In Thousands) ₱ -	₱ -	₱2,635,738
Intangible assets				
Cost:				
Software costs	100,206	15,427	-	115,633
Project development costs and others	38,256	26,211	-	64,467
	138,462	41,638	-	180,100
Less accumulated amortization:				
Software costs	95,926	14,982	-	110,908
Project development costs and others	15,661	34,086	-	49,747
	111,587	49,068	-	160,655
	26,875	(7,430)	-	19,445
Balance	₱2,662,613	(₱ 7,430)	₱ -	₱2,655,183
	December 31, 2018	Additions/ Amortization/ Transfers	Retirements	December 31, 2019
Goodwill	₱2,635,738	(In Thousands) ₱ -	₱ -	₱2,635,738
Intangible assets				
Cost:				
Software costs	102,085	107,576	(109,455)	100,206
Project development costs and others	38,256	-	-	38,256
	140,341	107,576	(109,455)	138,462
Less accumulated amortization:				
Software costs	97,138	2,385	(3,597)	95,926
Project development costs and others	15,661	-	-	15,661
	112,799	2,385	(3,597)	111,587
	27,542	105,191	(105,858)	26,875
Balance	₱2,663,280	₱105,191	(₱105,858)	₱2,662,613

Management believes that there is no indication that an impairment loss has occurred on its intangible assets with definite useful lives. The Group has determined, based on annual impairment testing that the carrying amounts of intangible assets with indefinite useful life are not in excess of their net recoverable amounts.

Goodwill

Goodwill amounting to ₱2.6 billion relates to the cement operations of one of the Group's Plants, particularly its Mabini Grinding Mill plant, which was acquired in 2004. The goodwill arising from the acquisition of MGMC is attributable to the strategic plan of Holcim Philippines, Inc. and Subsidiaries to expand its operations by rehabilitating the existing grinding plants of MGMC. The Management decides to increase the cement making production capacity of the Group in anticipation of the significant bloom in the construction industry.

The Group performs its annual impairment test every last quarter of the year. The recoverable amount of the CGU determined based on value-in-use, is compared to its carrying amount. An impairment loss is only recognized if the carrying amount of the CGU exceeds its recoverable amount. Future cash flows are discounted using the WACC.

The cash flow projections are based on a seven-year financial planning period approved by senior management. The Company's Mid-Term plan covers a period of 3 years. However, it was decided to apply a 7-year business plan period in accordance with the LafargeHolcim global policy, in order to be able to estimate a development towards a sustainable level in the years 4 to 7 if required.

Cash flows beyond the five-year budget period are extrapolated under the premise that cash flows will have zero percent growth in real terms while having three percent growth as TGR. As a result of this analysis, Management has determined that there was no impairment loss in 2020, 2019 and 2018 since the value-in-use exceeds the carrying value of the cement segment.



The key assumptions used on determining the value-in-use of the CGU are as follows:

	Discount Rate	Terminal Growth Rate
2020	8.5%	3.0%
2019	8.2%	6.8%
2018	8.4%	7.0%

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for which goodwill is allocated. Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount to exceed the recoverable amount.

15. OTHER NON-CURRENT ASSETS

	2020	2019
	<i>(In Thousands)</i>	
Other financial assets	₱2,149,987	₱2,188,080
Guarantee deposits	101,729	111,498
Long-term prepaid asset	178,642	90,807
Deferred input value-added taxes	9,729	29,049
Refundable deposits	447	446
Long-term financial receivable - third party	-	992
	₱2,440,534	₱2,420,872

Other financial assets represent both restricted funds in relation to court-mandated garnishment arising from a case filed by Seasia against Holcim Philippines and minimum mine rehabilitation fund required by the DENR to cover site restoration cost amounting to ₱2.2 billion and ₱2.1 million for December 31, 2020 and 2019, respectively. The garnished funds amounting to ₱1.9 billion is deposited at Metrobank until the outcome of the case and/or until further order of the courts/garnishing authority as disclosed in Note 34. As of December 31, 2020, the Group is already working to close the rehabilitation fund as DENR requirement is no longer applicable consequent to the disposal of all land and mining assets previously owned by HPI.

Guarantee deposits represent cash deposits made to suppliers for raw material supply agreement and various security deposits for rentals.

Long-term financial receivable also represents the receivable from the Group's third party service provider for sale of certain heavy equipment in 2008, which was settled during the year. Interest income earned from long-term financial receivable at an annual interest rate of 4.5% to 7.0% amounted to nil in 2020, 2019 and 2018.

Refundable deposits amounting to ₱0.5 million as at December 31, 2020 and 2019 include warranty deposits arising from the Group's contract with Manila Electric Company ("Meralco"). The Group has commenced recovering the deposits by coordinating with Meralco Corporate Partners and by preparing the required documentations. As of December 31, 2020, process of recovering the deposits is still on-going.

16. LOANS PAYABLE

	Note	2020	2019
		<i>(In Thousands)</i>	
Loans payable – Related parties	31	₱ -	₱3,925,849

In 2018, the Group has availed of various unsecured short-term loans for working capital purposes from a bank with an average interest rate of 4.66% as well as loans from its related parties.



The Group had a proceeds of ₱5.3 billion and ₱6.3 billion in December 31, 2020 and 2019, respectively, from availment of loan from third party financial institution. This was fully settled within the year.

In 2020, the Group settled its loan to UCHC, LHPI and SSI in full. Total interest expense from loans payable charged to profit or loss amounted to ₱150.9 million, ₱404.8 million and ₱273.7 million in 2020, 2019 and 2018 respectively, as disclosed in Note 28.

17. TRADE AND OTHER PAYABLES

	Note	2020	2019
<i>(In Thousands)</i>			
Trade payables		₱2,974,999	₱ 2,669,132
Advances and deposits from customers		1,948,302	2,952,518
Due to related parties	31	781,730	2,265,537
Accrued expenses		3,255,172	1,798,463
Non-trade payable		296,608	395,006
Other taxes payable		35,394	174,161
Other payables		9,091	85,212
		₱9,301,296	₱10,340,029

Trade payables are non-interest bearing and normally have payment terms of 30 to 60 days and includes provision.

Advances and deposits from customers represent those that will be applied against subsequent shipments thus, are generally outstanding for less than 30 days from initial recognition.

Non-trade payables represent accounts with suppliers other than production-related expenses.

Details of the Group's accrued expenses are as follows:

	2020	2019
<i>(In Thousands)</i>		
Outside services	₱2,076,695	₱ 430,912
Rebates	595,950	622,983
Freight	180,932	241,941
Power	160,426	145,428
Employee-related payable	95,256	222,342
Maintenance	24,437	8,325
Interest payable	-	15,549
Others	121,476	110,983
	₱3,255,172	₱1,798,463

Other accrued expenses include interest from interest-bearing cash bonds which are refundable anytime upon demand by the customers.



18. LEASES

The Group has a number of lease agreement covering office spaces, warehouse, bulk terminals and various equipment that are accounted under PFRS 16, with periods ranging from more than one year to twenty-five years. Bulk of the commitments pertain to lease of vessels being used to transport cement and land agreements.

See out below are the carrying amounts of lease liabilities and the movement during the period:

	Note	2020	2019
<i>(In Thousands)</i>			
January 1, 2020		₱2,164,503	₱2,454,194
Additions		269,406	234,988
Accretion of interest	28	165,854	143,316
Effect of foreign exchange		(10,376)	-
Impact on lease modification		(21,720)	-
Payments		(507,601)	(667,995)
December 31, 2020		₱2,060,066	₱2,164,503
Current portion		₱1,218,146	₱ 396,704
Non-current portion		₱ 841,920	₱1,767,799

The Group has benefited from a 2-month lease payment holiday on land and land improvements. The payment holiday reduces payments in the period to 2040 by ₱26.3 million. The Group has remeasured the lease liability using the revised lease payments and the discount rate originally applied to the lease, resulting in a decrease in the lease liability of ₱21.7 million, which has been correspondingly recorded as a decrease in right-of-use asset. The Group continued to recognise interest expense on the lease liability.

Shown below is the maturity analysis of the undiscounted lease payments:

	2020	2019
<i>(In Thousands)</i>		
1 year	₱ 218,048	₱ 544,976
More than 1 year to 2 years	426,716	260,873
More than 2 years to 3 years	267,669	151,741
More than 3 years to 4 years	369,020	147,181
More than 5 years	2,036,872	2,032,893

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.



The rollforward analysis of this account follows:

	Right-of-Use Land	Right-of-Use Buildings and installations	Right-of-Use Machinery and equipment	Right-of-Use Furniture, vehicle and tools	Total
2020					
<i>(In Thousands)</i>					
Cost:					
At January 1, as previously reported	₱1,644,962	₱403,423	₱11,551	₱625,312	₱2,685,248
Additions	63,489	4,699	9,239	191,976	269,403
Disposals	(8,842)	(58,414)	-	(375,219)	(442,475)
Impact of Lease Modification	(21,720)	-	-	-	(21,720)
At December 31	1,677,889	349,708	20,790	442,069	2,490,456
Accumulated depreciation:					
At January 1, as previously reported	121,744	95,413	7,173	330,399	554,729
Depreciation	120,405	84,258	7,233	299,410	511,306
Disposals	(8,842)	(58,414)	-	(375,219)	(442,475)
At December 31	233,307	121,257	14,406	254,590	623,560
Net book value	₱1,444,582	₱228,451	₱6,384	₱187,479	₱1,866,896
2019					
<i>(In Thousands)</i>					
Cost:					
At January 1, as previously reported	₱ -	₱ -	₱ -	₱ -	₱ -
Effect of adoption of standard	1,637,743	186,301	4,838	625,312	2,454,194
At January 1, as restated	1,637,743	186,301	4,838	625,312	2,454,194
Additions	7,219	221,057	6,713	-	234,989
Disposals	-	(3,935)	-	-	(3,935)
At December 31	1,644,962	403,423	11,551	625,312	2,685,248
Accumulated depreciation:					
At January 1, as previously reported	-	-	-	-	-
Effect of adoption of standard	-	-	-	-	-
At January 1, as restated	-	-	-	-	-
Depreciation	121,744	97,016	7,173	330,399	556,332
Disposals	-	(1,602)	-	-	(1,602)
At December 31	121,744	95,414	7,173	330,399	554,729
Net book value	₱1,523,218	₱308,009	₱4,378	₱294,913	₱2,130,518

See out below, are the amounts recognized in the consolidated statements of comprehensive income:

	Notes	2020	2019
<i>(In Thousands)</i>			
Depreciation expenses on right-of-use assets	27	₱511,306	₱556,332
Interest expense on lease liabilities	28	165,854	143,316
Rent expense - short-term lease	23,25	4,406	29,187
Total		₱681,566	₱728,835

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 Management 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 and interest rate 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 in currencies other than the Philippine Peso that leads to currency translation effects. None of the Group's revenues in 2020 and 2019 were 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 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 at December 31, 2020, the Group had minimal assets and liabilities exposed to foreign currency risks.

The table below summarizes the Group's exposure to foreign currency risk before considering the effect of hedging transactions. Included in the table are the Group's foreign currency denominated assets and liabilities at carrying amounts:

	December 31			
	2020		2019	
	In USD	In PHP	In USD	In PHP
	<i>(In Thousands)</i>			
Assets:				
Cash and cash equivalents	\$ 863	₱ 41,459	\$10,054	₱510,140
Trade and other receivables	-	-	371	18,825
Other current asset	362	17,398	-	-
	1,225	58,857	10,425	528,965
Liabilities:				
Trade and other payables	20,262	973,792	1,528	77,531
Lease Liability	3,091	148,498	-	-
	23,353	1,122,290	1,528	77,531
Net exposure	(\$22,128)	(₱1,063,433)	\$ 8,897	₱451,434

Converted to Philippine peso at US\$1.00: ₱48.04 as at December 31, 2020 and US\$1.00: ₱50.74 as at December 31, 2019



The following table demonstrates the sensitivity of the Group's income before income tax (due to changes in fair value of monetary assets and liabilities after considering the impact of hedging transactions) to a reasonably possible change in U.S. dollar exchange rate, with all other variables held constant:

	US Dollar Appreciates (Depreciates) by	Effect on Income Before Income Tax
December 31, 2020		(In Thousands)
Sensitivity 1	10%	(P106,343)
Sensitivity 2	(5%)	53,172
December 31, 2019		
Sensitivity 1	10%	P45,138
Sensitivity 2	(5%)	(22,572)

In Management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

The impact of any change in foreign exchange rate on the embedded currency forwards of the Group is immaterial.

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 December 31, 2020 and 2019, the Group has minimal exposure to interest rate risk. The related party loan in 2019 used a fix rate.

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, except for the following financial assets:

	Gross Maximum Exposure ^(a)		Net Maximum Exposure ^(b)	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(In Thousands)		(In Thousands)	
Loans and receivables:				
Cash and cash equivalents	P2,080,791	P2,961,897	P1,885,710	P2,960,814
Trade receivables	694,955	1,487,966	694,955	537,982
Other financial assets*	2,149,987	2,188,080	2,149,987	2,188,080
	P4,925,733	P6,637,943	P4,730,652	P5,686,876

^(a) Gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangements.

^(b) Gross financial assets after taking into account any collateral or other credit enhancements or offsetting arrangements or deposit insurance.

* Included under "Other noncurrent assets" account in the consolidated statements of financial position.



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 minimum.

With respect to credit risk arising from the other financial assets of the Group, which consist of due from related parties, advances to employees, 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.

In order to minimize credit risk, the Group has tasked its credit management committee to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information and the group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
In default	Amount is >360 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off

The tables below detail the credit quality of the Group's financial assets and other items, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL?	Gross carrying amount	Loss allowance	Net carrying amount
2020							
Cash in banks	8	N/A	Performing	12m ECL	₹2,080,791	₹ -	₹2,080,791
Trade receivables	9	N/A	(i)	Lifetime ECL (simplified approach)	694,955	(61,887)	633,068
Due from related parties	9	N/A	Performing	12m ECL	1,519,089	-	1,519,089
Other receivables	9	N/A	Performing	12m ECL	449,263	-	449,263
	9	N/A	Doubtful	Lifetime ECL	5,105	(5,105)	-
Advances to employees	11	N/A	Performing	12m ECL	8,970	-	8,970
Other financial assets	15	N/A	Performing	12m ECL	2,149,987	-	2,149,987
Guarantee deposits	15	N/A	Performing	12m ECL	101,729	-	101,729
Loans receivable from related parties	31	N/A	Performing	12m ECL	465,657	-	465,657
					₹7,475,546	(₹66,992)	₹7,408,554
2019							
Cash in banks	8	N/A	Performing	12m ECL	₹2,961,897	₹ -	₹2,961,897
Trade receivables							
Dealers	9	N/A	(i)	Lifetime ECL (simplified approach)	666,973	(22,890)	644,083
Retailers	9	N/A	(i)	Lifetime ECL (simplified approach)	278,995	(24,887)	254,108
Institutional	9	N/A	(i)	Lifetime ECL (simplified approach)	541,998	(1,695)	540,303
AFR/RMX/other	9	N/A	(i)	Lifetime ECL (simplified approach)	110,148	(478)	109,670
Due from related parties	9	N/A	Performing	12m ECL	1,441,423	-	1,441,423
Other receivables	9	N/A	Performing	12m ECL	454,530	-	454,530
	9	N/A	Doubtful	Lifetime ECL	5,105	(5,105)	-
Advances to employees	11	N/A	Performing	12m ECL	9,010	-	9,010
Other financial assets	15	N/A	Performing	12m ECL	2,188,080	-	2,188,080
Guarantee deposits	15	N/A	Performing	12m ECL	111,498	-	111,498
Loans receivable from related parties	31	N/A	Performing	12m ECL	511,463	-	511,463
					₹9,281,120	(₹55,055)	₹9,226,065



- (i) For trade receivables, the Group has applied the simplified approach in PFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 9 include further details on the loss allowance for these assets respectively.

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. During the year, the COVID19 pandemic affected revenue generation and exposes the Group to shortage of funds 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 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 Management level.

The Group maintains sufficient reserves of cash and cash equivalents, which are short-term in nature and unused credit lines 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 December 31, 2020 and 2019, the Group has unutilized credit facilities of ₱12.0 billion and ₱13.6 billion, respectively.

The tables below summarize the maturity profile of the Group's financial assets used for liquidity management as at December 31, 2020 and 2019:

	On Demand	Less than 3 Months	3 to 12 Months	>1 to 5 Years	Total
<i>(In thousands)</i>					
2020					
Financial assets at FVTPL**:					
Quoted shares	₱ 176	₱ -	₱ -	₱ -	₱ 176
Unquoted shares	3,764	-	-	-	3,764
Loans and receivables:					
Cash and cash equivalents:					
Cash in banks	2,080,791	-	-	-	2,080,791
Trade and other receivables:	694,955	-	-	-	694,955
Due from related parties	-	-	1,519,089	-	1,519,089
Other receivables	-	-	454,368	-	454,368
Advances to employees**	-	-	-	8,970	8,970
Other Financial Assets***	-	-	-	2,149,987	2,149,987
Guarantee deposits***	-	-	-	101,729	101,729
Loans receivable from related parties	-	-	465,657	-	465,657
	₱2,779,686	₱ -	₱2,439,114	₱2,260,686	₱7,479,486
2019					
Financial assets at FVTPL**:					
Quoted shares	₱ 176	₱ -	₱ -	₱ -	₱ 176
Unquoted shares	3,764	-	-	-	3,764
Loans and receivables:					
Cash and cash equivalents:					
Cash in banks	2,961,897	-	-	-	2,961,897
Trade and other receivables:					
Trade receivables from:					
Dealers	20,015	646,958	-	-	666,973
Retailers	30,290	248,705	-	-	278,995
Institutional	79,156	462,842	-	-	541,998
AFR/RMX/others	38,945	50,753	20,450	-	110,148
Due from related parties	-	-	1,441,423	-	1,441,423
Other receivables	5,105	-	454,530	-	459,635
Advances to employees**	-	-	-	9,010	9,010
Other Financial Assets***	-	-	-	2,188,080	2,188,080
Guarantee deposits***	-	-	-	111,498	111,498
Loans receivable from related parties	-	-	511,463	-	511,463
	₱3,139,348	₱1,409,258	₱2,427,866	₱2,308,588	₱9,285,060

**Included under "Other current assets" in the consolidated statements of financial position.

***Included under "Investments" in the consolidated statements of financial position.

***Included under "Other noncurrent assets" in the consolidated statements of financial position.



The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2020 and 2019 based on contractual undiscounted payments:

	On Demand	Less than 3 Months	3 to 12 Months	>1 to 5 Years	Total
<i>(In thousands)</i>					
2020					
Other financial liabilities:					
Trade and other payables:					
Trade	₱ 2,974,999	₱ -	₱ -	₱ -	₱ 2,974,999
Accrued expenses and non-trade payables	3,551,780	-	-	-	3,551,780
Due to related parties	781,730	-	-	-	781,730
Lease Liabilities	-	-	1,218,146	841,920	2,060,066
Advances from customers	1,948,302	-	-	-	1,948,302
Other payables	9,091	-	-	-	9,091
	₱ 9,265,902	₱ -	₱ 1,218,146	₱ 841,920	₱ 11,325,968
2019					
Other financial liabilities:					
Trade and other payables:					
Trade payables	₱ 2,669,132	₱ -	₱ -	₱ -	₱ 2,669,132
Accrued expenses and non-trade payables	2,193,469	-	-	-	2,193,469
Due to related parties	2,265,537	-	-	-	2,265,537
Loans payable	3,925,849	-	-	-	3,925,849
Lease Liabilities	-	-	396,704	1,767,799	2,164,503
Advances from customers	2,952,518	-	-	-	2,952,518
Other payables	85,212	-	-	-	85,212
	₱ 14,091,717	₱ -	₱ 396,704	₱ 1,767,799	₱ 16,256,220

*Included under "Trade and other payables" account in the consolidated statements of financial position.

The Group manages negative liquidity ratio by forecasting cash flow regularly, monitoring and optimizing net working capital and managing existing credit facilities. As of December 31, 2020, total available credit line from various bank partners is ₱15.1 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. Gearing ratio is calculated as net financial debt divided by total equity in the consolidated statements of financial position as shown in the table below:

	2020	2019
Loans payable – related parties	₱ -	₱ 3,925,849
Customers' deposits (Cash bond)*	296,600	345,915
Financial debt (Excess)	296,600	4,271,764
Less: cash in banks	2,080,791	2,961,897
Net financial debt	(1,784,191)	1,309,867
Total equity	29,632,055	27,769,609
Gearing ratio	(0.06)	0.05

*Included as part of "Trade and other payables"

The Group's target is to maintain a gearing ratio in the range of no more than 100 percent. Total equity increased by 7% in 2020 as a result of increase in retained earnings coming from income from operations.



20. 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 December 31, 2020 and 2019. 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, Loan receivable from a related party, Long-term Financial Receivable, 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.

Derivatives. The fair values of the embedded currency forwards are calculated by reference to current forward exchange.

Financial Assets at FVTPL. The fair values of publicly traded instruments are determined by reference to quoted market prices as at the end of each reporting period.

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.

Summary of Financial Assets and Liabilities

	Note	2020	2019
Financial Assets at FVTPL			
Quoted shares	12	₱ 176	₱ 176
Unquoted shares	12	3,764	3,764
		3,940	3,940
Financial Assets at Amortized Cost			
Cash in banks	8	2,080,791	2,961,897
Trade receivables	9	633,068	1,548,164
Due from related parties	9	1,519,089	1,441,423
Other receivables	9	449,263	454,530
Advances to employees	11	8,970	9,010
Other financial assets	15	2,149,987	2,188,080
Guarantee deposits	15	101,729	111,498
Loan receivable from related parties	31	465,657	511,463
		7,408,554	9,226,065
Financial Liabilities at Amortized Cost			
Trade payables	17	2,974,999	2,669,132
Accrued expenses	17	3,551,780	2,193,469
Due to related parties	17	781,730	2,265,537
Loan payable	16	-	3,925,849
Lease liabilities	18	2,060,066	2,164,503
Advances from customers	17	1,948,302	2,952,518
Other payables	17	9,091	85,212
		₱11,325,968	₱16,256,220

Fair Value Hierarchy

As at December 31, 2020 and 2019, the Group's financial instruments measured at fair value include only the quoted equity securities, classified as financial assets at FVTPL (Level 1), see Note 10. The Group's unquoted equity securities are not significant.

As at December 31, 2020 and 2019, 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 2020 and 2019.



21. PROVISIONS

	2020	2019
	<i>(In Thousands)</i>	
Provisions for stranded cost	₱64,479	₱67,029
Provision for dispute and tax assessment	10,000	10,053
	₱74,479	₱77,082

Provisions pertain to probable claims arising from assessments and onerous contracts involving the Group. The timing of the cash outflows of these provisions is uncertain as it depends upon the outcome of the Group's negotiations and/or legal proceedings, which are currently ongoing with the parties involved.

The unamortized stranded cost as at December 31, 2020 and 2019 amounted to ₱64.48 million and ₱67.02 million, respectively. In 2020 and 2019, total interest cost on stranded cost amounted to ₱4.8 million and ₱5.2 million, respectively, as disclosed in Note 28.

The Group recognized a provision for probable losses amounting to ₱10 million related to a dispute with a former supplier of its aggregates. As at December 31, 2018, it was presented as part of trade payable, since the Group's negotiations and/or legal proceedings are still on-going. As at December 31, 2020 and 2019, the provision was classified to non-current liabilities as part of provisions due to the uncertainty of the settlement date.

In 2017, the Group recognized a provision for tax assessment amounting to ₱53,000 related to a final assessment notice received from the BIR in December 2014 for alleged deficiency of current income tax and VAT covering the taxable year 2011. The Management believes the amount of provision will cover the expected tax due after providing the supporting documents in their protest last January 2016. During 2020, the Group settled this through the availment of tax amnesty.

Disclosure of additional details beyond the present disclosure may prejudice the Group's position. Thus, as allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only general descriptions were provided.

22. EQUITY

a. Capital Stock

The composition of the Parent Company's capital stock is as follows:

	Number of Shares	Amount <i>(In Thousands)</i>
Authorized - P1 par value		
Preferred shares	20,000,000	20,000
Common shares	9,980,000,000	9,980,000
Issued, fully paid and outstanding - Common shares;	6,452,099,144	₱6,452,099

The Parent Company has one class of common share which carries voting rights and right to dividends but none for fixed income.

The preferred shares are cumulative and non-participating and entitled to preferential dividend rate when declared by the Management of the Parent Company. There were no preferred shares issued and outstanding as at December 31, 2020 and 2019.

The Parent Company's common shares were registered/listed on June 17, 1996. Total shares registered and outstanding as at December 31, 2020 and 2019 is 6.5 billion. These shares are held by 5,259 and 5,273 stockholders as at December 31, 2020 and 2019, respectively. There have been no recent changes in the number of shares registered and outstanding.



b. Other reserves represent the Group's share in the performance compensation scheme of the Lafarge Holcim Group.

c. Retained earnings

The Parent Company's retained earnings available for dividend declaration amounted to ₱7.6 billion and ₱6.4 billion as at December 31, 2020 and December 31, 2019, respectively based on the guidelines set in the Securities Regulation Code Rule 68, as Amended (2011).

d. On May 18, 2018, the Parent Company declared cash dividends amounting to ₱2.7 billion at ₱0.42 dividend per share. As of December 31, 2020 and 2019, no dividends were declared by the Parent Company.

23. COST OF SALES

	Notes	2020	2019	2018
<i>(In Thousands)</i>				
Raw, packaging and production materials	10	₱ 9,609,195	₱11,085,665	₱11,591,960
Power and fuel	10	5,736,512	7,827,845	8,349,252
Outside services		1,964,562	2,188,254	2,289,278
Depreciation and amortization	13,14,18	1,703,306	1,500,590	1,113,238
Personnel	26	1,152,694	1,163,432	1,450,752
Transportation and communications		765,771	1,812,002	2,921,701
Repairs and maintenance		470,515	888,199	1,323,772
Taxes and licenses		326,148	328,976	296,167
Insurance		99,028	70,264	109,848
Rent	18	1,984	24,528	155,841
Others		54,909	151,159	248,396
		₱21,884,624	₱27,040,914	₱29,850,205

Others include inter-unit production freight, provision for write-offs of spare parts and other miscellaneous expenses.

24. GENERAL AND ADMINISTRATIVE EXPENSES

	Notes	2020	2019	2018
<i>(In Thousands)</i>				
Personnel	26	₱381,819	₱352,047	₱ 470,083
Depreciation and impairment	13,18	133,619	136,377	51,146
Outside services		120,870	128,139	174,678
Software implementation costs		102,198	188,339	327,335
Taxes and licenses		89,188	57,040	62,980
Office expenses		55,369	69,892	79,412
Directors' fees		11,475	11,640	11,900
Transportation and communications		4,349	13,030	20,168
Entertainment, amusement and recreation		486	677	356
Others		7,219	2,101	37,663
		₱906,592	₱959,282	₱1,235,721

Others include rent, training expenses, community services and expenses related to the Group's ongoing internal projects.



25. SELLING EXPENSES

	Notes	2020	2019	2018
			<i>(In Thousands)</i>	
Personnel	26	₱215,901	₱258,148	₱321,928
Depreciation	13,18	130,998	109,833	8,815
Outside services		20,213	40,404	99,618
Advertising		19,856	21,523	183,344
Transportation and communication		17,224	42,829	50,931
Taxes and licenses		4,827	8,063	22,927
Rent	18	2,422	4,659	13,238
Office expenses		2,296	15,280	20,292
Others		46,869	43,809	94,504
		₱460,606	₱544,548	₱815,597

Others include provision for expected credit losses, entertainment & recreation, insurance, utilities and expenses related to the Group's ongoing internal projects.

26. PERSONNEL EXPENSES

		2020	2019	2018
			<i>(In Thousands)</i>	
Salaries, wages and employee benefits		₱1,204,967	₱1,307,954	₱1,563,857
Retirement benefit costs		248,553	360,502	88,990
Training		3,547	11,573	23,326
Others		293,347	93,598	566,590
		₱1,750,414	₱1,773,627	₱2,242,763

Retirement benefit costs above excludes net interest cost, classified as part of interest and financing charges.

27. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	Notes	2020	2019	2018
			<i>(In Thousands)</i>	
Property, plant and equipment				
Cost of sales	23	₱1,306,653	₱1,113,060	₱1,112,066
General and administrative	24	75,574	68,224	51,146
Selling expenses	25	25,322	6,799	8,815
		1,407,549	1,188,083	1,172,027
Right-of-use Assets				
Cost of sales	23	347,585	385,144	-
Selling expenses	24	105,676	103,034	-
General and administrative	25	58,045	68,154	-
		511,306	556,332	-
Intangible assets				
Cost of sales	23	49,068	2,385	1,172
		₱1,967,923	₱1,746,800	₱1,173,199



28. INTEREST AND FINANCING CHARGES

Details of interest and financing charges are as follows:

	Notes	2020	2019	2018
			<i>(In Thousands)</i>	
Interest on loans payable	16	₱ 150,936	₱ 404,823	₱ 273,724
Interest on lease liabilities	18	165,854	143,316	-
Interest cost on defined benefit obligation		19,498	18,902	43,092
Bank charges		16,326	9,286	5,793
Accretion of provision for stranded cost	21	4,846	5,188	5,195
		₱ 357,460	₱ 581,515	₱ 327,804

29. INTEREST AND OTHER FINANCIAL INCOME

	Notes	2020	2019	2018
			<i>(In Thousands)</i>	
Interest earned on cash in banks and on loans	8	₱ 35,297	₱ 53,141	₱ 33,128
Interest income on defined benefit asset	33	123,458	265,987	-
		₱ 158,755	₱ 319,128	₱ 33,128

30. OTHER INCOME (EXPENSE) - net

	Notes	2020	2019	2018
			<i>(In Thousands)</i>	
Gain (Loss) on sale of by products and other revenue		₱ 85,801	₱ 37,284	(₱ 9,477)
Scrap sales		1,835	20,987	-
Gain (Loss) on sale of properties - net	13	-	8,322	(3,610)
Foreign exchange gain - net		1,751	6,580	20,797
Loss on disposal of intangible assets	14	-	(105,858)	-
Write-off of investment		-	-	2,182
Recovery of written of assets		53,415	-	-
Others		44,724	14,412	(8,446)
		₱ 187,526	(₱ 18,273)	₱ 1,446

Others include miscellaneous revenues from non-operating assets and loss on unrecoverable advances to officers and employees.

31. RELATED PARTY TRANSACTIONS

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

The Group has transactions with the following related parties:

Parent Company:

- Clinco Corporation
- Cemco Holdings, Inc. (Cemco), a subsidiary of Clinco
- Union Cement Holdings Corporation (UCHC), a subsidiary of Cemco



Subsidiaries of Cemco, a stockholder of the Parent Company:

- Lafarge Holdings (Philippines) Inc. (LHPI)
- Calumbuyan Holdings, Inc. (CHI)
- Seacem Silos, Inc. (SSI)

Subsidiaries of Lafarge Holcim Limited

- Holcim Trading Pte. Ltd., Singapore (Holcim Trading)
- Holcim Technology Ltd. (HTEC)
- Holcim Technology (Singapore) Pte. Ltd. (HTPL)
- Holcim Group Services Ltd. (HGSX)
- Holcim East Asia Business Service Centre B.V (HEABS)
- Lafarge Holcim Energy Solutions (LHES)
- LH Shipping PTE Ltd.
- Holcim US Inc.
- Other Holcim Group affiliates

Associate and Subsidiaries of the Parent Company as at December 31, 2020:

- Holcim Mining and Development Corporation (HMDC)
- Holcim Resources and Development Corporation (HRDC)
- LafargeHolcim Aggregates Inc. (LHAI)
- Sigma Cee Mining Corporation (SCMC)
- APC Properties, Inc. (APC)
- Quimson Limestones, Inc. (QLI)
- Lucky One Realty Ventures, Inc. (LORVI)

The following table summarizes the related party transactions and outstanding balances as at and for the years ended December 31, 2020 and 2019:

Related Parties	Nature	2020		2019		Terms	Conditions
		Transactions During the Year	Outstanding Receivable (Payable)	Transactions During the Year	Outstanding Receivable (Payable)		
<i>(In thousands)</i>							
Parent							
UCHC	Payment of expenses	₱ 5,110	₱ -	₱ 207	(₱ 5,110)	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Short-term loan	1,840,699	-	-	(1,840,699)	Interest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Interest payable	111,383	-	85,511	(111,383)	To be settled in cash, due and demandable	Unsecured, unguaranteed
Cemco							
	Payment of expenses	5,515	-	223	(6,197)	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Short-term loan	395,970	465,671	451,546	479,182	Interest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Interest payable			-	-	To be settled in cash, due and demandable	Unsecured, unguaranteed
	Long-term loan	(381,845)	-	(381,845)	-	Interest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Interest receivable	22,738	54,305	26,797	32,249	To be settled in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Operating expenses	59,920	27,636	14,099	87,556	To be settled in cash, due and demandable	Unsecured, unguaranteed, not impaired



Related Parties	Nature	2020		2019		Terms	Conditions
		Transactions During the Year	Outstanding Receivable (Payable)	Transactions During the Year	Outstanding Receivable (Payable)		
Clinco							
	Payment of expenses	1,296	-	47	1,383	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
Under common shareholder							
HTEC							
	Purchases and/or expense	1,628,854	5,348	1,683,222	(419,270)	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
LAFARGEHOLCIM LTD							
	Purchases and/or expense	15,863	-	-	-	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed
Holcim Trading							
	Purchases and/or expense	122,794	(60,208)	2,370,842	(180,563)	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed
HTSG							
	Purchases and/or expense	-	-	1,486	-	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Advances	(76)	-	(3)	76	Noninterest-bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
HEABS							
	Service contract	59,398	-	285,290	(59,398)	Noninterest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Assignment of lease	31,627	-	31,627	(31,627)	Noninterest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Sale of assets	22,000	-	22,000	(22,000)	Noninterest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Short-term financial receivable	(32,556)	-	34,192	32,281	Noninterest-bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Sublease	(9,405)	-	9,405	9,405	Noninterest-bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Various charges	(14,439)	887	8,920	14,429	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
LHES							
	Purchases and/or expenses	6,318	21,559	381,349	20,888	Noninterest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed, not impaired
LH Shipping							
	Purchases and/or expenses	263,601	(2,520)	360,570	(62,439)	Noninterest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
Holcim US Inc.							
	Purchases and/or expenses	28,494	-	57,950	(28,494)	Noninterest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
LHPI							
	Short-term loan	1,845,151	-	-	(1,845,151)	Interest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Interest payable	129,812	5,951	99,106	(129,812)	To be settled in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Various charges	-	(10,677)	(1,856)	(10,677)	Non-interest bearing, offsetting, due and demandable	Unsecured, unguaranteed
SSI							
	Short-term loan	240,000	-	-	(240,000)	Interest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Interest payable	17,629	-	15,412	(17,629)	To be settled in cash, due and demandable	Unsecured, unguaranteed
CHI							
	Various charges	520	112	(632)	-	Non-interest bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
LAFSA							
	Expat recharges	4,595	(2,163)	7,642	(4,985)	Noninterest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Expat charges	(3,926)	-	847	3,926	Noninterest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed



Related Parties	Nature	2020		2019		Terms	Conditions
		Transactions During the Year	Outstanding Receivable (Payable)	Transactions During the Year	Outstanding Receivable (Payable)		
HGSX							
	Various charges	(35,375)	-	29,747	35,209	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Purchases and/or expenses	72,725	(1,313)	121,877	(57,668)	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed
HSSA							
	IT / Various charges	52,457	(45,520)	15,142	(1,519)	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed
Associates							
HMDC							
	Interest on loan	299	-	-	299	To be collected in cash, due and demandable	Unsecured, unguaranteed
	Sale and transfer of assets	-	426,072	-	78,629	Noninterest-bearing, to be collected, due and demandable	Unsecured, unguaranteed, not impaired
	Expenses from various charges	102,504	674,505	67,596	838,021	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
	Purchases of quarried materials	516,516	(328,426)	757,502	(563,006)	Noninterest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	In-plant billing	101,674	(163,215)	139,451	(32,311)	Noninterest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Asset leasing	103,761	(69,174)	103,761	(51,880)	Noninterest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Sale of Motorpool Assets	-	1,406	-	1,406	Noninterest-bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Dividend	74,283	-	39,170	-	Noninterest-bearing, to be collected in cash, demandable	Not applicable
HRDC							
	Expenses from various charges	-	(499)	829	(499)	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Purchases of quarried materials	250,708	(251,581)	333,768	(336,656)	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Transfer of mining rights and related site restorations costs	-	173,708	-	173,708	Noninterest-bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Advances	43,934	282,824	54,313	290,760	Noninterest-bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Asset Lease	16,313	(1,025)	(787)	(2,146)	Noninterest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
LHAI							
	Purchases and/or expenses	646,597	(130,753)	1,461,442	(359,789)	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Advances	2,130	28,480	11,148	26,630	Noninterest-bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
APC							
	Advances	-	52,204	-	52,204	Noninterest-bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Asset Lease and/or expenses	12,172	(8,332)	10,434	(8,769)	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Expenses from various charges	1,100	1,880	-	780	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
QLI							
	Advances	-	77,314	-	77,314	Noninterest-bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Purchases and/or expenses	1,099	(3,764)	1,912	(2,989)	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Expenses from various charges	824	4,686	-	3,861	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired



Related Parties	Nature	2020		2019		Terms	Conditions
		Transactions During the Year	Outstanding Receivable (Payable)	Transactions During the Year	Outstanding Receivable (Payable)		
SCMC	Advances	-	666	-	666	Noninterest-bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Expenses from various charges	9	464	18	474	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
LORVI	Foreshore lease	60,942	(19,675)	55,773	(75,807)	Noninterest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
Huaxin Cement	Purchases and/or Expense	-	(2,122)	371,591	(2,122)	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed
Others	Expenses from various charges	-	(1,758)	-	-	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed
Other Holcim Group Affiliates							
	Purchases and/or Expense	5,808	(3,025)	10,493	(3,015)	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Various Charges	110	3,032	4,938	11,944	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
Retirement Fund							
	Contributions	117,457	-	114,098	-	Not Applicable	Not applicable

	Notes	2020	2019
(In Thousands)			
Due from related parties	9	₱1,519,089	₱1,441,423
Due to related parties	17	781,730	2,265,537
	Notes	2020	2019
(In Thousands)			
Loans receivable from related parties	9	₱465,657	₱ 511,463
Loan payable to related parties	16	-	(3,925,849)

Parent

UCHC. In April 2018, the Group entered into a short-term loan agreement with UCHC, lender, amounting to ₱200.0 million which will be collected after three months from the date of the agreement. On June 28, 2018, the loan was extended for one year ended June 30, 2019. On June 30, 2019, the loan was still outstanding and was further extended until July 30, 2020. The applicable interest rate of the loan is equal to the prevailing interest rate of 2.96% per annum which shall be due and payable monthly in arrears, net of any applicable withholding taxes. On September 1, 2018, additional loan was executed amounting to ₱1.6 billion with interest rate of 4.86%. On January 2020, loans were extended for five years until January 31, 2025 with interest rate of 4.382%. On June 30, 2020 principal loan was pre-terminated and settled. Related interest expense recognized in 2020 and 2019 amounted to ₱111.4 million and ₱85.5 million, respectively based on the terms of the agreement. Additional ₱20.7 million was need to recognize as receivable due to the excess payment of loan.

Cemco. On September 28, 2018, the Group entered and extended a long-term loan to Cemco amounting ₱381.8 million with 5.30% per annum interest to be paid on or before September 28, 2020. In 2020, it was reclassified to short term financial receivable and due on September 28, 2021 with rate of 1.839%. Interest earned as of December 31, 2020 and 2019 amounted to ₱22.7 million and ₱26.8 million, respectively. Operating expenses was paid by the Group on behalf of Cemco in 2019 amounted to ₱14.1 million.

In 2020 the Group extended a short-term working capital loan with an interest rate based on the Bloomberg Valuation Service BVAL rate on the drawdown date. As of December 31, 2020, the outstanding balance of the loan amounted to ₱465.7 million, part of it was the ₱1.4 million reclassified from AR group into Loan receivable.

Clinco. In August 2020, the Group collected the outstanding receivable balance amounting to ₱1.3 million.



Entities under Common Shareholder

- a. *HEABS*. In 2015, the Group entered into an assignment agreement with HEABS to unconditionally transfer the IP rights which consists of the processes for shared service center, people and other existing assets with a total consideration of US\$3.9 million or ₱171.6 million which shall be paid upon the implementation of the related regional process shared services. Total gain on this transaction amounted to ₱137.1 million. With the purchase of IP rights, HEABS assumed the Group's retirement benefit liability of ₱2.7 million, which is offset against the outstanding receivable.

In 2016, HEABS made a partial settlement of US\$1.9 million or ₱85.8 million of the liability. In the same year, both parties entered into a long-term financing agreement for the settlement of the unpaid balance of the latter as at December 31, 2016 amounting to ₱96.3 million or US\$1.9 million, over 3 years to be settled equally in USD in three installments for the years 2018, 2019 and 2020.

As a result, the said receivable was measured using the discounted value of instalment payments and carried at amortized cost at prevailing rate of USD as at December 31, 2018 and 2017. On May 31, 2018, the first settlement was made amounting to US\$0.6 million or ₱34.1 million using the prevailing exchange rate rounded to ₱52.53 as at date of collection. In March 2019, second installment was made amounting to \$0.6 million or ₱34.2 million at ₱52.72 rounded exchange rate at date of collection.

Current portion of the long-term financial receivable is zero and ₱32.3 million as at December 31, 2020 and 2019, respectively.

On January 1, 2015, the Group entered into a service contract with HEABS for business process outsourcing and other information technology enabled services. Service fees billed to the Group amounted to ₱59.4 million and ₱285.3 million for 2020 and 2019, respectively.

On July 1, 2019, HEABS executed a deed of assignment to transfer contract of lease of office space, including all rights, titles and obligations to the Group. Advance rent and security deposit recognized amounted to ₱31.6 million. In December 2019, HEABS sold leasehold improvements to the Parent Company amounting to ₱22.0 million.

Consequently, HEABS leased a portion of the office space through a five-month sublease agreement ended November 31, 2019. Lease revenue earned by the Group amounted to ₱9.4 million.

- b. *HTEC*. Effective January 1, 2013, a new contract with HTEC came into force introducing the application of new Industrial Franchise Fee (IFF). The new agreement is aligned with the Organization for Economic Co-operation and Development (OECD) principles and takes into account arm's length transfer pricing principles.

The IFF shall cover all intellectual properties and value-adding solutions derived by the Group. IFF is an annual charge payable quarterly and is based on fair assessment of economic value of intellectual properties and value adding solutions.

HTEC also renders managerial and project support services to the Group.

In 2020, IFF was replaced by MIIPA- Master Industrial Intellectual Property Agreement.

Total expenses incurred amounted to ₱1.6 billion and ₱1.6 billion as of December 31, 2020 and 2019, respectively.

- c. *HOFI*. In 2020, new agreement was executed with LafargeHolcim Ltd, under Master Branding Agreement (MBA). Total expenses incurred amounted ₱15.8 million.
- d. *Holcim Trading*. The Group imports clinker and raw materials, such as gypsum and granulated blast furnace slag.



- e. *HTSG*. On January 1, 2014, the Group entered into a service agreement with HTSG, for support services. The new service agreement is complementary to the existing Franchise Agreement. The services shall be based on all costs and expenses incurred by HTPL plus a certain mark-up. This agreement will be in effect unless and until superseded.
- f. *LAFSA*. The Group has an outstanding liability amounting to ₱2.2 million and ₱5.0 million as at December 31, 2020 and 2019, respectively.
- g. *Other Holcim Group Affiliates*. The Group's transactions with Other Holcim Group Affiliates include intercompany charges for salaries and wages of inbound and outbound expatriates, and other expenses related to operations.
- The Group had an outstanding receivable to LH Energy Solutions amounting to ₱21.5 million relating to the purchase of fuel, pet coke and coal in 2020.
- The Group had an outstanding payable to LH Shipping amounting to ₱2.5 million relating to time-chartered shipping in 2020.
- The Group has an outstanding liability to HSSA pertaining to IT support services and Sales Force - Non IT recharges amounting to ₱45.5 million and ₱1.5 million as at December 31, 2020 and 2019, respectively.
- h. *HGSX*. On January 1, 2017, the Group entered into an agreement for the "Administrative Support" which include activities in the field of administration as well as clerical and operational support. The administrative support fee is calculated based on the allocated costs plus mark-up and other indirect costs in connection of rendering such support.
- The administrative support fee amounted to ₱72.7 million and ₱121.9 million for the years ended December 31, 2020 and 2019, respectively.
- i. *LHPI*. The Group loan originally amounting to ₱2.4 billion in 2017 was partially settled in 2018. In August 2020, partial repayment was made for interest and portion of loan and in December 2020 remaining principal loan amounted to ₱669.0 million with 4.38% p.a. interest to be paid on or before May 31, 2025 was pre-terminated and settled. Interest expense in 2020 and 2019 are ₱129.8 million and ₱99.1 million, respectively.
- j. *SSI*. On October 25, 2018, the Group availed a short-term loan amounting to ₱240.0 million with interest of 6.42% p.a.
- On December 31, 2020, principal loan with interest rate of 4.382% and will due on January 31, 2025 was pre-terminated and settled. Interest expense as of December 31, 2020 and 2019 amounted to ₱17.6 million and ₱15.4 million, respectively.
- k. *CHI*. As of December 31, 2018, the Group had an outstanding payable to CHI amounting to ₱0.6 million which was subsequently paid in 2019. Outstanding receivable was ₱ 0.11 million pertaining to working capital initially paid by HPHI.

Direct and Indirect Associates

- a. In 2020 and 2019, the Group has an existing service agreement with HMDC for the quarry operations, in which HMDC provides quarry and related services for a fee plus operating costs charged back to the Group.
- Amount charged to the Group amounted to ₱516.5 million and ₱757.5 million in 2020 and 2019, respectively.
- b. In 2020 and 2019, HMDC declared dividends for its Class A and Class B preferred shares, as well as for its Common A and Common B shares. The Group received dividend payment amounting to ₱74.2 million and ₱39.2 million from HMDC in 2020 and 2019, respectively.
- c. In January 2016, the Group has entered into various lease agreements with HMDC and its subsidiaries APC, HRDC, QLI and LORVI for certain plant sites and terminals from various locations. The term of the leases is for a period of 25 years.



- d. The Group sold/transferred various assets to HMDC, such as motorpools in 2017.
- e. Principal of the short-term loan granted to HMDC had been fully paid. Interest income from this loan is zero as at December 31, 2020.
- f. LHAI. As at December 31, 2020 and 2019, the Group had a total payable of ₱130.0 million and ₱359.8 million, respectively, due and outstanding at the end of each year.
- g. The Group grants non-interest bearing advances to HMDC, HRDC, LORVI and LHAI for working capital requirements.

Retirement Benefit Funds

The Parent Company has a retirement with HPI Retirement Fund (RF). As at December 31, 2020 and 2019, HPI -PF has investments in HMDC, shares with a fair value of ₱596.3 million representing 609 of the total ownership, as disclosed in Note 10.

All of the funds' investing decisions are made by the Retirement Committee, the composition of which includes certain officers and employees of the Parent Company. The power to exercise the voting rights rests with the Board of Trustees.

Terms and Conditions of Transactions with Related Parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. As at December 31, 2020 and 2019, the Group has not recognized any impairment losses on receivables relating to amounts due from related parties. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

Amounts due from related parties is included in "Trade and other receivables" and amounts due to related parties is included in "Trade and other payables" accounts in the consolidated statements of financial position.

Total amount of intercompany receivables eliminated as at December 31, 2020 and 2019 amounted to ₱3.6 billion and ₱2.6 billion, respectively.

Total amount of intercompany payables eliminated as at December 31, 2020 and 2019 amounted to ₱4.5 billion and ₱3.6 billion, respectively.

Key Management Personnel

The following are the details of the compensation of key management personnel:

	2020	2019	2018
	<i>(In Thousands)</i>		
Short-term employee benefits	₱82,759	₱109,404	₱162,357
Retirement benefit cost	15,150	9,638	9,638
	₱97,909	₱119,042	₱171,995

32. INCOME TAXES

The provision for current income tax in 2020, 2019 and 2018 follows:

Components of income tax expense charged to profit or loss are as follows:

	2020	2019	2018
	<i>(In Thousands)</i>		
Current tax expense	₱704,610	₱1,250,078	₱1,041,188
Deferred tax expense (benefit)	5,881	(44,207)	(35,323)
	₱710,491	₱1,205,871	₱1,005,865



The reconciliation between the statutory and effective income tax of the Group is as follows:

	2020	2019	2018
	<i>(In Thousands)</i>		
Profit before income tax	₱2,774,575	₱4,795,513	₱3,551,258
Income tax at statutory income tax rate of 30%	₱ 832,373	₱1,250,078	₱1,065,377
Change in unrecognized deferred income tax assets	-	-	20,517
Income tax effects of:			
Nondeductible expenses	1,437	108,829	3,375
Write off of deposits	-	72	-
Reversal of accrual	-	4	-
Penalties	137	1	-
Interest income from retirement fund not subject to income tax	(37,037)	(79,796)	-
Use of OSD	(61,413)	(66,580)	12,702
Income not subject to income tax	10	(6,737)	(34,710)
Interest and other income subjected to lower tax rates	(3,769)	-	(4,107)
Reversal of deferred income tax asset/liability	(458)	-	(73,406)
Expired NOLCO	15,466	-	16,117
Effect of dividend eliminations	(36,255)	-	-
Income tax at effective tax rate	₱ 710,491	₱1,205,871	₱1,005,865

The components of the Group's deferred tax liabilities - net as at December 31, 2020 and 2019 are as follows:

	2020	2019
	<i>(In Thousands)</i>	
Deferred tax assets		
Retirement benefit asset	₱258,558	₱160,261
Allowances for:		
Impairment losses on property, plant and equipment	89,039	151,855
Impairment losses on investments	71,250	-
Decline in value of inventories	84,405	79,453
Doubtful accounts	20,083	9,500
Provision for bonus accrual	18,770	45,894
Accrued expenses	1,800	(1,239)
Unamortized past service costs	24,745	14,460
Unrealized foreign exchange loss	-	13,104
Leases	65,131	26,832
MCIT vs RCIT	-	1,058
NOLCO, excess MCIT and others	54,441	81,496
Provision for write-off of finished goods	10,029	-
Others	35,070	107,960
	733,321	690,634
Deferred tax liabilities		
Capitalized cost of property, plant and equipment from insurance proceeds	96,411	75,462
Undepreciated capitalized borrowings	-	37,143
Remeasurement in OCI	755,763	851,161
Amortization of past service cost	-	4,908
Provision for write-off of finished goods	-	(13,426)
Unrealized foreign exchange gain	17,851	3,638
Unamortized amount of capitalized land site restoration costs	416	528
Others	(1,021)	(24,396)
	869,420	935,018
Deferred tax liabilities - net	(₱136,099)	(₱244,384)



Total amount of deferred tax expense charged to OCI pertaining to the Group's remeasurement loss on retirement benefit amounted to ₱0.8 billion in 2020 and ₱0.9 billion in 2019.

Deferred income taxes for temporary differences for HPMC and HPBSCI affecting gross income were recognized using the effective tax rate of 18% as they availed of OSD as its method of deduction for income tax purposes. Management forecasts that HPMC and Mabini will be using OSD in the next three years and HPBSCI and Bulkcem in the next four years from 2020.

Deferred income tax assets for the following deductible temporary differences and carryforward benefits of unused tax losses and unused tax credits, have not been recognized as they have arisen in subsidiaries that have been incurring losses for some time and may not be used to offset taxable profits or tax liabilities of any other entity other than that of the entity from where such deductible temporary difference arose:

	2020	2019
	<i>(In Thousands)</i>	
Carryforward benefit of NOLCO	₱233,151	₱272,007
Excess MCIT over RCIT	-	29
Unrecognized deferred income tax assets	₱233,151	₱272,036

The following NOLCO can be claimed as deduction against future taxable income:

Date Incurred	Expiry Date	NOLCO
<i>(In Thousands)</i>		
December 31, 2020	December 31, 2023	₱ 31,712
December 31, 2019	December 31, 2022	82,763
December 31, 2018	December 31, 2021	118,676
		₱233,151

33. RETIREMENT BENEFIT COSTS

Defined Benefit Retirement Plans

The Parent Company and HPMC have distinct funded, noncontributory defined benefit retirement plans (the "Plans"). The Plans cover all permanent employees, each administered by their respective Retirement Committees or Board of Trustees.

The following tables summarize the components of retirement benefit costs, the funding status and the amounts recognized as retirement benefit liability of the Group:

Details of retirement benefit costs are as follows:

	Notes	2020	2019	2018
		<i>(In Thousands)</i>		
Current service cost		₱ 87,220	₱ 64,594	₱ 106,105
Net interest cost (income)	28,29	(103,960)	(247,085)	43,092
Retirement benefit costs recognized in profit or loss		(16,740)	(182,491)	149,197
Remeasurements recognized in OCI		286,800	1,564,752	(4,401,952)
Retirement benefit (gain) cost		₱270,060	₱1,382,261	(₱4,252,755)



Remeasurement gain (loss) on retirement benefits consists of:

	2020	2019	2018
	<i>(In Thousands)</i>		
Actuarial gain (loss) arising from:			
Changes in assumptions	(P 186,345)	(P 235,283)	P 352,162
Experience adjustments	(12,872)	(9,968)	33,673
Total Actuarial Gain (Loss)	(199,217)	(245,251)	385,835
Gain (loss) on plan assets*	(87,583)	(1,319,501)	4,016,117
Total Gain(Loss) Recognized in OCI	(P286,800)	(P1,564,752)	P4,401,952

*Excluding amounts recognized in net interest cost.

The reconciliation of retirement benefit asset recognized in the consolidated statements of financial position follows:

	2020	2019
	<i>(In Thousands)</i>	
Present value of benefit obligation	P1,425,521	P1,186,024
Fair value of plan assets	(3,586,725)	(3,499,831)
Balance at end of year	(P2,161,204)	(P2,313,807)

The breakdown of the retirement benefit asset per entity are as follows:

	2020	2019
	<i>(In Thousands)</i>	
HPI	P 552,227	P 414,849
HPMC	(2,713,431)	(2,728,656)
	(P2,161,204)	(P2,313,807)

Movements in the retirement benefit (asset) liability are as follows:

	2020	2019
	<i>(In Thousands)</i>	
Balance at beginning of year	(P2,313,807)	(P3,581,507)
Retirement benefit costs	(16,740)	(182,491)
Contributions	(117,457)	(114,098)
Remeasurement gain recognized in OCI	286,800	1,564,752
Remeasurement gain from disposal of retirement plant liability	-	(463)
Balance at end of year	(P2,161,204)	(P2,313,807)



The changes in the present value of defined benefit obligation are as follows:

	2020	2019
	<i>(In Thousands)</i>	
Balance at beginning of year	₱1,186,024	₱ 935,010
Actuarial losses (gains)	199,217	245,252
Interest cost	53,363	63,849
Current service cost	87,220	64,594
Benefits paid from plan	(100,303)	(122,218)
Remeasurement gain from disposal of retirement plant liability	-	(463)
Balance at end of year	₱1,425,521	₱1,186,024

The changes in the fair value of plan assets are as follows:

	2020	2019
	<i>(In Thousands)</i>	
Balance at beginning of year	₱3,499,831	₱4,516,517
Contributions	117,457	114,098
Gain (loss) on plan assets*	(87,583)	(1,319,500)
Interest income on plan assets	157,323	310,934
Benefits paid from plan	(100,303)	(122,218)
Balance at end of year	₱3,586,725	₱3,499,831

*Excluding amounts recognized in net interest cost.

Actual return on plan assets amounted to a gain of ₱0.7 billion and a loss of ₱1.0 billion as at December 31, 2020 and December 31, 2019, respectively.

The fund is administered by a trustee bank under the supervision of the duly Authorized Person or Trustee of the Plan. The Authorized Person or Trustee is responsible for investment of the assets. Based on the overall direction set by a Retirement Fund Committee, the Trustee proposes an investment strategy and as approved by the Retirement Fund Committee, executes such strategy. The Trustee defines the investment strategy based on the investment instructions found in the Trust Agreement. When defining the investment strategy, the Trustee takes into account the Plan's objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The control, direction, and management of the fund shall reside in and be the sole responsibility of the Trustee.

The percentages of fair value of total plan assets are as follows:

	2020		2019	
	HPI	HPMC	HPI	HPMC
Cash and receivables	8.8%	0.16%	5.41%	10.37%
Investments in debt securities:				
Government securities	0.9%	2.04%	1.78%	36.87%
Corporate debt securities	5.5%	0.80%	11.30%	23.67%
	6.4%	2.84%	13.08%	60.54%
Investment in equity securities				
Construction, infrastructure, property and mining	84.8%	0.72%	78.64%	7.10%
Holding firms	0%	0.35%	1.38%	10.83%
Power and utilities	0%		0.39%	2.22%
Banks	0%		0.40%	5.66%
Telecommunications	0%		0.02%	0.44%
Others	0%	95.93%	0.72%	2.84%
	84.8%	97.00%	81.55%	29.09%
	100.0%	100.0%	100.00%	100.00%

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.



Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.

Interest risk

A decrease in the government bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at December 31, 2019 by an independent actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

Discount rate is determined by calculating the single effective discount rate determined by discounting the projected benefit payments using different term-dependent zero-coupon rates at the end of the reporting period.

The principal assumptions used in determining the retirement benefit liability of the Group as at December 31 are as follows:

	2020	2019	2018
Discount rates	3.0%	4.7%	7.1%
Future salary rate increases	6.0%	6.0%	6.0%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	Effect on defined benefit obligation	
		HPI	HPMC
<i>(in Thousands)</i>			
2020			
Discount rate			
Sensitivity 1	0.5%	₱1,016,109	20,743
Sensitivity 2	(0.5%)	909,350	(19,339)
Future salary rate increases			
Sensitivity 1	0.5%	910,510	(23,617)
Sensitivity 1	(0.5%)	1,014,200	24,726
2019			
Discount rate			
Sensitivity 1	0.5%	₱745,245	₱386,381
Sensitivity 2	(0.5%)	823,450	421,158
Future salary rate increases			
Sensitivity 1	0.5%	822,735	420,847
Sensitivity 1	(0.5%)	745,519	386,506



The Management and its trustee bank reviews the performance of the Plans on a regular basis and assess whether the Plans will achieve an investment return which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group also reviews its solvency position on an annual basis and estimates, through the actuary, the expected contribution to the Plans in the subsequent year.

The funding requirements are agreed between the Plan Trustees and Group, in consideration of the contribution advice from the Plan Actuary.

The tables below show the maturity analysis of the undiscounted benefit payments as at December 31:

	HPI	HPMC
	<i>(In Thousands)</i>	
2020		
Within one year	₱ 65,977	₱ 21,796
More than one year to five years	206,447	73,594
More than five years	461,820	306,292
2019		
Within one year	₱79,313	₱21,971
More than one year to five years	197,647	72,204
More than five years	456,518	293,533

The Group expects to make a contribution of ₱146.3 million in 2021 to the defined benefit plans during the next financial year.

Defined Contribution Retirement Plan

The Parent Company has a defined contribution plan wherein the obligation is limited to the specified contribution in the defined contribution plan. Total retirement benefits cost (benefit) related to the defined contribution plans amounted to ₱54.5 million, ₱49.9 million and ₱42.1 million for the years ended December 31, 2020, 2019 and 2018, respectively.

The Group has recognized the following in the consolidated statements of comprehensive income:

	2020	2019	2018
	<i>(In Thousands)</i>		
Expense (Income) recognized for:			
Defined benefit plans	(₱16,740)	(₱ 182,491)	₱149,197
Defined contribution plan	54,461	49,933	42,098
Retirement benefit and contribution costs (benefits)	₱37,721	(₱132,558)	₱191,295

34. COMMITMENTS AND CONTINGENCIES

Lawsuits

The Group is either a defendant or plaintiff in several legal cases primarily involving collection and claims for damages. Based on the assessment of Management and the opinion of the Group's external legal counsels, the outflow of resources is not probable to happen or more likely than not to occur.

The Group has an outstanding legal case with Seasia Nectar Port Services Inc. ("Seasia") concerning the termination of the port services agreement with the latter. The Group lodged multiple petitions that are still pending with the Regional Trial Court of Bataan and the Regional Trial Court of Taguig. An interim measure of protection in the form of a preliminary attachment of the Group's assets was secured by Seasia as disclosed in Note 15.

To date, these petitions and motions are pending for resolution. The disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position and negotiation strategy.

Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only general descriptions were provided.



Commitments

- a. Construction agreements with Theidi Construction Corp. (TCC)

On August 1, 2018, the Group entered into two construction agreements with TCC for La Union Poro Port Projects to support its on-going capital expenditure projects. Details and terms of the agreements are as follows:

 - i. Dredging Works Project

TCC shall conduct the dredging works as well as supply manpower, tools, equipment, machinery, permits, clearances and supervision necessary for the completion of the project. The project was completed in March 2019.
 - ii. Jetty Rehabilitation Project

TCC shall deliver structural steel and building materials and rehabilitation works at the jetty which includes repair of five (5) heavy damaged corroded piles. The project was completed in June 2019.
- b. Electricity Supply Agreement (ESA)

An amended electricity supply agreement was signed with AC Energy Philippines Inc (ACEPI) effective June 26, 2020 and valid until December 26, 2030 which will supply Bulacan, La Union and Mabini Grinding plants. The related expense under this contract is recognized as part of "Power and Fuel" account in the Cost of Sales, as disclosed in Note 23.
- c. Sales Agreement with Petron Corporation (Petron) and SL Harbor Bulk Terminal Corporation (SLH)

HPI has awarded the contract for the supply of automotive diesel oil to Petron and supply of bunker fuel to SLH. The agreements cover the period November 1, 2017 to December 31, 2020. The related expense under this contract is recognized as part of "Power and Fuel" account in the Cost of Sales, as disclosed in Note 23.
- d. Service Agreement with Misamis Oriental – 1 Rural Electric Service Cooperative, Inc. (MORESCO-1)

On November 26, 2012, the Group entered into a Sub Transmission Line Wheeling Service Agreement with MORESCO-1 for supply of electric power exclusively for the operation and requirement of Lugait plant. The related expense under this contract is recognized as part of "Power and Fuel" account in the Cost of Sales, as disclosed in Note 23.
- e. Davao Light Service Contract

The Group also entered into a contract with Davao Light and Power Group (DLPC) for electric service to the Group's plant in Davao commencing on November 14, 2013 and thereafter until the contract is terminated. The related expense under this contract is recognized as part of "Power and Fuel" account in the Cost of Sales, as disclosed in Note 23.
- f. Kalayaan – Davao Cement Mill Project 01 – EP

On August 14, 2017, the Parent Company entered into a supply agreement with Huaxin Cement Co. Ltd for mechanical and electrical engineering and process control equipment and civil engineering design required for the cement mill system to be put into operation in the existing Davao Plant. The project was completed in the 2nd quarter of 2019.
- g. Roller Press Project

This contract agreement was entered into by the Group on November 20, 2017 with Kisen International Construction Co., Inc. for the construction and installation of the new roller press system and its auxiliaries at La Union Plant. The Roller Press Project was completed in January 2019 ahead of schedule.
- h. Others

There are contingent liabilities for tax assessments occurring in the ordinary course of business. On the basis of information furnished by the Group's legal counsels, management believes that none of these contingencies will materially affect the Group's financial position and financial performance.



35. EARNINGS PER COMMON SHARE (EPS)

Basic/diluted EPS is computed as follows:

	2020	2019	2018
		<i>(In Thousands)</i>	
Consolidated profit for the year attributable to common equity holders of the Parent Company	₱2,062,303	₱3,587,301	₱2,544,411
Weighted average number of common shares - Issued and outstanding	6,452,099	6,452,099	6,452,099
Basic/diluted EPS of profit attributable to equity holders of the Parent Company	₱0.32	₱0.56	₱0.39

Basic EPS is computed based on weighted average number of issued and outstanding common shares during each year. Diluted EPS is computed as if the potential common share or instrument that may entitle the holder to common share were exercised as at the beginning of the year. Where the Parent Company does not have any potential common share or other instruments that may entitle the holder to common shares, diluted EPS is the same as basic EPS.

There are no dilutive financial instruments in 2020, 2019 and 2018, hence, diluted EPS is the same as basic EPS.

36. ENVIRONMENTAL AND REGULATORY MATTERS

a. Clean Air Act (RA 8749)

The Clean Air Act and the related IRR contain provisions that have an impact on the industry as a whole, and to the Group in particular, that needs to be complied with within 44 months from the effectivity date or by July 2004. Based on the assessment made on the Group's existing facilities and audits conducted by external stakeholders, management believes it complies with the provisions of the Clean Air Act and the related IRR.

b. Clean Water Act (RA 9275)

On February 4, 2004, the Senate and House of Representatives passed The Clean Water Act and the related IRR which contain provisions that have an impact on the industry as a whole, and to the Group in particular. Based on the assessment made on the Group's existing facilities and audits conducted by external stakeholders, management believes it complies with the provisions of the Clean Water Act and the related IRR

c. Ecological Solid Waste Management Act (RA 9003)

On December 12, 2000, the Senate and House of Representatives passed The Ecological Solid Waste Management Act which contains provisions that have an impact to the Group. The Group adheres to all the rules and regulations and follows the waste management hierarchy which prioritizes waste avoidance, reduction, re-processing, and recycling. As an attestation to Geocycle's responsible handling and management of qualified wastes including hazardous wastes, the Group has valid Treatment, Storage and Disposal (TSD) Certificate.

HPI's four cement integrated plants continued to be recognized by the relevant national government agencies for its environmental programs.

37. EVENTS AFTER THE REPORTING PERIOD

On February 3, 2021, both houses of Congress ratified the bicameral committee report on the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE" bill, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based.



38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were reviewed and recommended for approval by the Audit Committee on February 22, 2021. The same were approved for issuance by the Board of Directors (BOD) on February 22, 2021.

* * *



**Supplementary Schedules to the
Consolidated Financial Statements
For the year ended
December 31, 2020**

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

INDEX TO SUPPLEMENTARY SCHEDULES

FORM 17-A

Supplementary Schedules

Independent Auditors' Report on Supplementary Schedules

Supplementary Schedule of Retained Earnings Available for Dividend Declaration

Illustration of relationships between the Company and its Ultimate Parent Company,
Middle Parent, and its Subsidiaries

Schedule A. Financial Assets

N/A

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

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

Schedule D. Long-Term Debt

N/A

Schedule E. Indebtedness to Related Parties

N/A

Schedule F. Guarantees of Securities of Other Issuers

N/A

Schedule G. Capital Stock

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

To the Board of Directors and Shareholders
HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
7/F Two World Square, McKinley Hill
Fort Bonifacio, Taguig City

We have audited the consolidated financial statements of Holcim Philippines, Inc. and Subsidiaries (the "Group") as at and for the years ended December 31, 2020 and 2019, in accordance with Philippine Standards on Auditing on which we have rendered an unqualified opinion dated February 22, 2021.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on the attached Schedule showing Supplementary information shown in schedules A, B, C, D, E, F, G, and H as at and for the year ended December 31, 2020, as required by the Securities and Exchange Commission under the Revised SRC Rule 68, is presented as additional analysis and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management and has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navarro Amper & Co.
BOA Registration No. 0004, valid from November 12, 2018 to July 16, 2021
SEC Accreditation No. 0001-FR-5, issued on January 15, 2019; effective until January 14, 2022, Group A
TIN 005299331

By:



Bonifacio F. Lumacang, Jr.
Partner
CPA License No. 0098090
SEC A.N. 1793-A, issued on November 11, 2019; effective until November 10, 2022, Group A
TIN 170035681
BIR A.N. 08-002552-18-2020, issued on December 28, 2020; effective until December 27, 2023
PTR No. A-5047290, issued on January 4, 2021, Taguig City

Taguig City, Philippines
February 22, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

To the Board of Directors and Shareholders
HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
7/F Two World Square, McKinley Hill
Fort Bonifacio, Taguig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Holcim Philippines, Inc. and Subsidiaries (the "Group") as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated February 22, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

Navarro Amper & Co.
BOA Registration No. 0004, valid from November 12, 2018 to July 16, 2021
SEC Accreditation No. 0001-FR-5, issued on January 15, 2019; effective until January 14, 2022, Group A
TIN 005299331

By:



Bonifacio F. Lumacang, Jr.
Partner
CPA License No. 0098090
SEC A.N. 1793-A, issued on November 11, 2019; effective until November 10, 2022, Group A
TIN 170035681
BIR A.N. 08-002552-18-2020, issued on December 28, 2020; effective until December 27, 2023
PTR No. A-5047290, issued on January 4, 2021, Taguig City

Taguig City, Philippines
February 22, 2021



**RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DECLARATION**

December 31, 2020

Holcim Philippines, Inc.

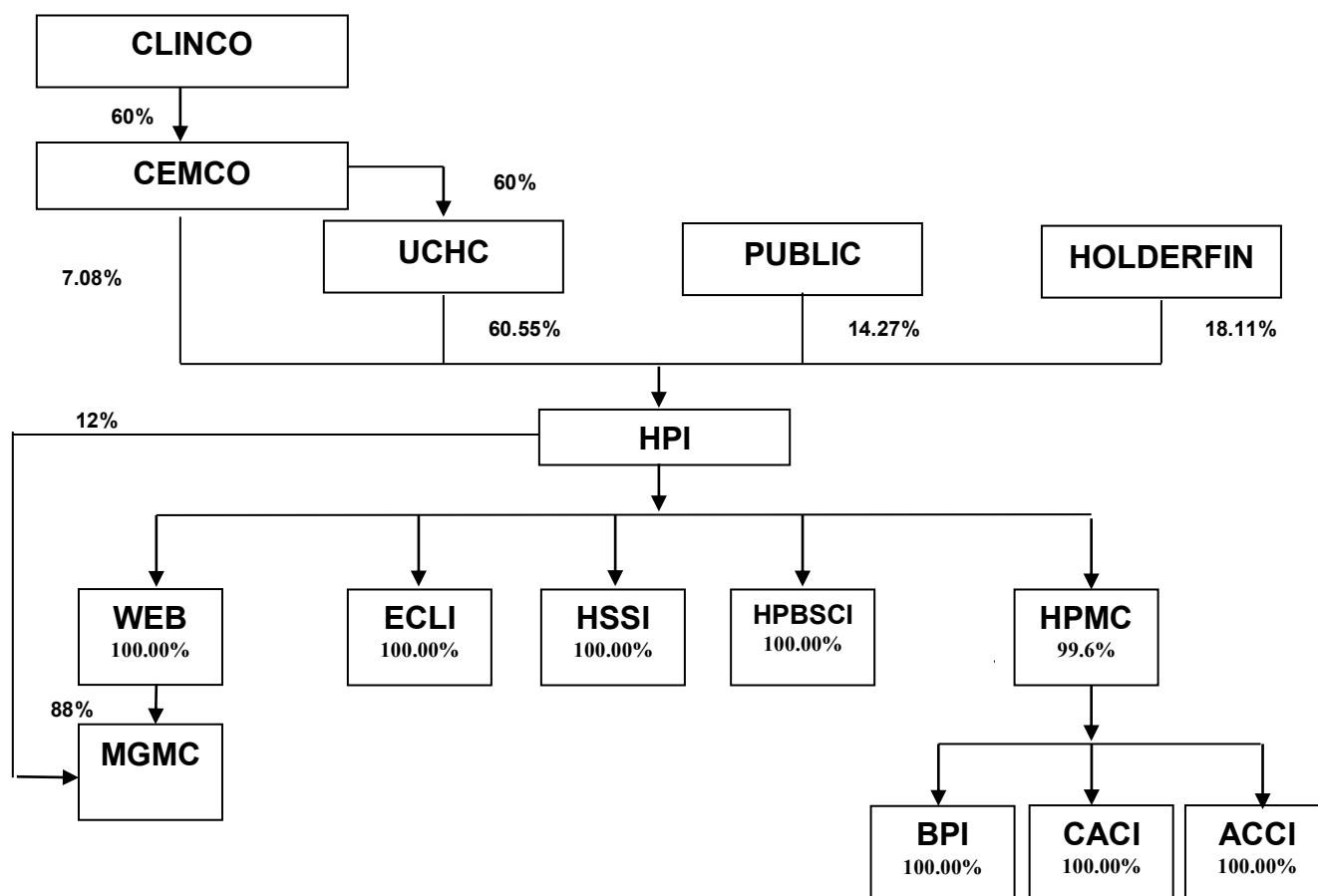
7th Floor, Two World Square, Mckinley Hill, Fort Bonifacio, Taguig City

Items	Amount
	<i>(In Thousands)</i>
Unappropriated Retained Earnings, Beginning	6,424,131
Adjustments:	
Deferred tax asset	(280,360)
Unappropriated Retained Earnings, as Adjusted, Beginning	6,143,771
Net Income based on the face of AFS	1,540,581
Less: Non-actual/Unrealized Income Net of Tax**	
Unrealized foreign exchange gain net (except those attributable to Cash and Cash equivalent)	(25,387)
Deferred tax expense charged to profit or loss as a result of certain transactions accounted for under the PFRS	(65,674) (91,061)
Net Income Actual/Realized	1,449,520
Less: Dividend Declaration during the period	-
Unappropriated Retained Earnings, as Adjusted, Ending	7,593,291

Company: Holcim Philippines Inc. (HPI)

Illustration of relationships between the company and its ultimate parent company, middle parent, and its subsidiaries

As of December 31, 2020



COMPANY NAME		PRINCIPAL ACTIVITIES
CLINCO	Clinco Corporation	Investment holding in CEMCO
CEMCO	Cemco Holdings, Inc.	Investment holding in UCHC and HPI
UCHC	Union Cement Holdings Corporation	Investment holding in HPI
HPI	Holcim Philippines, Inc.	Manufacture and distribute cement products
HPMC	Holcim Philippines Manufacturing Corporation	Manufacture and distribute cement products
BPI	Bulkcem Philippines, Inc.	Purchase, lease, sale of real properties
CACI	Calamba Aggregates Co., Inc.	Mining, Processing and sale of quarry resources
ACCI	Alsons Construction Chemical, Inc.	Manufacture, use and sale of admixtures
WEB	Wellbourne International Group Limited	Investment holding in MGMC
MGMC	Mabini Ginding Mill Corporation	Manufacture and distribute cement products
ECLI	Excel Concrete Logistics, Inc.	Distribution of concrete and cement products
HPBSCI	Holcim Philippines Business Services Center Inc.	Business process outsourcing and other information technology enabled services
HSSI	Hubb Stores and Services, Inc.	Retail operations

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

Financial KPI	Definition	For the Calendar Year ended December 31	
		2020	2019
<u>Current/Liquidity ratios</u> Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	79%	73%
	$\frac{\text{Current Assets}-\text{Inventory}-\text{Prepayments}}{\text{Current Liabilities}}$	50%	51%
<u>Solvency ratio/Debt-to-equity ratio</u> Debt-to Equity Ratio	$\frac{\text{Total Debt}}{\text{Equity}}$	40%	61%
<u>Asset to Equity Ratios</u> Asset to Equity Ratio/ Equity Multiplier	$\frac{\text{Total Assets}}{\text{Equity}}$	140%	122%
<u>Interest Rate Coverage Ratio</u> Interest Coverage Ratio/EBITDA Net Interest Cover	$\frac{\text{Operating EBITDA}}{\text{Total Interest}}$	13.24	11.50
<u>Pofitability Ratios</u> Return on Assets	$\frac{\text{Net Income}}{\text{Average Total Assets}}$	4.8%	7.8%
Return on Equity	$\frac{\text{Net Income}}{\text{Average Total Equity}}$	7.2%	13.5%
Operating EBITDA Margin	$\frac{\text{Operating EBITDA}}{\text{Net Sales}}$	18.2%	20.0%

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

Schedule A. Financial Assets

For the Year Ended December 31, 2020

(Amounts in Thousands)

Name of Issuing Company and Association of Each Issue	Number of Units or Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at Reporting Date	Income Received and Accrued
	N/A	N/A	N/A	N/A
	-	-	-	-

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties,
and Principal Stockholders (Other than Related Parties)
For the Year Ended December 31, 2020
(Amounts in Thousands)**

Name and Designation of Debtor	Beginning Balance	Additions	Deductions		Current	Non Current	Ending Balance
			Amount Collected	Amount Written-Off			
Directors, Officers and Employees							
ABANO, ENGEL C. Employee	119	P 298	(418)	P	P	P	-
AFRICA, EDMUND F. Employee	(36)	891	(781)				74
BAGTASOS, RUEL J. Employee	-	2,916	(1,466)				1,450
BALO, ELPEDIO JR. C. Employee	1,096	1,283	(1,456)				923
BARLETA, CARA YSABEL R. Employee	120	800	(813)				107
CAMIROS, JOEL V. Employee	70	908	(978)				-
CATANGHAL, PEPITO E. Employee	652	4,410	(4,654)				408
CONLU, RODOLFO JR. M. Employee	128	1,173	(1,301)				-
CORTES, GILLIAN Y. Employee	40	967	(991)				16
DE MESA, BERNIE S. Employee	136	450	(586)				-
DICHOSO, HARVEY D. Employee	105	577	(737)				(55)
EMBODO, ANDRES B. Employee	225	1,668	(1,775)				118
ESTEBAN, VIOLIE B. Employee	-	552	(445)				107
GERODIAS, JAZER P. Employee	(160)	160	-				-
JOSE, EMMANUEL G. Employee	178	492	(586)				84
JUAN, FLORENCIO A. Employee	119	156	(275)				-
LUBGUBAN, MEDARDO M. Employee	147	101	(248)				-
MAALA, JEENALYN A. Employee	74	646	(695)				25
MACATANGAY, IRINEO JR. P. Employee	114	823	(914)				23
MAGANTI, RAMAKRISHNA Employee	24	1,022	(1,035)				11
MANALO, ROLDAN G. Employee	50	820	(870)				-
MR VALLAT, Frederic Employee	185	717	(427)				474
REBLEZA, JOEL D. Employee	10	544	(555)				-
SACAYLE, ORVILLE B. Employee	-	192	(14)				179
TABLA, VICTOR JR. D. Employee	-	290	(127)				163
TAN, ERNESTO PAULO D. Employee	138	556	(694)				-
VILLE, NOEL N. Employee	-	1,683	(1,544)				139
ULTRA, DEERYN C. Employee	300	666	(966)				-
Advances to Directors, Officers and Employees	3,832	- - 23,116	(22,423)	- - -	- - -	- - -	4,245
Holcim East Asia Business Service Centre, B.V. - Philippi P	23,836	96	(23,032)	-	900		900
Ciinco Corporation	1,383	44	(1,383)	-	44		44
Associates	1,244,505	188,504		-	1,433,009		1,433,009
Other Holcim Group Affiliates	32,311	85,135	(32,311)	-	85,135		85,135
Related Parties	1,302,035	273,779	(56,726)	-	1,519,088	-	1,519,088

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements For the Year Ended December 31, 2020 (Amounts in Thousands)

Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written Off/Impaired	Reclassification to Investments	Reclassification to Receivable from Associate	Current	Non Current	Balance at the End of Period
Holcim Philippines Manufacturing Corporation									
Due from:									
Bulkcem Philippines, Inc.	(26,406)						(26,406)		(26,406)
Calamba Aggregates Co., Inc.	26,406						26,406		26,406
Excel Concrete Logistics Inc.	1,785						1,785		1,785
Holcim Philippines, Inc.	1,165,081	864,658	(191,730)				1,838,009		1,838,009
	1,166,867	864,658	(191,730)	-	-	-	1,839,794	-	1,839,794
Holcim Philippines, Inc.									
Due from:									
Bulkcem Philippines, Inc.	214						214		214
Holcim Philippines Manufacturing Corp.	339,655	157,397					497,052		497,052
Excel Concrete Logistics Inc.	178,798						178,798		178,798
Calamba Aggregates Co., Inc.	44,752		(44,752)				-		-
Hubb Stores and Services, Inc.	436,850	1,524					438,374		438,374
Mabini Grand Mill Co.	117,734		(117,734)				-		697
	1,118,003	158,921	(162,486)	-	-	-	1,114,438	-	1,115,135
Hubb Stores and Services, Inc.									
Due from:									
Holcim Philippines, Inc.	20,767						20,767		20,767
Excel Concrete Logistics Inc.	11						11		11
	20,778	-	-	-	-	-	20,778	-	20,778
Bulkcem Philippines, Inc.									
Due from:									
Holcim Philippines, Inc.	14,493	7,239					21,731		21,731
Holcim Philippines Manufacturing Corp.	16,665						16,665		16,665
	31,158	7,239	-	-	-	-	38,396	-	38,396
Excel Concrete Logistics Inc.									
Due from:									
Holcim Philippines, Inc.	27,219						27,219		27,219
Hubb Stores and Services, Inc.	1,793						1,793		1,793
	29,012	-	-	-	-	-	29,012	-	29,012
Mabini Grand Mill Co.									
Due from:									
Holcim Philippines, Inc.	312,782	172,711	(13,310)				472,183		472,183
	312,782	172,711	(13,310)	-	-	-	472,183	-	472,183

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

Schedule D. Long-Term Debt
For the Year Ended December 31, 2020
(Amounts in Thousands)

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Long-Term	Remarks
	NIL	NIL	NIL	
	-	-	-	

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

Schedule E. Indebtedness to Related Parties (Long-term Loans from Related Companies)

For the Year Ended December 31, 2020

(Amounts in Thousands)

Name of Related Party	Beginning Balance	Balance at the End of Period
	P NIL	P NIL
	-	-

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
Schedule F. Guarantees of Securities of Other Issuers
For the Year Ended December 31, 2020
(Amounts in Thousands)

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which Statement is Filed	Nature of Guarantee
	NIL	P NIL	P NIL	NIL
	-	-	-	-

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES**Schedule G. Capital Stock****For the Year Ended December 31, 2020**

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Affiliates	Number of Shares Held by Directors, Officers and Employees	Others
Preferred Shares	20,000,000	-	-	-	-	-
Common Shares	9,980,000,000	6,452,099,144	-	5,531,566,062	6,006	920,527,076
	10,000,000,000	6,452,099,144	-	5,531,566,062	6,006	920,527,076

SEC Form 17-Q
For the quarters ended
March 31, June 30 and September 30, 2020

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 March 31, 2020
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
7th Floor Two World Square, McKinley Hill, Fort Bonifacio, Taguig City 1634
8. Issuer's telephone number, including area code (632) 8581-1511
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 March 31, 2020 and December 31, 2019
- Exhibit II – Consolidated Statements of Income for the quarters ended March 31, 2020 and 2019
- Exhibit III – Consolidated Statements of Comprehensive Income for the quarters ended March 31, 2020 and 2019
- Exhibit IV – Consolidated Statements of Changes in Stockholders' Equity for the quarters ended March 31, 2020 and 2019
- Exhibit V – Consolidated Statements of Cash Flows for the quarters ended March 31, 2020 and 2019
- Exhibit VI – Aging of Trade and Other Receivables as of March 31, 2020

HOLCIM PHILIPPINES, INC.
CONSOLIDATED BALANCE SHEETS
As of March 31, 2020 and December 31, 2019
(In Thousands)

	31 Mar 2020	31 Dec 2019
ASSETS		
Current Assets		
Cash and cash equivalents	P6,781,621	P2,961,897
Trade and other receivables - net	3,475,954	3,447,117
Inventories	3,729,199	3,077,546
Short-term financial receivables	512,180	511,463
Other current assets	1,242,946	939,348
Total Current Assets	15,741,900	10,937,371
Noncurrent Assets		
Investments	4,362,748	4,363,425
Property, plant and equipment – net	19,890,504	19,999,303
Right-of-use assets	2,005,720	2,130,518
Goodwill	2,635,738	2,635,738
Intangibles – net	26,477	26,875
Retirement assets – net	2,290,827	2,313,807
Other noncurrent assets	2,422,251	2,420,872
Total Noncurrent Assets	33,634,265	33,890,538
	49,376,165	44,827,909
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables	10,376,963	10,340,029
Loan payables	7,725,849	3,925,849
Current portion of lease liabilities	340,892	396,704
Income tax payable	526,014	306,453
Total Current Liabilities	18,969,718	14,969,035
Noncurrent Liabilities		
Long-term lease liabilities	1,767,799	1,767,799
Provisions	77,082	77,082
Deferred tax liabilities – net	291,572	244,384
Total Noncurrent Liabilities	2,136,453	2,089,265
Equity Attributable to Equity Holders of Parent		
Capital stock	6,452,099	6,452,099
Additional paid-in capital	8,476,002	8,476,002
Remeasurement loss on retirement benefits - net	1,624,206	1,624,206
Other reserves	4,475	4,475
Retained earnings	11,700,331	11,199,025
	28,257,113	27,755,807
Noncontrolling Interest	12,881	13,802
Total Stockholders' Equity	28,269,994	27,769,609
	P49,376,165	P44,827,909

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF INCOME
For the quarters ended March 31, 2020 and 2019
(In Thousands, Except Per Share Data)

	Quarter Ended	
	Jan-Mar 2020	Jan-Mar 2019
Net Sales	₱7,270,481	₱8,103,491
Cost of sales	5,716,573	6,046,020
Gross Profit	1,553,908	2,057,471
Operating expenses	358,324	370,121
Operating EBITDA	1,195,584	1,687,350
Depreciation and amortization	439,607	487,290
Profit from Operations	755,977	1,200,060
Other income (expenses)		
Net financial expense	(92,736)	(205,441)
Other income (expense) - net	30,542	(710)
Total	(62,194)	(206,151)
Profit before Income Tax	693,783	993,909
Provision for income tax		
Current	218,048	309,108
Deferred	(25,808)	(19,060)
	192,240	290,048
Profit for the Period	501,543	703,861
Noncontrolling interest	(237)	(227)
Profit for the period attributable to Equity holders of the Parent Company	₱501,306	₱703,634
Basic/Diluted Earnings Per Share (EPS)		
Computation of EPS:		
(a) Profit for the period attributable to Equity holders of the parent company	₱501,306	₱703,634
(b) Common shares issued and outstanding	6,452,099	6,452,099
EPS [(a)/(b)]	₱0.08	₱0.11

HOLCIM PHILIPPINES, INC.
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 For the quarters ended March 31, 2020 and 2019
(In Thousands)

	Quarter Ended	
	Jan-Mar 2020	Jan-Mar 2019
Profit for the Period	₱501,543	₱703,634
Other Comprehensive Loss	–	(710,051)
Total Comprehensive Income (Loss)	₱501,543	(₱6,417)
Attributable to:		
Equity holders of Parent Company	500,622	(3,942)
Noncontrolling interest	921	(2,475)
Total Comprehensive Income (Loss)	₱501,543	(₱6,417)

HOLCIM PHILIPPINES, INC.
 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
 For the three (3) months ended March 31, 2020 and 2019
(In Thousands)

	Jan-Mar 2020	Jan-Mar 2019
Capital Stock		
Common Stock		
Balance at beginning of period	₱6,452,099	₱6,452,099
Issuances (Retirement)	-	-
Balance at end of period	6,452,099	6,452,099
Additional Paid-in Capital		
Balance at beginning of period	8,476,002	8,476,002
Issuances (Retirement)	-	-
Balance at end of period	8,476,002	8,476,002
Other comprehensive income/loss	1,624,206	2,008,554
Other reserves	4,475	3,270
Retained Earnings		
Balance at beginning of period	11,199,025	7,607,112
Profit for the Period	501,306	703,634
Balance at end of period	11,700,331	8,310,746
Noncontrolling Interest	12,881	13,598
	₱28,269,994	₱25,264,269

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three (3) months ended March 31, 2020 and 2019
(In Thousands)

	Jan-Mar 2020	Jan-Mar 2019
Operating Activities		
Profit before Income Tax	₱693,783	₱993,909
Adjustments to reconcile profit to cash		
Depreciation and amortization	439,607	487,290
Other items (net)	(107,436)	(312,878)
Changes in current assets and liabilities	(616,839)	(2,602,936)
Cash provided by (used in) operating activities	409,115	(1,434,615)
Investing Activities		
Additions to plant, property and equipment	(321,885)	(763,453)
Decrease (increase) in other investing activities	2,668	46,603
Cash used in investing activities	(319,217)	(716,850)
Financing Activities		
Proceeds from short-term loan	3,800,000	–
Repayment of long-term leases	(71,584)	(131,121)
Payment of short-term loans	–	(2,727,561)
Increase in short-term financial receivables	–	(167,639)
Cash provided by (used in) financing activities	3,728,416	(3,026,321)
Net decrease in cash and cash equivalents	3,818,314	(5,177,786)
Cash and cash equivalents, beginning	2,961,897	5,400,112
Effect of exchange rate changes on cash and cash equivalents	1,410	9,289
Cash and cash equivalents, end	₱6,781,621	₱231,615

HOLCIM PHILIPPINES, INC
Aging of Trade and Other Receivables
As of March 31, 2020
(In Thousands)

	Total	Current	1-30 days	31-60 days	Over 60 days
Trade Receivables	₱912,034	₱885,553	₱7,681	₱3,230	₱15,570
Other Receivables	2,589,150	858,760	44,836	10,335	1,675,219
Total	3,501,184	₱1,744,313	₱52,517	₱13,565	₱1,690,789
Allowance for Doubtful Accounts	(25,230)				
Net Receivables	₱3,475,954				

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

At the end of the first quarter, the Group posted net sales of ₱7.3 billion, lower by 10% compared to ₱8.1 billion reported in the same period last year. Lower volume in March versus prior year was mainly due to the Enhanced Community Quarantine (ECQ) implemented by the government in Luzon to prevent the spread of COVID-19. Road closures from localized quarantine measures have hampered movement of labor and logistics around the country further slowing down construction activity in other parts of the country. Visayas and Mindanao operations have continued but demand was on a decline as more local government units began to implement their own quarantine measures.

The Group reported EBITDA of ₱1.2 billion, lower by 29% as compared to ₱1.7 billion reported during the same period last year. Unfavorable variance was attributable to lower net sales and lower prices as pricing actions were implemented to increase sales volume amid the lockdown situation and to maintain acceptable gap against competitor prices. The Group managed to incur lower financial expenses related to its short-term loans and lease liabilities. Net income after tax stood at ₱0.5 billion giving earnings per share of ₱0.08.

Financial Position

The Group's financial position has remained healthy with stable liquid cash position. However, the return on assets declined to 1.1% as of March 31, 2020 which is 0.4% lower from the end of 2019. Total assets stood at ₱49.4 billion as of March 31, 2020, 10% higher from end of 2019.

Cash Flow Generation

The Group's cash requirements have been mainly sourced through cash flow provided by operating activities coupled with proceeds on short-term financing liabilities from third party sources. 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 March 31, 2020 and 2019 were as follows:

Financial KPI	Definition	For the period ended March 31	
		2020	2019
<u>Profitability</u>			
Return on Equity (ROE)	Net Income	1.8%	2.8%
	Ave. Total Shareholders' Equity		
Return on Asset (ROA)	Net Income	1.1%	1.5%
	Average Total Assets		
<u>Efficiency</u>			
EBITDA Margin	Operating EBITDA	16.4%	20.8%
	Net Sales		
<u>Liquidity</u>			
Gearing	Net Financial Debt (Asset)	4.5%	25.9%
	Stockholders' Equity		
EBITDA Net Interest Cover	Operating EBITDA	12.8 times	9.5 times
	Net Interest		

Profitability and Efficiency

Profitability indicators have decreased as compared to the same period of last year due to lesser assets and lower equity while efficiency indicators is lower to the same period of last year due to lower income generated from operations.

Liquidity

The Group's liquidity position remained strong evidenced by higher 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, 2019.

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, 2019:

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:
 - i. 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)
 - ii. 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, 2022. Earlier application is permitted.

The adoption of the new standard does not have an impact on the Group for it is not an issuer of insurance contracts.

Amendments to PAS 1 and PAS 8, *Definition of Material*

PAS 8.31(b-d) 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 these new amendments.

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 these new amendments.

New Accounting Standards Effective in 2019 - Adopted by Financial Reporting Standards Council (FRSC) but pending for approval by the Board of Accountancy.

PIC Q&A No. 2019-01, PFRS 15, Revenue from Contracts with Customers – Accounting for Service Charges

The interpretation clarifies the treatment of service charges collected from hotel guests or restaurant customers.

Salient points of the interpretation are the following:

- Eighty-five (85%) percent, as a minimum, of the collected Service Charge should be excluded from the transaction price and as such should be recognized as a liability to the employees pursuant to Article 96 of the Labor Code.
- As paragraph 47 of PFRS 15 defines transaction price as “the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties”.
- The remaining portion should be included in the transaction price because this is an additional consideration in exchange for the goods and services provided and benefits directly inure to the hotel/restaurant.

The interpretation is effective for periods beginning on or after February 13, 2019.

The Management of the Group is still evaluating the impact of the new interpretation.

PIC Q&A No. 2019-03, PFRS 15, Revenue from Contracts with Customers – Revenue Recognition guidance for Sugar Millers

The interpretation clarifies the revenue recognition of Sugar Milling Companies under: (i) Output Sharing Agreement, and (ii) Cane Purchase Agreement.

Under Output Sharing Agreement, revenue recognition commences upon conversion of Planter’s canes into raw sugar. Further, unsold raw sugar owned by the Miller shall be accounted for as inventory in accordance with PAS 2, Inventories.

Under Cane Purchase Agreement, revenue recognition commences upon transfer of control, at a point in time, to customer or buyer of a sale transaction. Further, the cost of purchased canes shall be treated either as production or milling cost of the Miller.

The interpretation is effective for periods beginning on or after March 28, 2019.

The new interpretation does not have an impact on the Group for it is not a Sugar Milling Group.

PIC Q&A No. 2019-02, Accounting for Cryptographic Assets

The interpretation provides guidance regarding accounting treatment for Cryptographic assets. In classifying Cryptographic assets, two relevant factors to consider are (i) its primary purpose, and (ii) how these assets derive its inherent value. The interpretation provided two (2) Cryptographic classifications based on the aforementioned factors, these are (a) Cryptocurrency, or (b) Cryptographic assets other than Cryptocurrencies, which are (b.1) Asset-based token, (b.2) Utility token, and (b.3) Security token, or collectively the “Security Tokens”.

From the holder of these assets’ point-of-view, in the absence of a definitive accounting and reporting guidance from the IASB, the interpretation suggested to report Cryptographic assets in the financial statements as either (i) Cryptocurrencies held by an entity, or (ii) Cryptographic assets other than cryptocurrencies.

From the Issuer of these assets' point of view, as a consensus, the following accounting treatments are suggested:

- Cryptocurrencies held by an entity can be treated either as (i) Inventory under PAS 2, or (ii) Intangible asset under PAS 38.
- Cryptographic assets other than Cryptocurrencies, the interpretation suggested the following relevant accounting frameworks for consideration:
 - a. If the Token meets the definition of a financial liability, apply guidance in PFRS 9;
 - b. If the Token meets the definition of an equity instrument, apply guidance in PAS 32;
 - c. If the Token is a prepayment for goods and services from a contract with a customer, apply guidance in PFRS 15; and
 - d. If the Token does not meet any of the aforementioned, consider other relevant guidance.

The interpretation is effective for periods beginning on or after February 13, 2019.

The Management of the Group is still evaluating the impact of the new interpretation.

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, and 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 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 and interest rate 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 March 31, 2020, 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 March 31, 2020, 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 March 31, 2020 and 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. 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 minimum.

With respect to credit risk arising from the other financial assets of the Group, which consist of due from related parties, advances to employees, 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 March 31, 2020, the Group has unutilized credit facilities of ₱13.6 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 March 31, 2020 and December 31, 2019. 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 Receivable, 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 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 March 31, 2020 and December 31, 2019, the Group's financial instruments measured at fair value include only the quoted equity securities, classified as AFS financial assets (Level 1).

As at March 31, 2020 and December 31, 2019, 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 2020 and 2019.

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 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 March 31, 2020 and 2019 are presented below:

	2020				
	Clinker and cement	Others	Total	Adjustments and eliminations	Consolidated
	<i>(In Thousands)</i>				
Revenue:					
External customers	P6,971,648	P269,453	P7,241,101	P29,380	P7,270,481
Inter-segment	13,072	-	13,072	(13,072)	-
	P6,984,720	P269,453	P7,254,173	P16,308	P7,270,481
Operating EBITDA	P1,266,970	P201,647	P1,468,617	(P273,033)	P1,195,584
Segment assets	32,519,479	348,377	32,867,856	16,508,309	49,376,165
Segment liabilities	9,251,894	75,675	9,327,569	11,778,602	21,106,171
	2019				
	Clinker and cement	Others	Total	Adjustments and eliminations	Consolidated
	<i>(In Thousands)</i>				
Revenue:					
External customers	P7,769,253	P647,290	P8,416,543	(P313,052)	P8,103,491
Inter-segment	85,013	-	85,013	(85,013)	-
	P7,854,266	P647,290	P8,501,556	(P398,065)	P8,103,491
Operating EBITDA	P1,787,107	P188,010	P1,975,118	(P287,768)	P1,687,350
Segment assets	38,910,722	511,159	39,421,880	7,006,959	46,428,839
Segment liabilities	7,573,292	213,746	7,787,038	13,377,532	21,164,570

* 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 31 March 2020, 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

129% increase in Cash and cash equivalents

Mainly due to higher cash from operations, lower spending in capital expenditure and proceeds from short-term loans.

1% increase in Trade and other receivables - net

Increase was mainly due to higher credit sales outstanding as of the period.

21% increase in Inventories

Increase in inventories was due to stoppage of operations of plants in relation to the Enhanced Community Quarantine placed in Luzon and some parts of Visayas and Mindanao resulting in non-consumption of produced goods, goods-in-transit and raw materials.

32% increase in Other current assets

Increase pertains mostly to prepaid Real Property Taxes and business taxes and the deferral of plant shutdown costs.

6% decrease in Right-of-Use Assets

Mainly due to the depreciation expense recognized for the period.

97% increase in Loan payables

Proceeds from loan extended to the Company by third parties.

0.4% increase in Trade and other payables

Majority pertains to the increased intercompany transactions during the quarter.

72% increase in Income tax payable

Mainly due to additional taxable income for the period and outstanding tax payable from previous year's net income.

14% decrease in lease liability-current portion

Mainly due to the payment of leases for the quarter.

4% increase in Retained earnings

Due to net profit recognized for the period.

Material Changes in Income Statement Accounts

10% decrease in Net sales

Mainly due to lower volumes sold from the interruption in the sales operations as a result of the Enhanced Community Quarantine implemented nationwide.

5% decrease in Cost of goods sold

Mainly due to lower fixed costs spending on cost reduction programs; and lower prices of power, fuels and imported raw materials.

3% decrease in Operating expenses

Mainly due to lower advertising expense as compared from prior year.

10% decrease in Depreciation and amortization

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

55% decrease in Net financial expenses

Mainly due to lower finance charges paid due to settlement of all outstanding loans from third parties in the prior year, net of losses from foreign denominated payables to third parties.

4408% increase in Income (Expenses) on non-operating assets

Mainly due to reversal of final withholding tax during the month of February 2020, also there are no write-offs as of March 2020 as compared to the same period last year that pertains to intangible assets, net of loss recognized this year from the share of net profit of associates compared the income from same period last year.

34% decrease in Provision for income tax

Due to lower taxable income for the first quarter of the year.

4% increase in Noncontrolling interest in net income

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

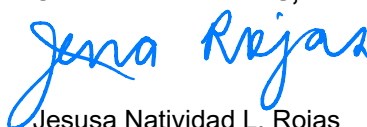
Holcim Philippines, Inc. and Subsidiaries
Schedule of Financial Soundness Indicators

Financial KPI	Definition	For the three (3) Months Ended March 31	
		2020	2019
<u>Current/Liquidity ratio</u> Current Ratio	Current Assets Current Liabilities	82.4%	63.3%
<u>Solvency ratio/Debt-to-equity ratio</u> Gearing	Net Financial Debt (Asset) Stockholder's Equity	4.6%	25.9%
<u>Asset to Equity Ratios</u> Asset to Equity Ratio/ Equity Multiplier	Total Assets Stockholder's Equity	174.8%	183.8%
<u>Interest Rate Coverage Ratio</u> Interest Rate Coverage	Income before Tax Net Interest	5.8 times	5.6 times
<u>Profitability Ratios</u> Return on Assets	Net Income Average Total Assets	0.8%	1.5%
Return on Equity	Net Income Average Total Equity	1.4%	2.8%

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: April 29, 2020

COVER SHEET

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SEC Registration Number

H	O	L	C	I	M		P	H	I	L	I	P	P	I	N	E	S	,	I	N	C	.		A	N	D		S	U	B	S	I
D	I	A	R	I	E	S																										

(Company's Full Name)

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C	i	t	y																													

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

Dennis G. Segovia Jr.

(Contact Person)

8581-1511

(Company Telephone Number)

0	6	3	0
<i>Month</i>	<i>Day</i>		
(Fiscal Year)			

SEC FORM 17-Q

For the quarter ended June 30, 2020
(Form Type)

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

--

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

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Amended Articles Number/Section

5,259

Total No. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document ID

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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 June 30, 2020
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
7th Floor Two World Square, McKinley Hill, Fort Bonifacio, Taguig City 1634
8. Issuer's telephone number, including area code (632) 8581-1511
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 June 30, 2020 and December 31, 2019

Exhibit II – Consolidated Statements of Income for the quarters ended June 30, 2020 and 2019

Exhibit III – Consolidated Statements of Comprehensive Income for the quarters ended June 30, 2020 and 2019

Exhibit IV – Consolidated Statements of Changes in Stockholders' Equity for the quarters ended June 30, 2020 and 2019

Exhibit V – Consolidated Statements of Cash Flows for the quarters ended June 30, 2020 and 2019

Exhibit VI – Aging of Trade and Other Receivables as of June 30, 2020

HOLCIM PHILIPPINES, INC.
CONSOLIDATED BALANCE SHEETS
As of June 30, 2020 and December 31, 2019
(In Thousands)

	30 June 2020	31 Dec 2019
ASSETS		
Current Assets		
Cash and cash equivalents	P2,911,370	P2,961,897
Trade and other receivables - net	2,816,751	3,447,117
Inventories	2,823,595	3,077,546
Short-term financial receivables	493,307	511,463
Other current assets	1,368,749	939,348
Total Current Assets	10,413,772	10,937,371
Noncurrent Assets		
Investments	4,356,731	4,363,425
Property, plant and equipment – net	19,694,566	19,999,303
Right-of-use assets	1,869,988	2,130,518
Goodwill	2,635,738	2,635,738
Intangibles – net	26,074	26,875
Retirement assets – net	2,267,696	2,313,807
Other noncurrent assets	2,420,936	2,420,872
Total Noncurrent Assets	33,271,729	33,890,538
	43,685,501	44,827,909
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables	10,933,673	10,340,029
Loan payables	2,085,150	3,925,849
Current portion of lease liabilities	291,602	396,704
Income tax payable	80,892	306,453
Total Current Liabilities	13,391,317	14,969,035
Noncurrent Liabilities		
Long-term lease liabilities	1,744,986	1,767,799
Provisions	77,082	77,082
Deferred tax liabilities – net	289,831	244,384
Total Noncurrent Liabilities	2,111,899	2,089,265
Equity Attributable to Equity Holders of Parent		
Capital stock	6,452,099	6,452,099
Additional paid-in capital	8,476,002	8,476,002
Remeasurement loss on retirement benefits - net	1,624,206	1,624,206
Other reserves	4,475	4,475
Retained earnings	11,612,193	11,199,025
	28,168,975	27,755,807
Noncontrolling Interest	13,310	13,802
Total Stockholders' Equity	28,182,285	27,769,609
	P43,685,501	P44,827,909

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF INCOME
For the quarters ended June 30, 2020 and 2019
(In Thousands, Except Per Share Data)

	Quarter Ended		Six (6) Months Ended	
	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Net Sales	₱4,148,083	₱7,278,542	₱11,418,564	₱15,382,033
Cost of sales	3,443,613	5,558,482	9,160,186	11,604,502
Gross Profit	704,470	1,720,060	2,258,378	3,777,531
Operating expenses	194,592	376,305	552,916	746,426
Operating EBITDA	509,878	1,343,755	1,705,462	3,031,105
Depreciation and amortization	451,821	367,392	891,429	854,682
Profit from Operations	58,057	976,363	814,033	2,176,423
Other income (expenses)				
Net financial expense	(145,544)	(78,160)	(238,281)	(283,600)
Other income (expense) - net	(24,693)	43,732	5,851	43,021
Total	(170,237)	(34,428)	(232,430)	(240,579)
Profit (loss) before Income Tax	(112,180)	941,935	581,603	1,935,844
Provision for income tax				
Current	(22,727)	324,851	195,321	633,959
Deferred	(1,743)	(99,530)	(27,552)	(118,590)
	(24,470)	225,321	167,769	515,369
Profit (loss) for the Period	(87,710)	716,614	413,834	1,420,475
Noncontrolling interest	(429)	(468)	(666)	(695)
Profit (loss) for the period attributable to Equity holders of the Parent Company	(₱88,139)	₱716,146	₱413,168	₱1,419,780
Basic/Diluted Earnings (Loss) Per Share (EPS)				
Computation of EPS:				
(a) Profit (loss) for the period attributable to Equity holders of the parent company	(₱88,139)	₱716,146	₱413,168	₱1,419,780
(b) Common shares issued and outstanding	6,452,099	6,452,099	6,452,099	6,452,099
EPS [(a)/(b)]	(₱0.014)	₱0.111	₱0.064	₱0.220

HOLCIM PHILIPPINES, INC.
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 For the quarters ended June 30, 2020 and 2019
(In Thousands)

	Quarter Ended		Six (6) Months Ended	
	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Profit (Loss) for the Period	(P87,710)	P716,614	P413,834	P1,420,475
Other Comprehensive Loss	-	(2,463)	-	(712,514)
Total Comprehensive Income (loss)	(P87,710)	P714,151	P413,834	P707,961
Attributable to:				
Equity holders of Parent Company	(87,281)	713,683	414,500	709,968
Noncontrolling interest	(429)	468	(666)	(2,007)
Total Comprehensive Income (loss)	(P87,710)	P714,151	P413,834	P707,961

HOLCIM PHILIPPINES, INC.
 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
 For the six (6) months ended June 30, 2020 and 2019
(In Thousands)

	Jan-Jun 2020	Jan-Jun 2019
Capital Stock		
Common Stock		
Balance at beginning of period	₱6,452,099	₱6,452,099
Issuances (Retirement)	-	-
Balance at end of period	6,452,099	6,452,099
Additional Paid-in Capital		
Balance at beginning of period	8,476,002	8,476,002
Issuances (Retirement)	-	-
Balance at end of period	8,476,002	8,476,002
Other comprehensive income	1,624,206	2,008,554
Other reserves	4,475	807
Retained Earnings		
Balance at beginning of period	11,199,025	7,607,112
Profit for the Period	413,168	1,419,780
Balance at end of period	11,612,193	9,026,892
Noncontrolling Interest	13,310	14,066
	₱28,182,285	₱25,978,420

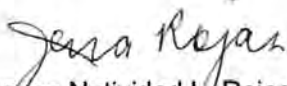
HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six (6) months ended June 30, 2020 and 2019
(In Thousands)

	Jan-Jun 2020	Jan-Jun 2019
Operating Activities		
Profit before Income Tax	₱581,603	₱1,935,844
Adjustments to reconcile profit to cash		
Depreciation and amortization	891,429	854,682
Other items (net)	(434,954)	(635,370)
Changes in current assets and liabilities	1,336,854	(1,162,151)
Cash provided by operating activities	2,374,932	993,005
Investing Activities		
Additions to plant, property and equipment	(470,524)	(1,509,842)
Decrease (increase) in other investing activities	3,725	(108,619)
Cash used in investing activities	(466,799)	(1,618,461)
Financing Activities		
Payment of short-term loans	(7,140,699)	(3,937,618)
Proceeds from short-term loan	5,300,000	-
Repayment of long-term leases	(133,591)	(249,603)
Short-term financial receivable repaid by a related party	32,849	-
Increase in short-term financial receivables	(14,125)	(14,669)
Cash used in financing activities	(1,955,566)	(4,201,890)
Net decrease in cash and cash equivalents	(47,433)	(4,827,346)
Cash and cash equivalents, beginning	2,961,897	5,399,853
Effect of exchange rate changes on cash and cash equivalents	(3,094)	(5,158)
Cash and cash equivalents, end	₱2,911,370	₱567,349

HOLCIM PHILIPPINES, INC
Aging of Trade and Other Receivables
As of June 30, 2020
(In Thousands)

	Total	Current	1-30 days	31-60 days	Over 60 days
Trade Receivables	₱666,624	₱641,035	(₱890)	₱-	₱26,479
Other Receivables	2,174,972	433,606	(29,523)	88,914	1,681,975
Total	2,841,596	₱1,074,641	(₱30,413)	₱88,914	₱1,708,454
Allowance for Doubtful Accounts	(24,845)				
Net Receivables	₱2,816,751				

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

The Group posted net sales of ₱11.4 billion, lower by 26% compared to ₱15.4 billion reported in the same period last year both from lower volume and price. Volume as of June 2020 was affected by lockdown implemented by the government starting from second half of March until end of May. There was semblance of recovery in June. Very limited deliveries to Visayas and North Mindanao continued as Lugait Plant was able to operate but road closures and port shut downs from localized quarantine hampered movement of labor and logistics. All the various quarantine measures around the country dramatically slowed down construction activity. Year to date prices were also affected by the shift to pick-up and cash sales coupled with downward pricing actions in response to competition.

The Group reported total EBITDA of ₱1.7 billion, lower by 44% as compared to ₱3.0 billion reported during the same period last year. Unfavorable decrease was mainly attributable to lower revenues. Cost of goods sold was lower driven by lower fixed cost and major input and distribution costs from aggressive cost reduction initiatives coupled with lower volume sold. Support process costs were also lower from absence or deferral of costs due to lockdown. The Group managed to incur lower financial expenses related to its short-term loans and lease liabilities. Net income after tax stood at ₱0.4 million giving earnings per share of ₱0.06.

Financial Position

The Group's financial position has remained healthy with stable cash position. However, the return on assets declined to 0.9% as of June 30, 2020 which is 71% lower from the end of 2019 primarily from lower income generated during the period. Total assets stood at ₱43.7 billion as of June 30, 2020, 3% lower from end of 2019.

Cash Flow Generation

The Group's cash requirements were mainly sourced through cash from operating activities and short-term financing liabilities from third parties. As of June 30, 2020, all third party loan payables in the first half of the year were paid in full including settlement of an outstanding loan from a related party. Please refer to the attached statement of cash flow for details.

Key Performance Indicators

The comparative financial KPI's of the Group for the periods ended June 30, 2020 and 2019 were as follows:

Financial KPI	Definition	For the period ended June 30	
		2020	2019
<u>Profitability</u>			
Return on Equity (ROE)	Net Income	1.5%	5.5%
	Ave. Total Shareholders' Equity		
Return on Asset (ROA)	Net Income	0.9%	3.1%
	Average Total Assets		
<u>Efficiency</u>			
EBITDA Margin	Operating EBITDA	14.9%	19.7%
	Net Sales		
<u>Liquidity</u>			
Gearing	Net Financial Debt (Asset)	(1.9%)	18.3%
	Stockholders' Equity		
EBITDA Net Interest Cover	Operating EBITDA	8.1 times	11.0 times
	Net Interest		

Profitability and Efficiency

Profitability indicators have decreased as compared to the same period of last year due to lower income and higher equity while efficiency indicators were lower than the same period last year due to lower income generated from operations.

Liquidity

The Group's liquidity position remain strong evidenced by higher 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, 2019.

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, 2019:

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:
 - i. 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)
 - ii. 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, 2022. Earlier application is permitted.

The adoption of the new standard does not have an impact on the Group for it is not an issuer of insurance contracts.

Amendments to PAS 1 and PAS 8, *Definition of Material*

PAS 8.31(b-d) 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 these new amendments.

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 these new amendments.

New Accounting Standards Effective in 2019 - Adopted by Financial Reporting Standards Council (FRSC) but pending for approval by the Board of Accountancy.

PIC Q&A No. 2019-01, PFRS 15, Revenue from Contracts with Customers – Accounting for Service Charges

The interpretation clarifies the treatment of service charges collected from hotel guests or restaurant customers.

Salient points of the interpretation are the following:

- Eighty-five (85%) percent, as a minimum, of the collected Service Charge should be excluded from the transaction price and as such should be recognized as a liability to the employees pursuant to Article 96 of the Labor Code.
- As paragraph 47 of PFRS 15 defines transaction price as “the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties”.
- The remaining portion should be included in the transaction price because this is an additional consideration in exchange for the goods and services provided and benefits directly inure to the hotel/restaurant.

The interpretation is effective for periods beginning on or after February 13, 2019.

The Management of the Group is still evaluating the impact of the new interpretation.

PIC Q&A No. 2019-03, PFRS 15, Revenue from Contracts with Customers – Revenue Recognition guidance for Sugar Millers

The interpretation clarifies the revenue recognition of Sugar Milling Companies under: (i) Output Sharing Agreement, and (ii) Cane Purchase Agreement.

Under Output Sharing Agreement, revenue recognition commences upon conversion of Planter's canes into raw sugar. Further, unsold raw sugar owned by the Miller shall be accounted for as inventory in accordance with PAS 2, Inventories.

Under Cane Purchase Agreement, revenue recognition commences upon transfer of control, at a point in time, to customer or buyer of a sale transaction. Further, the cost of purchased canes shall be treated either as production or milling cost of the Miller.

The interpretation is effective for periods beginning on or after March 28, 2019.

The new interpretation does not have an impact on the Group for it is not a Sugar Milling Group.

PIC Q&A No. 2019-02, Accounting for Cryptographic Assets

The interpretation provides guidance regarding accounting treatment for Cryptographic assets. In classifying Cryptographic assets, two relevant factors to consider are (i) its primary purpose, and (ii) how these assets derive its inherent value. The interpretation provided two (2) Cryptographic classifications based on the aforementioned factors, these are (a) Cryptocurrency, or (b) Cryptographic assets other than Cryptocurrencies, which are (b.1) Asset-based token, (b.2) Utility token, and (b.3) Security token, or collectively the “Security Tokens”.

From the holder of these assets' point-of-view, in the absence of a definitive accounting and reporting guidance from the IASB, the interpretation suggested to report Cryptographic assets in the financial statements as either (i) Cryptocurrencies held by an entity, or (ii) Cryptographic assets other than cryptocurrencies.

From the Issuer of these assets' point of view, as a consensus, the following accounting treatments are suggested:

- Cryptocurrencies held by an entity can be treated either as (i) Inventory under PAS 2, or (ii) Intangible asset under PAS 38.
- Cryptographic assets other than Cryptocurrencies, the interpretation suggested the following relevant accounting frameworks for consideration:
 - a. If the Token meets the definition of a financial liability, apply guidance in PFRS 9;
 - b. If the Token meets the definition of an equity instrument, apply guidance in PAS 32;
 - c. If the Token is a prepayment for goods and services from a contract with a customer, apply guidance in PFRS 15; and
 - d. If the Token does not meet any of the aforementioned, consider other relevant guidance.

The interpretation is effective for periods beginning on or after February 13, 2019.

The Management of the Group is still evaluating the impact of the new interpretation.

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, and 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 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 and interest rate 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 June 30, 2020, 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 June 30, 2020, 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 June 30, 2020 and 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. 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 minimum.

With respect to credit risk arising from the other financial assets of the Group, which consist of due from related parties, advances to employees, 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.