

COVER SHEET

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(Company's Full Name)

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S Q U A R E B L D G . , 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

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

Kristine Ninotschka L. Evangelista

Contact Person

(02) 459-3333

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

Definitive Information Statement

FORM TYPE

Second Thursday Of May of each year

Annual Meeting

Secondary License Type, If Applicable

[Empty grid]

Dept. Requiring this Doc.

[Empty grid]

Amended Articles Number/Section

Total Amount of Borrowings

[Empty grid]

Total No. of Stockholders

[Empty grid]

Domestic

[Empty grid]

Foreign

To be accomplished by SEC Personnel concerned

[Empty grid]

File Number

LCU

[Empty grid]

Document I.D.

Cashier

STAMPS

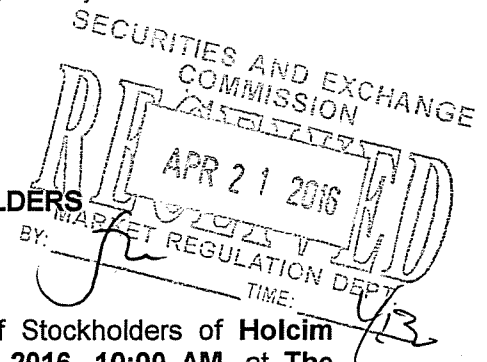
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Holcim Philippines, Inc.  
7F Venice Corporate Center  
No. 8 Turin Street, McKinley Town Center  
Fort Bonifacio  
Taguig City 1634  
Philippines

Phone +63 459 3333  
www.holcim.com.ph

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**  
**May 18, 2016**  
**10:00 A.M.**



You are cordially invited to attend the Annual Meeting of Stockholders of **Holcim Philippines, Inc.** (the "Company") which will be held on **May 18, 2016, 10:00 AM**, at **The Ballroom, 2<sup>nd</sup> Level, New World Makati Hotel, Esperanza Street corner Makati Avenue, Ayala Center, 1228 Makati City.**

The Agenda of the meeting is as follows:

1. Call to Order
2. Proof of Notice and determination of existence of quorum
3. Approval of the minutes of the annual meeting held on May 18, 2015
4. Approval of the Annual Report and the Audited Financial Statements of the Company as of December 31, 2015
5. Approval and ratification of all acts, contracts, investments and resolutions of the Board of directors, committees and management since the last annual meeting
6. Election of the members of the Board of Directors
7. Appointment of External Auditor
8. Approval of Amendment to Article III, Section 8 of the Amended By-Laws (authority to fix the remuneration of the Company's directors and officers)
9. Other matters
10. Adjournment

These items are fully disclosed in the Information Statement, which will be sent to you together with this Notice. Only stockholders of record in the books of the Company at the close of business on April 18, 2016 will be entitled to notice of, and to vote at, the Annual Meeting. A list of stockholders entitled to vote will be available for inspection fifteen (15) days prior to the Annual Meeting at the office of the Corporate Secretary at 7th Floor Venice Corporate Center, 8 Turin Street, McKinley Town Center, Fort Bonifacio, Taguig City, Philippines.

**HOLCIM PHILIPPINES, INC.**

By:

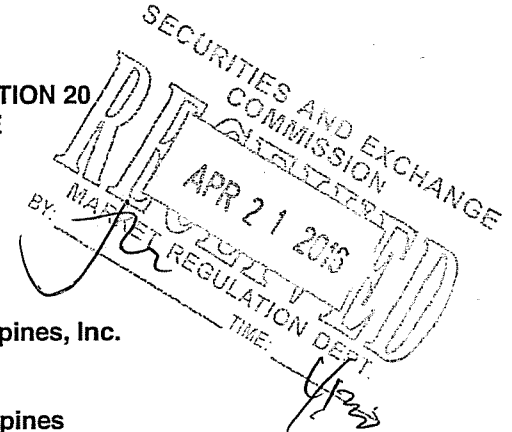
**KRISTINE N.L. EVANGELISTA**  
Corporate Secretary

**REGISTRATION OF STOCKHOLDERS WILL START AT 9:00 A.M.**

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**



1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter: **Holcim Philippines, Inc.**
3. Province, country or other jurisdiction of incorporation or organization: **Manila, Philippines**
4. SEC Identification Number: **026126**
5. BIR Tax Identification Code: **000-121-507-000**
6. Address of Principal Office/Postal Code: **7th Floor, Two World Square  
McKinley Hill, Fort Bonifacio  
Taguig City, Philippines**
7. Registrant's telephone number, including area code: **(632) 459-3333**
8. Date, time and place of the meeting of security holders:

**May 18, 2016, Wednesday, at 10:00 a.m.  
The Ballroom, 2<sup>nd</sup> Level, New World Makati Hotel  
Esperanza Street corner Makati Avenue  
Ayala Center, 1228 Makati City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **April 25, 2016**
10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code or Sections 4 and 8 of the Revised Securities Act (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
<b>Common Shares</b>	<b>6,452,099,144</b>

11. Are any or all of registrant's securities listed on a Stock Exchange?  
 Yes  No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein: **Philippine Stock Exchange – Common Shares**

## **HOLCIM PHILIPPINES, INC.**

### **INFORMATION STATEMENT**

**WE ARE NOT ASKING FOR A PROXY AND  
YOU ARE REQUESTED NOT TO SEND US A PROXY.**

#### **A. GENERAL INFORMATION**

##### **ITEM 1. DATE, TIME AND PLACE OF ANNUAL MEETING OF SECURITY HOLDERS (THE "ANNUAL MEETING")**

- (a) Date: **May 18, 2016, Wednesday**
- Time: **10:00 a.m.**
- Place: **The Ballroom, 2<sup>nd</sup> Level, New World Makati Hotel  
Esperanza Street corner Makati Avenue  
Ayala Center, 1228 Makati City**
- Principal office: **7th Floor, Two World Square  
McKinley Hill, Fort Bonifacio  
Taguig City, Philippines**
- (b) Approximate date on which copies of the Information Statement are first to be sent or given to Security Holders:
- April 25, 2016**

##### **ITEM 2. DISSENTERS' RIGHT OF APPRAISAL**

Pursuant to Section 81 of the Corporation Code, (1) in case of amendment to the articles of incorporation that has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence, (2) in case of lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code, and (3) in case of merger or consolidation, any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares.

As provided in Section 82 of the Corporation Code, this appraisal right may be exercised by any stockholder who shall have dissented to such corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares. Failure to make the demand within such period shall be deemed a waiver of the appraisal right.

Within ten (10) days after demanding payment for his shares, a dissenting stockholder shall submit to the Company the certificate(s) of stock representing his shares for notation thereon that such shares are dissenting shares. His failure to do so shall, at the option of the Company, terminate his appraisal rights. No demand for payment as aforesaid may be withdrawn by the dissenting stockholder unless the Company consents thereto.

If the corporate action is implemented or effected, the Company shall pay to such dissenting stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of a merger if such be the corporate action involved.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment. Upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

**No matter will be presented for stockholders' approval during the Annual Meeting that may occasion the exercise of the right of appraisal.**

### **ITEM 3. INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

No director or officer of the Company since the beginning of the last fiscal year, or any nominee for election as director, or any of their associates, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the Annual Meeting, other than election to office.

No director of the Company has informed the Company in writing that he intends to oppose any action to be taken by the Company at the Annual Meeting.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **ITEM 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

#### (a) Voting securities entitled to vote at the Annual Meeting

As of April 18, 2016, there are 6,452,099,144 shares of the Company's common stock outstanding and entitled to vote at the Annual Meeting. One share is equivalent to one vote except in the election of directors where one share is entitled to as many votes as there are directors to be elected.

#### (b) Record Date

Only stockholders of record at the close of business on **April 18, 2016** (the "**Record Date**") acting in person or by proxy on the day of the Annual Meeting are entitled to notice of, and to vote at, the Annual Meeting.

#### (c) Election of directors and voting rights (Cumulative Voting)

Cumulative voting is allowed for election of members of the Board. Please refer to Item 19(b) (Voting Procedures).

(d) Security Ownership of Certain Record and Beneficial Owners and Management

(1) *Security Ownership of Certain Record and Beneficial Owners*

The table below shows persons or groups known to the Company as of April 18, 2016 to be directly or indirectly the record or beneficial owner of more than 5% of the Company's voting securities:

<b>Title of Class</b>	<b>Name, Address, Citizenship of Record Owner &amp; Relationship with Issuer</b>	<b>Name of Beneficial Owner And Relationship with Record Owner</b>	<b>No. of Shares Held</b>	<b>% of Ownership</b>
Common	Union Cement Holdings Corp. (" <b>UCHC</b> ") 7F Two World Square McKinley Hill Fort Bonifacio Taguig City, Philippines (Filipino)  Stockholder	Union Cement Holdings Corp. (same as record owner)	3,906,425,509	60.55%
Common	Holderfin B.V. (" <b>Holderfin</b> ") De Lairessestraat 129Hs 1075 HJ Amsterdam The Netherlands (Dutch)  Stockholder	Holderfin B.V. (same as record owner)	1,168,450,997	18.11%
Common	Sumitomo Osaka Cement Co., Ltd. (" <b>Sumitomo</b> ") 1, Kanda Mitoshiro-cho Chiyoda-ku, Tokyo 101-8677 Japan (Japanese)  Stockholder	Sumitomo Osaka Cement Co., Ltd. (same as record owner)	594,952,725	9.22%
Common	Cemco Holdings, Inc. (" <b>Cemco</b> ") 815/816 Tower One & Exchange Plaza Ayala Triangle, Ayala Avenue Makati City, Philippines (Filipino)  Stockholder	Cemco Holdings, Inc. (same as record owner)	456,689,560	07.08%

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

The Company only has common shares outstanding. As of April 18, 2016, the Company's foreign stockholders hold 30.05% of the common shares.

(2) *Security Ownership of Management*

The table below shows the securities beneficially owned by all directors and executive officers of the Company as of April 18, 2016:

Title of Class	Name and Address of Beneficial Owner	Amount & Nature of Beneficial Ownership	Citizenship	% of Ownership
Common	Tomas I. Alcantara	1(D)	Filipino	0.00%
Common	Ian S. Thackwray	1(D)	British	0.00%
Common	Eduardo A. Sahagun	1(D)	Filipino	0.00%
Common	Daniel Bach	1(D)	Swiss	0.00%
Common	Simeon V Marcelo	1(D)	Filipino	0.00%
		54,262 (I)		0.00%
Common	Yasuo Kitamoto	1(D)	Japanese	0.00%
Common	David Lucas B. Balangue	1(D)	Filipino	0.00%
		94,000(I)		
	<b>Total</b>	<b>148,269</b>		<b>0.00%</b>

Directors and officers as a group hold a total of 148,269 common shares, equivalent to approximately 0.00% of the Company's issued and outstanding capital stock.

(e) Voting Trust Holders of 5% or more

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

(f) Changes in Control

There were no material changes in the control of the Company since the beginning of the Company's last fiscal year. UCHC still holds the controlling interest in the Company.

**ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS**

(a) The 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 required, 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 owns more than 2% of the total outstanding shares of the Company.

The following are the members of the Board:

Office	Name	Age	Nationality
Chairman	Tomas I. Alcantara	68	Filipino
Vice Chairman	Ian S. Thackwray	57	British
Director	Eduardo A. Sahagun	58	Filipino
Director	Daniel Bach	52	Swiss
Independent Director	Simeon V. Marcelo	62	Filipino
Independent Director	Yasuo Kitamoto	55	Japanese
Independent Director	David Lucas B. Balangue	64	Filipino

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

**Tomas I. Alcantara** is the Chairman of the Board of the Company. He was elected Director of the Company on July 4, 2003. Mr. Alcantara holds a Bachelor of Science degree in Economics from Ateneo de Manila University, a Masters in Business Administration degree from Columbia University, USA and attended the Advance

Management Program of the Harvard Business School. 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 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 a director of Philweb Corporation.

**Ian S. Thackwray** holds an MA (Hons) in Chemistry from Oxford University and is also a chartered accountant. After his studies, he joined Price Waterhouse and handled major corporate accounts in Europe. In 1985, he started a career with a major multinational in the chemicals industry, serving in various management roles in Europe, North America and particularly in Asia. From 2004 to 2006, he served the Asian/Pacific President based out of Shanghai. In 2006, he joined Holcim and was elected COO and director of the Company. In 2010, the Board of Directors of Holcim Ltd appointed him a member of the Executive Committee with regional responsibility for countries in East Asia, including China, as well as the Philippines, and Oceania. In July 2015, Mr. Thackwray was appointed Regional Head for Asia Pacific.

**Eduardo A. Sahagun** is the Company's President and Country Chief Executive Officer. He was the Senior Vice President for Sales, Marketing and Distribution & Technical Services from 2007 to 2012. Prior to that, he was the Chief Financial Officer of the Company. He holds a Bachelor of Science in Commerce degree and is a Certified Public Accountant. He also holds a Masters in Management Science degree from the Arthur D. Little Management Education Institute in Boston, Massachusetts and a Masters in Business Administration degree from Ateneo Graduate School of Business. In November 1989, he was elected as Assistant Vice President – Comptroller of Davao Union Cement Corporation and has since then been appointed to occupy various key executive positions in the PHINMA Cement Group. He was elected as director of the Company in July 2010.

**Daniel N. Bach** was formerly a member of the Board of Directors and the Company's Senior Vice President for Manufacturing in 2007 until his assignment as CEO of Holcim Romania in 2011. In January 2014, he took on a new role as Holcim's Area Manager for South East Asia. He graduated with a Mechanical Engineering degree and a doctoral degree in Technical Sciences, both from the Swiss Federal Institute of Technology in Zurich, Switzerland.

**Yasuo Kitamoto** holds a Bachelor of Laws degree from the Doshisha University in Kyoto, Japan. He is currently General Manager responsible for International Business of Sumitomo Osaka Cement Co., Ltd. Prior to his current position, he was Deputy General Manager, General Affairs Department in 2005 and General Manager, Corporate Planning Department in 2008 of Sumitomo Osaka Cement Co., Ltd.

**Simeon V. Marcelo** graduated among the top of his class at the University of the Philippines - College of Law and placed 5th in the 1979 bar examination. He served as Solicitor General from February 2001 to October 2003 and was Ombudsman from October 2003 to November 2005. From 2007 to 2010, Mr. Marcelo served as Executive Secretary of the Asian Development Bank Administrative Tribunal and from 2008 to June 2014, was a member of the World Bank's Independent Advisory Board (on good governance and anti-corruption matters). Mr. Marcelo was also elected as the President of the Philippine Bar Association from 2009 to 2010. During its Centennial Year 2013, the University of the Philippines Alumni Association conferred upon him the Distinguished Alumni Award in Public Service. He is the Chief Executive Officer of Cruz Marcelo & Tenefrancia Law Offices. Mr. Marcelo was elected as independent director of the Company in 2014.



**David Lucas B. Balangue** is a certified public accountant with a Bachelor's Degree in Commerce, major in Accounting, Magna Cum Laude, from Manuel L. Quezon University and a Master of Management degree, with distinction, from the Kellogg Graduate School of Management. He placed second highest in the 1972 Philippine CPA Board Examinations. Mr. Balangue's career in the accounting and auditing professions spanned 38 years at SGV & Co., where he was Chairman from January 2004 to January 2010 and Managing Partner from January 2004 to February 2009, after being admitted to partnership in 1982. He is currently the Chairman of the Philippine Center for Population and Development, the Philippine Financial Reporting Standards Council, the National Citizens Movement for Free Elections (NAMFREL) and Coalition Against Corruption and a non-executive independent director of the following listed companies: Trans-Asia Oil and Energy Development Corp., Roxas Holdings, Inc., Philippine Bank of Communications and Manulife Financial Corp.

Directorships in other reporting companies

The following are directorships held by the Company's directors in other reporting companies during the past five years:

<u>Name of Director</u>	<u>Name of Reporting Company</u>
Tomas I. Alcantara	Alsons Consolidated Resources, Inc. Eagle Ridge Golf & Country Club, Inc. PhilWeb Corporation
David Lucas B. Balangue	Trans-Asia Oil and Energy Development Corp. Roxas Holdings, Inc. Philippine Bank of Communications Manulife Financial Corp.

Nomination of Directors for 2016-2017

The directors of the Company elected at the Annual Meeting shall hold office for one year and until their respective successors have been elected and qualified.

The following are the nominees to the Board of Directors:

1. Tomas I. Alcantara
2. Ian S. Thackwray
3. Eduardo A. Sahagun
4. Daniel N. Bach
5. Yasuo Kitamoto (Independent Director)
6. Simeon V. Marcelo (Independent Director)
7. David Lucas B. Balangue (Independent Director)

The Company has no reason to believe that any of the aforesaid nominees will be unwilling or unable to serve if elected as a director.

Ms. Raquel M. De Guzman nominated Messrs. Kitamoto, Marcelo and Balangue as Independent Directors of the Company. Ms. De Guzman is not related to Messrs. Kitamoto, Marcelo and Balangue by consanguinity or affinity, and has no professional or business dealings with them. Messrs. Kitamoto, Marcelo and Balangue are neither officers nor substantial shareholders of the Company.

The nominees for independent directors possess the qualifications and none of the disqualifications of independent directors under relevant rules of the Securities Regulation Code (the "SRC") and its implementing rules and regulations (the "SRC Rules").

The respective business experiences of Messrs. Kitamoto, Marcelo and Balangue are set forth above.

The matter of the nomination and election of Independent Directors form part of a set of guidelines for the Nomination Committee. These guidelines define qualifications, disqualifications and procedures for the screening and short listing of candidates nominated to the Board.

The members of the Nomination Committee are as follows:

1. Simeon V. Marcelo - Chairman (Independent Director)
2. Yasuo Kitamoto - Member (Independent Director)
3. David Lucas B. Balangue - Member (Independent Director)

For this Annual Meeting, the Nomination Committee shall screen and evaluate the candidates for Independent Directors, using the committee's guidelines, pertinent provisions of the Company's Manual on Good Corporate Governance, its By-Laws and relevant issuances under the SRC and the SRC Rules.

The Company's By-laws reflect the procedures for the nomination and election of independent directors in accordance with SRC Rule 38, as amended.

Upon their election, the individuals nominated as independent directors shall submit to the SEC a certification on their qualification as independent directors.

(b) The Executive Officers

The Company's executive officers are likewise elected annually by the Board and serve for one 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 are set forth below:

Position	Name	Age	Nationality
President and Country Chief Executive Officer	Eduardo A. Sahagun	58	Filipino
Head – Cement Industrial Performance	Roman Menz	42	Swiss
Head – Sales	William C. Sumalinog	46	Filipino
Head – Human Resources	Araceli E. Gonzales	53	Filipino
Head – Communication and Corporate Affairs	Nerissa V. Ronquillo	58	Filipino
Head – Corporate Health, Safety & Security	Carmela Dolores S. Calimbias	59	Filipino
Treasurer	Shirley S. Go	39	Filipino
General Counsel/Corporate Secretary/Compliance Officer	Kristine N. L. Evangelista	42	Filipino

The business experience of Mr. Eduardo A. Sahagun during the last five years is provided above. Below sets forth the business experience of the Company's other executive officers during the last five years:

**Roman Menz** is the Head of Cement Industrial Performance. Roman holds a Bachelor of Science degree in Electrical Power Engineering from the Higher Technical College in Baden, Switzerland and a Masters degree in Electrical Engineering from the University of Brunel in London. Before joining the Company, he became a plant manager of Holcim Romania in November 2005, a technical director of Holcim Russia in August 2012, and a manufacturing director of Holcim Vietnam in March 2015.

**William C. Sumalinog** is the Head of Sales. William holds a Bachelor of Science degree in Computer Engineering from the University of Cebu where he graduated with leadership honors in 1992. He started his career in sales as a sales representative in Market Developers, Inc., where he went on to assume other sales positions. He joined

Alsons Cement Corporation in 1998 where he occupied various key positions in sales. Prior to assuming his current position, he was the Company's Regional Operating Head for various areas in Mindanao and Visayas since 2005.

**Araceli E. Gonzales** is the Head of Human Resources. She is a graduate of Psychology from Ateneo de Manila University with a Masters degree in Industrial Relations with focus on Human Resources Management from the University of the Philippines. She has more than 25 years of HR experience honed in consumer, manufacturing, pharmaceutical, agro-industrial and telecommunication industries covering both domestic and international HR services. She also has 8 years of consulting work in HR and leadership development. Before joining HPI, she was VP for HR Solutions of Smart Communications.

**Nerissa V. Ronquillo** is the Head of Communication and Corporate Affairs. She obtained her Bachelor of Arts degree in Broadcast Communication at the University of the Philippines as an entrance scholar of the Kapisanan ng mga Brodkaster ng Pilipinas/Broadcast Media Council. A communications and an accredited public relations professional, she has over 35 years of experience in the profession. She was Head of Publications and Communications, then Advertising and Special Events, and General Public Programs of the Manila Electric Company (Meralco). From 2009 to 2013, she was Regional Director for North Asia of the San Francisco-based International Association of Business Communicators (IABC), President of IABC Philippines in its 30<sup>th</sup> year, and currently Chairman of its Board of Trustees. In 2013, she became the first Filipina to be named as Director of the International Executive Board of IABC and Trustee of the IABC Foundation.

**Carmela Dolores S. Calimbas** is the Head of Corporate Health, Safety & Security. She holds a Bachelor of Science degree in Chemical Engineering from the University of San Carlos in Cebu. Before joining the Company in May 2008, she was the Manager for Environment, Health and Safety of James Hardie Philippines from November 2004 to May 2008. Prior to this, she had ten years of work experience in the field of safety, health and environment.

**Shirley S. Go** is the Treasurer and the Head of Group Tax of the Company. She earned her Bachelor of Science degree in Accountancy from De La Salle University, and is a Certified Public Accountant. Prior to joining the Company in 2010, she worked with Punongbayan and Araullo for 12 years.

**Kristine Ninotschka L. Evangelista** is the Corporate Secretary, General Counsel and Compliance Officer of the Company. She holds a Bachelor of Science Major in Legal Management degree from the Ateneo de Manila University and obtained her Juris Doctor degree from Ateneo Law School. In 1999, she joined SyCip Salazar Hernandez & Gatmaitan Law as an associate. She joined the Company in 2008 as Senior Legal Counsel. She was elected as Assistant Corporate Secretary of the Company and its subsidiaries. She assumed her current role and was elected Corporate Secretary in 2014.

(c) Family Relationships

No member of the Board or any executive officer of the Company is related by affinity or consanguinity.

(d) Independent Directors

Messrs. Yasuo Kitamoto, Simeon V. Marcelo and David Lucas B. Balangue are the Company's Independent Directors. They are neither officers nor substantial shareholders of the Company.

(e) Executive Officers and Significant Employees

The following managers in the Company's Finance department are responsible for financial planning, control, reporting, as well as accounting and tax.

Position	Name	Age	Nationality
Head – Group Controlling and Planning	Glenn A. Agustin	42	Filipino
Head – Information Management and Reporting	Alexader V. Taar	33	Filipino
Head – Group Tax and Treasury	Shirley S. Go	39	Filipino

Set forth below is the business experience of Mr. Glenn A. Agustin during the last five years:

**Glenn A. Agustin** is the Head for Group Controlling and Planning. He graduated from the University of Santo Tomas with a degree of Bachelor of Science in Commerce, major in Accounting. He is a Certified Public Accountant and Certified Internal Auditor. Before joining the Company, he worked with various companies including SGV and Co. and Bacnotan Consolidated Industries Inc. He joined the Company in 2004 as an internal auditor and started to work in Finance as Plant Controller in 2008, and Area Finance Manager in 2009 and Manager of Finance and Reporting in 2011. He assumed his post as Head-Group Controller on December 1, 2013.

**Alexander V. Taar** is the Head for Information Management and Reporting. He graduated from the Philippine School of Business Administration with a degree of Bachelor of Science in Accountancy. He is a Certified Public Accountant and obtained his Masters in Business Administration from Ateneo Graduate School of Business. Prior to joining the Company, he worked with various companies including Chevron Holdings Inc. He joined the Company in 2013 as Head of Process and Control. He assumed his post as Head for Information Management and Reporting on October 1, 2015.

The business experience of Ms. Shirley S. Go is provided above.

(f) Warrants and Options Outstanding

There are no warrants or options granted by the Company to any of its directors or executive officers.

(g) Involvement of Directors and Officers in 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 **Annex A** hereof.

(h) Certain Relationships and Related Transactions

For a disclosure of the material related party transactions, please see Note 25 –Related Party Transactions to the Consolidated Financial Statements attached to this Information Statement.

Except for the transactions discussed in Note 25 (Related Party Transactions) to the accompanying consolidated financial statements in Item 13.1, 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.

(i) Disagreement with a Director

No director has resigned or declined to stand for re-election to the Board since the date of the last annual stockholders' meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

**ITEM 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS**

The members of the Board were paid a bonus based on net income. Beginning 2005, they agreed to be compensated at a lower fixed rate for each calendar year.

The compensation received by the officers who are not members of the Board represents salaries, bonuses and benefits.

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

Name and Principal Position	Year	Salary	Bonus	Benefits
The CEO and four most highly compensated Executive Officers:	2016*	53,266,776	11,910,120	6,136,558
	2015	53,266,776	11,910,120	6,136,558
	2014	52,136,086	16,110,756	1,605,024
<ul style="list-style-type: none"> <li>▪ Eduardo A. Sahagun – President &amp; Country CEO</li> <li>▪ Andre G. Caluori – SVP, Manufacturing***</li> <li>▪ Carmela Calimbas – Head, Corporate Health, Safety &amp; Security</li> <li>▪ Araceli Gonzales – Head, HR</li> <li>▪ William Sumalinog – Head, Sales</li> </ul>				
	2016*	45,022,140	8,878,561	9,219,130
	2015	45,022,140	8,878,561	9,219,130
All other Executive Officers and Directors** as a group unnamed	2014	45,024,811	10,199,264	23,915,072

\*Estimated compensation of executive officers for the ensuing year is assumed to approximate the 2015 level. Bonuses given are driven by actual performance of the company; hence, estimate may vary from actual.

\*\*Directors' fees are a fixed annual fee.

\*\*\* Andre G. Caluori was replaced by Roman Menz on December 4, 2015.

Other than directors' fees, 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;
- e. adjustments or amendments on the price of stock warrants or options.

**ITEM 7. INDEPENDENT PUBLIC ACCOUNTANTS**

The accounting firm of SGV has been the Company's independent public accountant/external auditor for the last five years. The same accounting firm is being recommended for re-appointment by the stockholders at the Annual Meeting. Representatives of said firm are

expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions. SGV has accepted the Company's invitation to stand for re-appointment this year.

The Company complies with SRC Rule 68, Part I, Item 3(B)(iv)(ix) on the 5-year rotation of the External Auditor and the two-year cooling-off period on the re-engagement of the same signing partner or individual auditor. The Company engaged SGV for the examination of the Company's financial statements for the year 2015. Previously, the Company engaged Mr. Gemilo San Pedro of SGV for the examination of the Company's financial statements for the years 2009 to 2011. He was replaced by Ms. Catherine E. Lopez, for the years 2012 to 2015. For 2016, Mr. Roel E. Lucas is the partner-in-charge of SGV for the examination of the Company's financial statements.

#### Audit and Audit-Related Fees

The aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by SGV was ₱11.4M for 2015, and ₱10.4M for 2014. These fees cover 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 fiscal years 2015 and 2014.

#### Tax Fees & Other Fees

The Company engaged SGV for tax services, due diligence audit and advisory services with fees of ₱13.1M and ₱0.5M in 2015 and 2014, respectively.

There was no event in the past five years where 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.

The members of the Audit Committee of the Company are as follows:

- |    |                         |   |                                 |
|----|-------------------------|---|---------------------------------|
| 1. | David Lucas B. Balangue | - | Chairman (Independent Director) |
| 2. | Simeon V. Marcelo       | - | Member (Independent Director)   |
| 3. | Daniel N. Bach          | - | Member                          |
| 4. | Tomas I. Alcantara      | - | Member                          |

#### **ITEM 8. COMPENSATION PLANS**

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

#### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

##### **ITEM 9. AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE**

Not applicable.

##### **ITEM 10. MODIFICATION OR EXCHANGE OF SECURITIES**

Not applicable.

**ITEM 11. FINANCIAL AND OTHER INFORMATION**

The audited financial statements of the Company for the period ended December 31, 2015 is attached as **Annex B**. Management’s Discussion and Analysis of Operations is incorporated in the Management Report.

Representatives of the Company’s external auditor, SGV, are expected to be present at the Annual Meeting, and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from the stockholders. The Company has had no material disagreement with SGV on any matter of accounting principle or practices or disclosures in the Company’s financial statements.

**ITEM 12. MERGERS, CONSOLIDATIONS, ACQUISITIONS AND SIMILAR MATTERS**

Not applicable.

**ITEM 13. ACQUISITION OR DISPOSITION OF PROPERTY**

Not applicable.

**ITEM 14. RESTATEMENT OF ACCOUNTS**

The Company is not taking any action, which involves the restatement of any of its assets, capital or surplus account.

**D. OTHER MATTERS**

**ITEM 15. ACTION WITH RESPECT TO REPORTS AND OTHER PROPOSED ACTION**

There is no action to be taken with respect to any report of the Company or of its directors, officers or committees, except the approval of the minutes of the previous annual stockholders’ meeting, and the Annual Report of the Company for 2015.

Other proposed actions include ratification of all acts, investments, proceedings and resolutions of the Board, the Committees and the acts of the officers and management since the date of the last annual meeting. The matters for stockholders’ ratification are acts of the Board, the Executive Committee, officers and management from the previous stockholders’ meeting up to the date of the Annual Meeting which were entered into or made in the ordinary course of business and transactions and the following transactions, covered by appropriate disclosures with the PSE and SEC:

<b>Date of Disclosure</b>	<b>Subject</b>
May 18, 2015	▪ Declaration of cash dividend in the amount of Php0.82 per share to all stockholders of record as of June 15, 2015 and setting the payment date no later than July 9, 2015
July 10, 2015	▪ Authorizing the Company to make an offer for, and should the offer be accepted, to proceed with, the acquisition by the Company and/or its wholly-owned subsidiary Holcim Mining and Development Corporation of, the following Lafarge group assets in the Philippines consisting of (a) shares of stock of Lafarge Iligan, Inc., Lafarge Mindanao, Inc., Lafarge Republic Aggregates, Inc., Quimson Limestones, Inc., Sigma Cee Mining Corporation, and APC Properties, Inc., (b) Star Terminal assets

Date of Disclosure	Subject
	located at the Harbour Centre, Manila, and (c) certain parcels of land as identified by the parties, and Mr. Eduardo A. Sahagun, President and CEO, to sign, execute and deliver any and all agreements and documents, including share and asset purchase agreements, deeds, certificates, disclosure statements, notices, applications, consents, and regulatory filings, and to perform all acts, for and on behalf of the Corporation, as may be necessary and/or desirable, in order to complete and implement the above transactions, under such terms and conditions as he may deem in the best interest of the Corporation and consistent with said Board approved conditions.
August 3, 2015	<ul style="list-style-type: none"> <li>▪ Execution of agreement with Lafarge Republic, Inc., Lafarge Holdings (Philippines), Inc., Calumbuyan Holdings, Inc., Luzon Continental Land Corporation and Broadfields Properties, Ltd. for the purchase of the following assets consisting of (a) shares of stock of Lafarge Republic Aggregates, Inc., Quimson Limestones, Inc., Sigma Cee Mining Corporation, and APC Properties, Inc., (b) Star Terminal assets located at the Harbour Centre, Manila, and (c) certain parcels of land.</li> </ul>
October 27, 2015	<ul style="list-style-type: none"> <li>▪ Execution of a Shareholders Agreement governing Holcim Mining and Development Corporation (HMDC) with HMDC, the Holcim Philippines Inc. Retirement Fund (RF) and Holcim Philippines Manufacturing Corporation in relation to the proposed subscription by the RF of shares in HMDC.</li> </ul>
December 4, 2015	<ul style="list-style-type: none"> <li>▪ Appointment of the heads of new functions</li> </ul>
February 23, 2016	<ul style="list-style-type: none"> <li>▪ Amendment of Article III, Section 8 of the Company's By-Laws to authorize the President, upon recommendation of the Compensation Committee, to fix and/or increase the fees, remuneration and per diems of any Director or other officer of the Corporation as may be necessary; provided, that in no case shall the yearly remuneration of directors serving as such directors exceed 10% of the net income before tax of the Company during the preceding year</li> <li>▪ Approval of the Company's Audited Financial Statements for 2015 and the SEC Form 17-A Report</li> <li>▪ Approval of the nomination of Sycip Gorres Velayo &amp; Co. as the Company's external auditor for the year 2016</li> <li>▪ Setting the Company's annual stockholders' meeting for 2015 on May 18, 2016, and a record date for stockholders entitled to notice of, and to vote, at the annual meeting to April 18, 2016, and delegating to the Corporate Secretary the agenda, venue and time of the annual stockholders' meeting.</li> </ul>

The approval of the minutes, Annual Report and audited financial statements for the period ended December 31, 2015, and ratification of all acts, proceedings and resolutions of the Board, the Executive Committee and the acts of the officers and management since the date of the last annual meeting require the affirmative vote of a majority of the votes cast at the Annual Meeting by the stockholders entitled to vote.

**ITEM 16. MATTERS NOT REQUIRED TO BE SUBMITTED**

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.



#### **ITEM 17. AMENDMENT OF CHARTER, BYLAWS OR OTHER DOCUMENTS**

On February 23, 2016, the Board approved resolutions to amend Article III, Section 8 of the Company's By-Laws to authorize the President, upon recommendation of the Compensation Committee, to fix and/or increase the remuneration of any Director or other officer of the Corporation as may be necessary; provided, that in no case shall the yearly remuneration of directors serving as such directors exceed 10% of the net income before tax of the Company during the preceding year. The purpose of the amendment is to confirm the express grant of authority to fix the compensation of directors and officers in accordance with Section 30 of the Corporation Code. Section 30 of the Corporation Code authorizes the grant of compensation (other than per diems) to directors by the vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders' meeting.

#### **ITEM 18. OTHER PROPOSED ACTION**

The following actions are also proposed to be taken up during the Annual Meeting:

1. Election of directors for 2016-2017; and
2. Appointment of external auditor.

#### **ITEM 19. VOTING PROCEDURES**

##### **(a) Matters for Stockholders' Approval**

As provided in Article I, Section 4 of the By-laws, a quorum at any meeting of stockholders shall consist of a majority of the entire subscribed capital stock of the Company represented in person or by proxy, and a majority of such quorum shall decide any question that may come before the meeting, except the matters in which Philippine laws require the affirmative vote of a greater proportion. A majority of the quorum at the Annual Meeting shall decide the matters to be taken up at the meeting, other than the amendment to the Articles and By-laws of the Company.

Under the Corporation Code, the affirmative vote of stockholders representing at least a majority of the outstanding capital stock of the Company shall be necessary for the approval of the proposed amendment to the By-laws of the Company.

##### **(b) Election of directors**

Pursuant to the Corporation Code, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, as of the record date, in his own name in the stock and transfer book of the Company; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the number of directors to be elected. By way of illustration, the formula may be stated as follows:

$$\text{Number of shares held on record} \times \text{Ten (10)} = \text{Total votes that may be cast.}$$

Stockholders of record are entitled to one vote per share. Voting may be done *viva voce*, by show of hands or by balloting.

In accordance with Article I, Section 3 of the Amended By-laws, stockholders may vote at all meetings the number of shares registered in their respective names, either in person or by

proxy duly given in writing and duly presented to the Corporate Secretary for inspection and recorded at or prior to the opening of said meeting. No proxy bearing a signature which is not legally acknowledged shall be recognized at any meeting unless such signature is known and recognized by the Secretary of the meeting.

All proxies shall be in writing, signed by the stockholders and filed in the office of the Corporate Secretary at least five (5) days before the meeting.

The external auditor of the Company, SGV, is authorized to count votes on any matter properly brought to the vote of the stockholders, including the election of directors.

The agenda for the Annual Meeting is as follows:

1. Call to order
2. Proof of notice and determination of existence of quorum
3. Approval of the minutes of the previous annual stockholders' meeting held on May 18, 2015 (see **Annex C**)
4. Approval of the Annual Report and the Audited Financial Statements of the Company for the period ended December 31, 2015
5. Approval and ratification of all acts, contracts, investments and resolutions of the Board, Committees and Management since the last annual stockholders' meeting
6. Election of the members of the Board of Directors
7. Appointment of external auditor
8. Approval of amendment to Article III, Section 8 of the Company's By-Laws (authority to fix the per diem, remuneration, and fees of the Company's directors and officers)
9. Other Matters
10. Adjournment

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Taguig, Metro Manila, on / APR 21 2016

**HOLCIM PHILIPPINES, INC.**

By:



**Kristine N. L. Evangelista**  
Corporate Secretary

# MANAGEMENT REPORT

# HOLCIM PHILIPPINES, INC.

## MANAGEMENT REPORT

### **I. CONSOLIDATED AUDITED FINANCIAL STATEMENTS**

The consolidated audited financial statements of Holcim Philippines, Inc. (“**HPI**” or the “**Company**”) for the year ended December 31, 2015 attached to the Information Statement are incorporated herein by reference.

### **II. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

There was no event in the past five years where 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.

### **III. MANAGEMENT’S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

#### Review of CY 2015 Operations vs. CY 2014

In 2015, the Country’s Gross Domestic Product (GDP) grew by 5.8%\*. While lower compared with the 6.1% growth in 2014, the Philippine economy is still regarded as among the fastest growing economies in Asia. The growth in GDP was primarily driven by the growth in the Service sector despite slower realized growth in the Industry sector, contraction in the Agriculture sector brought about by the onset of El Nino, and adverse weather conditions during the latter part of the year.

Similarly, the cement industry grew by 14.3%\*\* year on year boosted by robust developments in private and public construction, particularly the accelerated government infrastructure spending in H2 2015.

Driven by the strong demand from both public and private sector, the Company’s revenue increased to ₱37.5 billion, or 14.9% higher compared to that of last year. As a result of the Company’s cost management initiatives, and manufacturing and distribution excellence with a strong sales performance, EBITDA amounted to ₱9.5 billion compared with ₱5.1 billion, or 58.8% higher against that of last year. The increase was mainly due to the ₱2.6 billion one-time gain on re-measurement of retained equity in a subsidiary. Without the one-time gain, net income stood at ₱5.5 Billion.

*\*Source: Philippine Statistics Authority*

*\*\*Source: Cement Manufacturer’s Association of the Philippine*

## Key Performance Indicators (“KPI”)

The comparative financial KPI for the years ended December 31, 2015 and 2014 are as follows:

Financial KPI	Definition	For the Calendar Year ended December 31	
		2015	2014
<u>Profitability</u>			
Return on Assets (ROA)	Net Income	25.1%	17.4%
	Ave. Total Assets		
Return on Equity (ROE)	Net Income	34.6%	23.6%
	Ave. Total Equity		
Operating EBITDA Margin	Operating EBITDA	25.3%	26.5%
	Net Sales		
<u>Liquidity</u>			
Gearing Ratio	Net Financial Debt	-4.1%	-0.6%
	Total Equity		
EBITDA Net Interest Cover (times)	Operating EBITDA	161.4	282.1
	Net Interest		

The financial KPIs identified above are the most relevant in measuring the Company's performance given the nature of its business.

### Profitability

ROA and ROE for CY 2015 grew as a result of higher profitability of the business. This was also impacted by the re-measurement of retained equity in a subsidiary from the deconsolidation of HMDC group in December 2015.

### Liquidity

The Company shows a strong liquidity base with a low gearing ratio, much below the 100% target level.

## Significant Disclosures

Please refer to the Annual Report for 2015 for the significant disclosures made by the Company during the year. Other than those mentioned in the Annual Report for 2015, 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.
13. Material changes in the composition of the company, including any business combination, acquisition or disposal of subsidiaries and long-term investments.

## **Notes to Financial Statements**

### *Accounting Policies and Principles*

The consolidated financial statements of the Company, which comprise the consolidated balance sheets as at December 31, 2015 and 2014 and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015 have been prepared in compliance with Philippine Financial Reporting Standards applied on a consistent basis. The detailed accounting policies are disclosed in Note 2 – 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 HPI are affected by seasonality or cyclicity. During the months starting December to May, demand for cement is greater than the rainy months from June to November.

## 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 uses derivative instruments such as cross-currency swaps to hedge the interest and foreign exchange risks from its foreign currency-denominated debt. 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 notes payable. The main purpose of these financial instruments is to raise funds for the Company's operations. The Company also has various other financial assets and liabilities such as trade and other receivables, advances to employees, guarantee deposits, restricted cash 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 2 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 sales, 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 in 2015 and 0.1% in 2014 and 0.2% 2013 are denominated in currencies other than the Philippine Peso. The Company may hedge certain foreign currency-denominated borrowings or other instruments by entering into derivative transactions.

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



### 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, 2015 and 2014, the Company 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 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 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 15 – 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, unused credit lines and readily available marketable securities to meet its liquidity requirements at all times. In addition, the strong credit worthiness of the Company allows it to make efficient use of the financial markets for financing purposes.

As at December 31, 2015 and 2014, the Company has unutilized credit facilities of ₱8.1 billion and ₱10.4 billion, respectively.

The Company's financial assets and liabilities as of December 31, 2015 and 2014 are disclosed in Note 15 – 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:

	2015	2014
Notes payable	₱999,831	₱2,100,105
Customers' deposits	505,987	468,823
Financial debt	1,505,818	2,568,928
Less cash and cash equivalents	2,540,198	2,698,207
Net financial debt (asset)	(1,034,380)	(129,279)
Total equity	24,969,466	22,095,277
Gearing ratio	(4.1%)	(0.6%)

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

Total equity grew by 13.0% in 2015 as a result of improving operating results for the year.

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

##### Cash and cash equivalents

Decrease in cash and cash equivalents were mainly due to the acquisition of PPE and higher dividends payment.

##### Trade and other receivables

Receivables increased as a result of higher sales made in December 2015 as compared to the same month of last year and higher DSO.

##### Investments

Increase was mainly driven by the re-measurement of retained equity in an associate that was previously 100% owned subsidiary after the deconsolidation in December 2015.

##### Property, Plant and Equipment

Decrease was mainly driven by disposals, retirement/impairment and result of deconsolidation.

#### Intangibles assets – net

Decrease was due to the deconsolidation of the carrying values of the foreshore lease agreement in Mabini, Batangas and mining rights of the HMDC group.

#### Deferred income tax assets – net

Increase was attributable to the additional provisions/ accruals for allowance of doubtful accounts, decline in value of inventories and impairment losses on property, plant and equipment in 2015.

#### Notes Payable

Decrease was mainly due to the payment of ₱1.0 billion loan from Union Cement Holdings Corporation.

#### Trade and Other Payables

Trade and other payables increased by ₱0.8 million, mainly driven by higher payables related to clinker and fuel importation.

#### Income Tax Payable

Increase was due to the higher taxable income for the Q4 as compared with that of the same period of 2014.

#### Retirement Benefit Liabilities

Decrease was mainly due to organizational efficiency and impact of deconsolidation.

#### Deferred income tax liabilities-net

The increase was mainly attributable to unrealized foreign exchange gain.

#### Reserves

Decrease is mainly due to payment of share-based remuneration during the year.

#### Re-measurement loss on retirement benefits – net

The decrease was due to the updated assumptions and adjustments which are considered in the retirement liability calculation.

#### Retained Earnings

Increase was due to higher realized net income.

#### Non-controlling interests

Decrease was due to higher share in dividends declared than the share in realized net income during the year.

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

#### Revenues

Increase was mainly driven by higher volume sold brought about by strong demand.

#### Cost of Sales

The increase was mainly due to higher volume produced and sold as a result of robust demand and higher usage of imported clinker and cement.

#### General and administrative expenses

The increase was due to higher expenditure on third-party services related to corporate initiative projects and impairment provisions as compared to that of the prior year.

#### Selling Expenses

The increase was mainly due to higher costs related to third-party services and personnel cost.

#### Interest and Other Financial Income

The increase was due to higher interest earned on short-term deposits.

#### Interest and Financing Charges

The increase was due to higher interests realized for loans availed within the year.

#### Foreign Exchange Gains (Losses) – net

Increase was due to increase in dollar-denominated assets which were revalued at year-end.

#### Gain on re-measurement of retained equity in a subsidiary

This pertains to the unrealized gain on the retained equity in HMDC.

#### Others – net

Increase was mainly due to gain on sale of assets during the year.

#### Provision for Income Tax

The increase was mainly due to the higher realized taxable income in 2015 compared to that of the previous year, and the taxes incurred from the transfer of land assets to HMDC.

#### Review of CY 2014 Operations vs. CY 2013

In 2014, the Country's Gross Domestic Product (GDP) grew by 6.1%\*. While lower compared with the 7.2% growth in 2013, this has been the third consecutive year where more than 6% growth was realized. Robust performance in manufacturing and construction and also from the services and agriculture sectors fueled such growth.

Similarly, the cement industry grew by 9.5%\*\* on the back of strong public and private infrastructure spending.

Driven by the strong demand from both public and private sector, the Company's revenue increased to ₱32.6 billion, or 13% higher compared to last year. As a result of the Company's cost management initiatives and manufacturing and distribution excellence with strong sales performance, EBITDA and net income for 2014 amounted to ₱8.8 billion

and ₱5.2 billion, respectively. An increase of 15.1% and 12.9% as compared to last year, respectively.

\*Source: National Statistical Coordination Board

\*\*Source: Cement Manufacturer's Association of the Philippine

### Key Performance Indicators ("KPI")

The comparative financial KPI for the years ended December 31, 2014 and 2013 are as follows:

Financial KPI	Definition	For the Calendar Year ended December 31	
		2014	2013
<u>Profitability</u>			
Return on Assets (ROA)	Net Income	17.4%	16.8%
	Ave. Total Assets		
Return on Equity (ROE)	Net Income	23.6%	21.7%
	Ave. Total Equity		
Operating EBITDA Margin	Operating EBITDA	26.5%	26.3%
	Net Sales		
<u>Liquidity</u>			
Gearing Ratio	Net Financial Debt	- 0.6%	- 3.6%
	Total Equity		
EBITDA Net Interest Cover (times)	Operating EBITDA	282.1	Nil
	Net Interest		

The financial KPIs identified above are the most relevant in measuring the Company's performance given the nature of its business.

#### Profitability

ROA, ROE and EBITDA margin for CY 2014 grew as a result of higher profitability of the business.

#### Liquidity

The Company shows a strong liquidity base with a lower gearing, much below the 100% target level.

#### **Significant Disclosures**

Please refer to the Annual Report for 2014 for the significant disclosures made by the Company during the year. Other than those mentioned in the Annual Report for 2014, 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.
13. Material changes in the composition of the company, including any business combination, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

## **Notes to Financial Statements**

### *Accounting Policies and Principles*

The consolidated financial statements of the Company, which comprise the consolidated balance sheets as at December 31, 2014 and 2013 and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014 have been prepared in compliance with Philippine Financial Reporting Standards applied on a consistent basis. The detailed accounting policies are disclosed in Note 2 – 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 HPI are affected by seasonality or cyclicity. During the months starting December to May, demand for cement is greater than the rainy months from June to November.

### General Risk Management Approach

The Company is exposed to various financial risks, which include the effect of changes in debt structure, equity market prices and foreign currency exchange 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 uses derivative instruments such as cross-currency swaps to hedge the foreign exchange risks from its foreign currency-denominated debt. 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, notes payable and long-term debt. 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, due from related parties, 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 credit risk and liquidity risk. The 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 2 to the consolidated financial statements.

### Market Risks

The Company is exposed to market risks, such as foreign currency and interest rate. 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 sales, 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 revenue, approximately 0.1% in 2014 and 0.2% in 2013 and 2012 are denominated in currencies other than the Philippine Peso. The Company may hedge certain foreign currency-denominated borrowings or other instruments by entering into derivative transactions.

Due to the local nature of the cement business, transaction risk is limited. However, income may primarily be in local currency whereas debt servicing and significant amount of capital expenditures may be in foreign currencies. As a consequence thereof, the

Company may enter into derivative contracts whenever necessary, which may be designated either as cash flow hedges or fair value hedges, as appropriate.

The Company's exposure to foreign currency risk is disclosed in Note 16 – Financial Risk Management Objectives and Policies in the Consolidated Financial Statements.

#### 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 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 financial assets at fair value through profit and loss (FVPL), available for sale (AFS) financial assets, due from related parties, advances to employees, advances to subsidiaries and guarantee deposit, 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 15 – 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 Board of Directors (BOD) level.

The Company maintains sufficient reserves of cash and cash equivalents, which are short-term in nature, unused credit lines and readily available marketable securities to meet its liquidity requirements at all times. In addition, the strong credit worthiness of the Company allows it to make efficient use of the financial markets for financing purposes. As at December 31, 2014 and 2013, the Company has unused credit facilities of ₱10.4 billion and ₱3.0 billion, respectively.

The Company's financial assets and liabilities as at December 31, 2014 and 2013 are disclosed in Note 15 – Financial Risk Management Objectives and Policies in the Consolidated Financial Statements.



## Capital Management Policy

The Company considers total equity in the parent company balance sheet as its capital. The Company's objectives when managing capital are to secure the Company's ongoing financial needs to continue as a going concern as well as to cater for its growth targets 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:

	<b>2014</b>	2013
Notes payable	<b>₱2,100,105</b>	₱893,000
Customers' deposits	<b>468,823</b>	480,249
Financial debt	<b>2,568,928</b>	1,373,249
Less cash and cash equivalents	<b>2,698,207</b>	2,149,104
Net financial debt (asset)	<b>(129,279)</b>	(775,855)
Total equity	<b>22,095,277</b>	21,476,327
Gearing ratio	<b>(0.6%)</b>	(3.6%)

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

Total equity grew by 2.9% in 2014 as a result of improvement in operating results for the year.

### *Material Changes in Balance Sheet Accounts*

#### Cash and cash equivalents

Increase in cash and cash equivalents were mainly due to the higher cash generated from operations during the year.

#### Trade and other receivables

Receivables increase due to the higher sales made in December 2014 as compared to that of the same period of last year, DSO remains to be at 21 days.

#### Inventories

Increase in inventories in preparation for the anticipated higher demand in the first quarter of the succeeding year.

#### Other Current Assets

Decrease was driven by lower down payment, prepaid expenses and creditable withholding taxes as a result of tax application.

#### Intangibles assets – net

Increase was mainly driven by the new foreshore lease agreement resulting from the acquisition of the port facility in Mabini, Batangas.

#### Deferred income tax asset – net

Attributable to the additional provisions/accruals for allowance for doubtful accounts, retirement and other accruals in 2014.

#### Other non-current Assets

The decrease was mainly due to deposits to vendors amounting to ₱96.7 million reclassified to other current assets.

#### Notes Payable

Increase was due to the availment of a short-term loan for working capital requirements and for the purchase of the port facility in Mabini, Batangas.

#### Trade and Other Payables

Trade and other payables increased mainly due to higher group payables related to importations.

#### Income Tax Payable

Increase was due to higher income tax recorded for the period.

#### Retirement Benefit Liabilities

Increase was mainly due to higher employee pension liability for the Company's defined benefit incentive for its employees.

#### Deferred income tax liabilities – net

The decrease was mainly attributable to the reduction in depreciation expense, amortization of site restoration costs and unamortized capitalized interests which are nondeductible expense.

#### Remeasurement loss on retirement benefits – net

The decrease was due to the updating of the assumptions and experience adjustments considered in the retirement liability calculation.

#### Retained Earnings

Increase was due to higher realized net income.

#### Non-controlling interests

Decrease due to change in ownership in 2014.  
*Material Changes in Income Statement Accounts*

#### Revenues

Increase mainly due to 12% higher volume sold for 2014 compared to that of last year.

#### Cost of Sales

The increase was mainly due to increase in input costs such as raw materials and electricity charges to support the increase in sales volume.

#### General and administrative expenses

The increase was due to higher personnel costs and expenditure on corporate initiative projects.

#### Interest and Other Financial Income

The lower realized interest income was due to lower interest rates for short-term deposits.

#### Interest and Financing Charges

The increase was due to higher loans availed within the year.

#### Foreign Exchange Gains (Losses) – net

Recognized gain was due to the Peso depreciation in 2014 as compared to 2013 closing rates.

#### Gain on sale of investment in joint venture

There was no investment sold in 2014.

#### Others – net

Increase driven by gain on sale of other properties sold during the year.

#### Provision for Income Tax

The increase was mainly due to the higher realized taxable income in 2014 as compared to previous year.

### **Information on Independent Accountant**

The accounting firm of SyCip Gorres Velayo & Co. (“**SGV**”) has been the Company's independent public accountant / external auditor for the last five years.

#### *Audit and Related Fees*

The aggregate fees billed for each of the last two fiscal years for professional services rendered by the external auditor are as follows:

2015	₱11.4M
2014	₱10.4M

These fees, inclusive of out-of-pocket expenses, cover 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 2015 and 2014.

#### Tax Fees & All Other Fees

The Company engaged SGV for tax services, due diligence audit and advisory services with fees of ₱13.1 million and ₱0.5 million in 2015 and 2014, respectively.

The Company's Manual of Corporate Governance provides that the audit committee shall perform oversight functions over the Company's internal and external auditors, ensure the independence of both internal and external auditors from each other, and make certain that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.

*In relation to the audit of the Company's financial statements, the Company's Manual of Corporate Governance provides that the audit committee shall:*

- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit scope;
- Determine the extent of the internal and external auditor's responsibility in the preparation of the financial statements of the Company
- Review the reports submitted by the internal and external auditors;
- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Company's annual report.
- Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.

Upon recommendation and approval of the Audit Committee, 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 approved by the Board of Directors before its release

#### **IV. BRIEF DESCRIPTION OF THE GENERAL NATURE AND SCOPE OF THE COMPANY'S BUSINESS AND ITS SUBSIDIARIES**

##### **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, as well as aggregates, concrete and construction-related services. HPI is mainly engaged in the manufacture, sale and distribution of cement and clinker.

The Company and its subsidiaries own four production facilities, one cement grinding mill, five ports, as well as multiple storage and distribution points across the country. HPI has the most extensive sales and distribution network in the Philippine cement industry.

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 6.2 million metric tons per year (MTPY) and cement production capacity of 10.2 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 (DUCC), and Bacnotan Cement Corporation (BCC), 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 (ACMC), Davao Union Marketing Corporation (DUMC) and Bacnotan Marketing Corporation (BMC) 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 ₱0.28 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 ₱1,000 per share from ₱0.50 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 June 30, 2006, the SEC likewise approved the merger of HPMC with its wholly-owned subsidiary, Northern Mindanao Transport Co., Inc. (NMTC).

As of December 31, 2015, 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 Philippine Stock Exchange (PSE).

### **The Company's Subsidiaries and Associates**

#### ***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 two dry process lines in Northern Mindanao, giving HPMC a combined rated clinker capacity of 1.8 million MTPY. Of these two, the larger 1.2 million MTPY line 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 beginning January 2011.

In 2004, HPMC stockholders approved the lease contract with HPI covering substantially all of HPMC's cement manufacturing assets. The lease contract was extended up to December 31, 2015 and renewed for another six months until June 2016.

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. CACI is in the process of completing regulatory requirements for its eventual dissolution.

NMTC, a then wholly owned subsidiary of HPMC, was incorporated and registered with the SEC on February 4, 1972. In addition to chartering vessels, NMTC owned a fleet of vessels that provided the sea transport requirements of HPI. On June 30, 2006, the SEC approved the merger of NMTC and HPMC, with HPMC as the surviving company.

HPMC's wholly owned subsidiary, Bulkcem Philippines, Inc. (BPI), was incorporated and registered with the SEC on April 5, 1995. Today, BPI has a bulk terminal located in Iloilo.

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.

#### *Holcim Mining and Development Corporation (HMDC)*

Holcim Mining and Development Corporation (formerly Sulu Resources Development Corp.) was incorporated and registered with the SEC on October 5, 1987. Sulu Resources holds a Mineral Production Sharing Agreement covering certain mineral claims in Rizal. On August 21, 2008, HMDC was acquired by the Company.

On March 15, 2010, the SEC approved the request for change in name of Sulu Resources to Holcim Aggregates Corporation (HAC). In 2011, the Company started to engage in the business of trading aggregates. On July 14, 2011, the SEC approved the request for change from HAC to Holcim Mining and Development Corporation (HMDC). On November 13, 2013, the Board of Directors and shareholders of HMDC approved the increase in the authorized capital stock of HMDC to make way for additional subscription by HPI, in consideration of properties such as parcels of land, mining claims and foreshore leases. On March 6, 2014, the SEC approved the increase in authorized capital stock of HMDC from ₱250,000,000.00 to ₱1,065,000,000.00.

HMDC's wholly owned subsidiary, Holcim Resources Development Corporation (HRDC) is engaged in mining, processing and sale of quarry resources. HRDC was incorporated in the Philippines and registered with the SEC on May 9, 2005.

In July 2014, HMDC acquired a new subsidiary, Lucky One Realty Ventures, Inc. (LORVI), which owns a port facility and foreshore lease in Mabini, Batangas. LORVI was incorporated and registered with the SEC on June 23, 1998.

On August 2015, HMDC acquired the following new subsidiaries: Lafarge Republic Aggregates, Inc. (LRAI), Quimson Limestones, Inc. ("QLI"), Sigma Cee Mining Corporation (SCMC), and APC Properties, Inc. ("APC"). LRAI was incorporated in the Philippines and registered with the SEC on January 16, 2008 as Batong Angono Aggregates Corp., and operates an aggregates quarry in Rizal. On October 2015, the SEC approved the request for change of name from LRAI to LafargeHolcim Aggregates, Inc. (LHAI). QLI was incorporated in the Philippines and registered with the SEC on January 16, 1992 and is engaged in the business of quarry operations. SCMC was incorporated in the Philippines and registered with the SEC on August 3, 1994 and is engaged in the business of exploration, mining and processing of minerals. APC was

incorporated in the Philippines and registered with the SEC on August 22, 1997 and is engaged in the business of purchasing and selling of properties.

In October 2015, HMDC, its shareholders HPI and HPMC, together with the Holcim Philippines, Inc. Retirement Fund (RF), executed a Shareholders Agreement governing HMDC, in relation to the subscription by the RF of shares in HMDC. HPI and HPMC waived their respective pre-emptive rights allowing the RF to subscribe to 60% of the issued and outstanding capital stock of HMDC. HMDC's application for increase in capital stock to cover RF's subscription is pending with the SEC.

Pursuant to the subscription by the RF to 60% of the issued and outstanding capital stock of HMDC, HPI and HPMC appointed and designated RF as their proxy for their respective 60% voting shares in HMDC, which proxy is irrevocable until SEC approves the increase in capital stock, and three nominees of RF were elected to the five-member Board of HMDC. As of December 31, 2015, the RF has effectively taken over the control of HMDC.

#### *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, cement and other similar products of the ready-mix sub-segment of HPI.

#### *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.

#### *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 or building materials, and to operate, maintain and franchise stores for the sale and distribution of said materials.

#### *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 the MGMC's grinding station in Mabini, Batangas was completed and commenced operation.

#### **Bankruptcy Proceedings**

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

#### **Material Reclassification, Merger, Consolidation**

Other than the above-mentioned reclassification, merger, acquisition and consolidation, the Company is not a party to any merger or consolidation for the period ending December 31, 2015.

#### **(2) General Business Description**

HPI is engaged in the manufacture, sale and distribution of cement, dry mix mortar products, clinker, ready mix concrete and, through HMDC, has an interest in the aggregates business of LHAI. With the Company's production facilities, ports, storage

and distribution terminals, sales offices and channel partners, HPI has the most extensive sales and distribution network in the Philippine cement industry. The Company's product quality and operational capability are geared towards meeting the customers' needs here and abroad.

(a) *Product Lines*

HPI manufactures four main cement product brands namely: Holcim Premium (Type 1 Portland cement), Holcim 4X (Type 1 high performance Portland cement), Holcim Excel (Type 1P Blended cement), and Holcim WallRight (Type S Masonry cement). Its products are sold in bags, tonner bags, jumbo bags and in bulk. HPI also sells to cement producers a semi-finished product called clinker, which is sold only in bulk.

HPI also has a ready-mix concrete business. With HMDC's acquisition of LHAI, the Company gained interest in the aggregates business. HPI also sells dry mix mortar products as follows: Holcim Tile Adhesive, Holcim Skim Coat and Holcim Cementitious Waterproofing.

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

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

**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 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 in better slump retention and pumpability 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.

### **Ready Mix Concrete**

Ready mix concrete (RMX) is an engineered construction material produced by mixing cement, admixtures, water, coarse aggregates and fine aggregates. It is produced in an RMX batching plant under controlled conditions and delivered by transmit mixer to a customer. A producer can make concrete of various strength grades and performance characteristics by adjusting the proportions of the different raw materials. The manner in which ready mix concrete is purchased, produced and delivered is defined by ASTM C94 Standard Specification for Ready-Mix Concrete.

### **Aggregates**

Aggregates are granular materials of mineral compositions used for various construction applications. It is used with a binding medium to form Portland cement concrete, bituminous 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 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 Concrete Waterproofing**

Holcim Waterproofing is a one-component cement-based waterproofing specially formulated using Holcim cement, high-quality polymers and chemical admixtures to provide superior flexible waterproofing of structures.

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	Calendar Year	Calendar Year
	Ended	Ended	Ended
<i>(In Thousand Pesos)</i>	December 31, 2015	December 31, 2014	December 31, 2013
Cement and cementitious materials	₱35,562,583	₱31,774,849	₱28,195,962
Others	1,963,472	873,810	697,407
Total	₱37,526,055	₱32,648,659	₱28,893,369

*(b) 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, 2015, 2014 and 2013 are as follows:

Table 2 – Export Revenue

	Calendar Year	Calendar Year	Calendar Year
	Ended	Ended	Ended
<i>(In Thousand Pesos)</i>	December 31, 2015	December 31, 2014	December 31, 2013
Total Export Revenues	NIL	₱25,052	₱45,767
% to Total Revenues	NIL	0.08%	0.16%
<i>Breakdown of Export Revenues per Region (in %)</i>			
Southeast Asia			
Eastern Asia			
Oceania	NIL	0.08%	0.16%
North America			-
Western Europe			-
Middle East			-
Total % to Total Revenues	NIL	0.08%	0.16%

*(c) 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.

With increasing domestic demand and HPI's customer base, there was no export sale transaction in 2015.

*(d) New Product*

Other than aggregates produced by LHAJ, the Company has not formally launched new products in 2015. The Company, nonetheless, continuously develops and seeks to innovate its product lines.

*(e) Competition*

There are nine cement manufacturers in the Philippines, including: Holcim, Republic, Cemex, Taiheiyo, Northern, Eagle, Pacific, Goodfound and Mabuhay.

According to data from the Cement Manufacturers Association of the Philippines (CeMAP), these manufacturers operate a total of 17 plants all over the country.

Among the local players, HPI has the widest market reach spanning the three main islands of the country with two cement manufacturing plants in Luzon, and two in Mindanao. HPI also operates cement terminals in Manila, Calaca, Batangas, and Iloilo and a grinding plant in Mabini, Batangas, as well as warehouses in the different geographic markets. The Company's principal method to be competitive is to gain an in-depth understanding of customer needs and create value for them through superior product and service offerings.

HPI's products are well regarded in the construction industry. They are used in many of the major national infrastructure projects. The four HPI cement plants are certified to meet the ISO 9002 (Quality Management), ISO 14001 (Environmental Management) and OH&S 18001 (Occupational Health and Safety Management) standards.

*(f) Sources and Availability of Raw Materials and Supplies*

Below is a summary of the existing Mineral Production Sharing Agreement (MPSA) entered into by HPI and its subsidiaries with the Republic of the Philippines represented by the Department of Environment and Natural Resources (DENR) allowing the quarrying of raw materials required for cement production. All of these MPSAs have been assigned to HMDC and/or its subsidiary, HRDC. As of December 31, 2015, a majority of the applications for transfer of said MPSAs have been approved by the DENR.

**La Union Plant**

The sources of limestone are MPSA-238-2007-I, MPSA 236-2007-I and MPSA 043-1995-I, and silica are MPSAs 042-1995-I and 295-2009-I located in the provinces of La Union and Pangasinan. The plant also sources silica from Ayungon, Negros Oriental.

**Bulacan Plant**

Bulacan plant's limestone sources are located in Norzagaray and Doña Remedios Trinidad, Bulacan, covered by MPSA 140-1999-III and MPSA 027-1994-III. The silica requirements of the plant are sourced from third-party suppliers.

**Davao Plant**

Davao Plant's limestone requirement is sourced from MPSAs 080-97-XI, 274-2008-XI and 187-2002-XI. Silica requirement of the plant is sourced from Ayungon, Negros Oriental.

**Lugait Plant**

The shale and limestone requirement of Lugait Plant are sourced from quarries covered by MPSA 039-96-X located in Barangay Poblacion, Lugait, Misamis Oriental, MPSA No. 047-96-X situated in Barangay Lower Talacogon, Lugait and Dalipuga, Iligan City, and MPSA 281-2009-X located in Barangay Poblacion, Lugait and Barangay Dalipuga, Iligan City. The silica requirement of the plant is also sourced from Ayungon, Negros Oriental.

**Others**

HMDC is the holder of MPSA 108-98 IV located in Antipolo, Rizal, with known aggregates resources. QLI, a subsidiary of HMDC, is the holder of MPSA No. 137-99-IV.

## Energy Requirement

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 Supply Agreement (ESA) was signed with TA Oil on for the supply of both Bulacan Line 2 and La Union Plants commencing in 2014. In the new ESA, electricity supply will be coming from the 135 MW Puting Bato coal-fired power plant in Calaca, Batangas owned by South Luzon Thermal Energy Corporation, a joint venture company of TA Oil and Ayala's AC Energy Holdings. Included in the agreement is the provision of back-up supply from the diesel power plants in Bulacan (TA Power) and in Bacnotan (CIP/TA Oil).

In essence, power supply for the Company's Bulacan and La Union Plants is assured over a long-term period notwithstanding the uncertainties of how the Luzon Grid supply situation will move. Electricity fee is structured according to time-of-use (TOU) rate with provisions for rate increases based on fuel purchased for the power plant.

The Davao Plant's total power requirement is 22 MW. The plant primarily sourced its electricity from the National Power Corporation (NPC) through the Mindanao Grid which generates a substantial portion of its power through hydroelectric power plants. Effective September 26, 2013, Davao Plant became a "captive customer" of Davao Light and Power Company, 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 the National Power Corporation (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.

Since grid supply in Mindanao is currently deficient resulting from El Nino, reduced hydro capacities, privatization of NPC assets, new coal-fired power plants coming on line in 2016, back-up power supply from private generators for Davao and Lugait has been put in place to augment power supply during curtailment periods.

Mabini Grinding Plant, being a "Contestable Customer" signed a 10-year Power Supply Agreement with TA Oil which started last June 26, 2014.

## Coal and Fuel Requirements

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

HPI's Indonesian coal requirements are currently covered by yearly supply contracts. These contracts form part of the Asia Pacific (APAC) volume pooling strategy of the LafargeHolcim Global/Regional Category Management Team in which HPI is an active member. The said strategy helped APAC operating companies to leverage in both product and freight resulting in more competitive rates. Spot purchases shall remain as an option to have a healthy balance of supply reliability and market competitive prices.

For local coal requirements, the Company's five-year contract with Semirara expired December 31, 2014. Negotiations were concluded for a one-year fixed price contract with Semirara for 2015. Negotiations are ongoing for the 2016 supply in coordination with LafargeHolcim Energy Solutions.

The Company also has a five-year supply contract with Petron Corporation, effective July 1, 2010 to June 30, 2015, to cover its bunker and diesel fuel requirements. This was extended to October 31, 2015 until the bidding was finalized. Supply of bunker and diesel has been awarded to SL Harbor and Petron, respectively, and is valid from November 1, 2015 to October 31, 2017.

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

*(g) 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. The loss of one or more customers will have no material adverse effect on the Company and its subsidiaries taken as a whole.

*(h) Related Party Transactions*

Please see Note 25 – Related Party Transactions to the Consolidated Financial Statements for details.

*(i) Trademarks, Licenses, Concessions, Labor Contracts*

As discussed in Item (f) above, HPI and/or HMDC and its relevant subsidiaries hold MPSAs that grant exclusive rights to the exploration, development and commercial use of certain limestone, shale and other mineral deposits existing within contracted areas based on an agreed revenue-sharing arrangement with the government. All MPSAs have been assigned to HMDC and/or its subsidiary, HRDC. As of December 31, 2015, a majority of the applications for transfer of said MPSAs have been approved by the DENR.

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

The Philippine Intellectual Property Office has issued a Notice of Allowance for the trademark registration of HSSI for its Hubb logo.

*(j) Governmental Approval of Principal Products*

The Bureau of Product Standards (BPS) granted HPI the license to use the Philippine Standard Quality Certification Mark for its principal products. The license took effect from date of issue and continues to be in full force unless otherwise revoked or cancelled by the BPS.

All other necessary licenses and permits required for the continuous production and sale of HPI products have been secured by the Company, including licenses that have to be renewed periodically.

*(k) 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 ₱80.5 million research and development costs in last three years as follows:

Table 3 – Research and Development Costs

Amount Period Covered	Percentage (‘000 Pesos)	to Revenues
CY ended December 31, 2015	₱27,578	0.07%
CY ended December 31, 2014	29,023	0.09%
CY ended December 31, 2013	23,894	0.08%
Total	₱80,495	

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

In support of LafargeHolcim Group initiatives on Sustainable Environmental Performance, HPI is committed to comply with environmental regulations both locally and internationally.

Cement dust emission is targeted at lower emission levels as compared to the Philippine Clean Air Act dust emission limit of 150 mg/ Nm<sup>3</sup>. The Company maintains and operates modern electrostatic precipitators, bag houses, multi-cyclone and bag filters to mitigate dust emissions. With these modern dust control systems in place, HPI’s cement plants keep dust emission levels below the prescribed government standards.

Installing and operating the Continuous Emission Monitoring System (CEMS) in all four plants ensures real time monitoring of the overall performance of the plants. Information provided by this state-of-the-art system which includes monitoring of NO<sub>x</sub> and SO<sub>2</sub> emissions confirms that all HPI plants are compliant with the existing government standards.

The Company engages a third party service provider, accredited by the Environmental Management Bureau (EMB), to conduct periodic source emission testing for dust, gaseous emissions, heavy metals and Dioxin/Furan (DF). In addition, Relative Accuracy Test Audit (RATA) and Cylinder Gas Audit (CGA) are regularly conducted to ensure data reliability of the installed CEMS.

Quarry areas, now assigned to HMDC and/or HRDC, undergo progressive rehabilitation activities as an integral component of the Annual Environmental Protection and Enhancement Program (AEPEP). As the first Philippine company to have a DENR-approved Final Mine Rehabilitation and Decommissioning Plan, all plants are compliant not only with the local regulations but also with LafargeHolcim Group directives. The progressive rehabilitation plans of HMDC and HRDC are not limited to active quarry areas; the plan also includes degraded areas covered by MPSA.

The Company also complies with DENR regulations on environmental funding. Each plant has established depository accounts called Mine Rehabilitation Funds; maintained in two forms namely Rehabilitation Cash Fund (RCF) and Monitoring Trust Fund (MTF). The RCF is at least ₱5 million earmarked for rehabilitation programs approved by the DENR; while the MTF is at least ₱150,000 to serve as the quarterly operating budget for the multipartite monitoring team.

With HPI’s emission monitoring system, HMDC and HRDC’s quarry rehabilitation plans, and strict compliance with the reportorial requirement on actual performance validated by regular quarterly monitoring by multi-stakeholders and government audit, the Company is continuously compliant with Philippine regulations.

*(m) Employees*

As of December 31, 2015, HPI and subsidiaries have a total of 11,662 officers and regular employees broken down as follows:

Table 4 – Officers and Employees

Location	HPI	Subsidiaries	TOTAL
Head Office*	472	195	667
Bulacan Plant	271		271
La Union Plant	226		226
Davao Plant	264		264
Lugait Plant	4	174	178
Calumpit	45		45
Calaca	11		11
Total	1,293	369	1,662

\* Includes ECLI, RMX, HSSI and Mabini plants

The Company does not expect a significant increase in the number of employees in the next 12 months.

HPI cement plant employees are unionized and all labor unions have a Collective Bargaining Agreement (CBA) signed with the Company. The rank and file employees of HPI's bag plant and subsidiary ECLI have also organized their respective unions. The Company maintains a positive relationship with its workers by implementing policies that are fully cognizant of the workers' rights and needs through open communication and adherence to agreed grievance procedures.

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 Cement Plant	Labor Union	CBA Expiry Date
Norzagaray, Bulacan	Holcim Philippines Employees Association (HPEA formerly Hi Cement Worker's Union)	December 31, 2015 (negotiation ongoing as of the date of this report)
	UCC Bulacan Supervisory Employees Union	February 28, 2019
Bacnotan, La Union	La Union Cement Workers Union	March 31, 2017
	Holcim La Union Supervisory Employees Union	March 31, 2019
Davao City	Davao Holcim Employees Workers Union (DAHEWU formerly Southern Phil. Federation of Labor)	March 31, 2015 – (negotiation ongoing as of the date of this report)
	Holcim Davao Supervisory Independent Union	March 31, 2020
Lugait, Misamis Oriental	Holcim Lugait Employees Labor Union (HOLELU, All Workers Trade Union All AWATU)	July 31, 2016
	Holcim Lugait Supervisors Independent Union	March 31, 2019
Calumpit, Bulacan	Holcim Paper Bag Plant Employees Association – FFW Chapter	December 31, 2018

Location of Cement Plant	Labor Union	CBA Expiry Date
Quezon City	Excel Concrete Logistics, Incorporated Workers Union – National Union of Building and Construction Workers	March 31, 2018

(n) *Risk Factor*

Political and Economic Factors

The Company and its subsidiaries are primarily engaged in the manufacture of clinker and cement in the Philippines. Generally, cement sales are highly dependent on the economic and 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: budgetary constraints, political considerations and the stage of economic development in the country.

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

Since cement manufacturing is an energy-intensive process, adequate power is vital for HPI's continuous operations. Curtailment of power supply will materially affect the operation of HPI plant operations.

La Union and Bulacan Plants source their total power requirements from the Luzon Grid. An assessment of the Luzon market indicates that there will be adequate supply in the area until 2014 assuming all power plants are operating at their capabilities and committed capacity additions are realized. The Company signed a 15-year Energy Supply Agreement on August 12, 2011 with TA Oil for both plants starting 2014. The newly commissioned CIP Diesel Power Plant owned by TA Oil will provide back-up to La Union Plant in case of grid failures, the arrangement of which was structured after that of Bulacan's.

Davao and Lugait Plants' power requirements are now supplied by the distribution utility of their respective franchise area pursuant to Energy Regulatory Commission Resolution No. 27, Series of 2010. Mindanao's supply mostly comes from hydroelectric power plants comprising approximately 40% of the total generation capability. With the increasing demand and dwindling hydropower generation capacity, power curtailment is expected to persist until the completion and operations of various coal-fired power plants starting 2016.

The shift from hydropower to coal-fired power plants to cover baseload requirements is expected to generally result in increased electricity cost. For its current needs, the Company has entered into contingency arrangements with private generators to provide back-up power in case of forced power curtailment.

The Company is currently evaluating all available options for a reliable and sustainable power supply portfolio for its Mindanao plants.

Compliance with Financial Covenants

The Company's long-term loan agreements, if any, provide certain restrictions and requirements with respect to, among others, maintenance of financial ratios,



incurrence of new long-term debt, investment in any corporation or person, material changes in character of the Company's business, material change in ownership or control of the Company, disposal of assets and properties, and merger or consolidation with other parties without prior creditors' consent.

HPI complied with all the financial ratios requirement of its loan covenants as of December 31, 2011. As of December 31, 2015 and 2014, the Company has no outstanding long-term loans.

#### 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 or quarries 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

The Philippine Peso was generally stable during the year. From the exchange rate of ₱44.72 against the US Dollar as of December 31, 2014, it closed at ₱47.17 as of December 31, 2015. The depreciation of the peso increases cost of production inputs such as imported fuel and supplies but may result in an increase in the peso value of its export revenues. Conversely, a significant appreciation of the peso will reduce production costs but will also reduce revenues from export sales.

#### Environmental and Regulatory Matters

Cement manufacturing involves heavy use of fossil fuel (coal and bunker fuel) and electric power, and possible emission of dust in the atmosphere, factors that may adversely affect the environment.

HPI conforms with rules and regulations defined under the following: The Philippine EIS System (PD 1586), The Philippine Mining Act of 1995 (RA 7942), 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 decided to reduce dust emissions below the prescribed 150 mg/ Nm<sup>3</sup> level that the government allows cement plants to emit under the Philippine Clean Air Act (RA 8749). 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. Moreover in 2003, the Company installed a state-of-the-art Continuous Emission Monitoring System (CEMS) in all its four plants. The system provides all information required to measure the Company's overall environmental performance and has confirmed that HPI's plants are compliant with the existing government standards.

Based on the assessment made on the existing facilities, the Company believes it complies with the provisions of the Clean Air Act and its implementing rules and regulations.

Under the Philippine Environmental Impact Assessment law, quarrying, an activity required for the supply of raw materials for cement production, is classified as an Environmentally Critical Project. As such, it is subject to all applicable local environmental regulations. This includes the environmental impact assessments and the consequent environmental management programs mandated under the Philippine Clean Air Act, the Environmental Compliance Certificate (ECC), and the complementary environmental provisions of the Mining Act's implementing rules and regulations. The status of compliance on the conditions stated in the 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).

For 2015, before the approval of the transfers of the MPSAs to HMDC and HRDC, HPI's four plants continued to be recognized by the relevant national government agencies for its environmental programs and natural resource stewardship. The Company's La Union Plant bagged the Platinum award in the Presidential Mineral Industry Environmental Award (PMIEA) for the Quarry Category while the Davao Plant and LHAI's aggregate plant won the Titanium PMIEA.

Lugait Plant was also recognized with the Best Mining Forest Program under Non-Metallic Category and declared as winner with the La Union and Davao Plants adjudged as 2nd and 3rd runner-up, respectively.

LHAI's aggregates plant was also declared runner-up for the Safest Quarry Operations Award for 2015.

#### Executive Order (EO) 79

On July 6, 2012, the Philippine Government issued EO 79, Institutionalizing and Implementing Reforms in the Philippine Mining Sector. Providing Policies and Guidelines to Ensure Environmental Protection and Responsible Mining in the Utilization of Mineral Resources also known as the Revised Mining Act, EO 79 provides for the following, among others:

- restriction of applications of mineral contracts and agreements in critical areas and pending new legislation;
- review of performance of existing mining operation and cleansing of non-moving mining rights holders;
- review of existing mining contracts and agreements for possible renegotiation of terms and conditions;
- establishment of mineral reservations and opening areas of mining through competitive public bidding;
- disposition of abandoned ores and valuable metals in mine wastes and mill tailings; and,
- creation of the Mining Industry Coordinating Council with powers and functions granted by this EO.

On October 8, 2012, the DENR published Administrative Order No. 2012-07-A containing guidance for the implementation of EO 79.

Management continuously monitors the implementation and impact of EO 79 on the industry in general.

## **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; and Manila. The table shows the consolidated properties of HPI as of December 31, 2015 compared to December 31, 2014.

Table 6 – Plant, Property and Equipment (Consolidated)

<i>(In Thousand Pesos)</i>	December 31, 2015	December 31, 2014
Land and land improvements	P469,007	P1,863,433
Machinery and equipment	22,636,586	21,231,883
Buildings and installations	12,321,982	12,134,485
Furniture, vehicles and tools	1,060,142	1,206,519
Construction in progress	2,499,329	2,674,532
	38,987,046	39,110,852
Less: Accumulated depreciation, depletion and allowance for impairment loss	22,968,398	21,506,416
Total	P16,018,648	P17,604,436

In connection with the principal properties of the Company, there are no material 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 by the Company's working capital and debt.

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

Description	Start Date	Expiration Date	2015 Lease Payments (in '000)	Renewal Options
HO Office	01.12.2008	30.11.2018	Php38,153	The lease may be renewed upon the written agreement and under such terms and conditions as maybe acceptable to both parties.
Betonval lot	27.08.2008	26.08.2018	6,564	Renewable as may be mutually agreed by the parties
Industrial Warehouse	16.01.2013	15.01.2018	4,167	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.

Pending material legal proceedings involving the Company are described in **Annex A** to the Information Statement.

### 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.

## V. COMPANY'S DIRECTORS AND EXECUTIVE OFFICERS

Please refer to the Information Statement for the discussion of the identity of each of the Company's Board of Directors and Executive Officers including their principal occupation or employment, name and principal business of any organization by which such persons are employed.

## VI. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

### (1) Market Information

HPI common shares are listed at the Philippine Stock Exchange (PSE). The high and low market prices of HPI shares for each quarter of calendar year 2015, 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 2015		CY 2014		CY 2013	
	High	Low	High	Low	High	Low
January – March	14.50	14.50	13.24	12.80	13.72	13.70
April – June	13.88	13.02	13.30	13.26	14.00	13.50
July – September	13.74	12.90	14.10	14.00	12.70	12.70
October – December	14.24	14.24	14.98	14.82	15.50	15.20

Source: Philippine Stock Exchange, Inc.

As of April 18, 2016, the closing price of the Company's common shares at the PSE is ₱13.90 per share.

### (2) Stockholders

As of April 18, 2016, HPI has 6,452,099,144 shares outstanding held by 5,505 stockholders. The list of the top twenty stockholders of the Company as recorded by the Stock Transfer Service, Inc., the Company's stock transfer agent, is as follows:

Table 8 – Top Twenty (20) Stockholders

Rank	Name	Citizenship	Shares	%
1	Union Cement Holdings Corporation	Filipino	3,906,425,509	60.55%
2	B. V. Holderfin	Dutch	1,168,450,997	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. (Non-Filipino)	Foreign	174,507,493	2.70%
6	PCD Nominee Corp. (Filipino)	Filipino	114,582,933	1.78%
7	Federal Homes, Inc.	Filipino	4,054,054	0.06%
8	Antonio M. Dumaliang and/or Rosalinda S. Dumaliang	Filipino	922,363	0.01%
9	Leoncio Tiu	Filipino	705,000	0.01%
10	Kakugara Akihiko	Japanese	559,580	0.01%
11	Luis Co Chi Kiat	Filipino	511,242	0.01%
12	Joaquin Q. Tan	Filipino	380,000	0.01%
13	Luis Rolando Garcia Fadrigio	Filipino	294,065	0.00%
14	American Wire & Cable Co., Inc.	Filipino	290,993	0.00%

Rank	Name	Citizenship	Shares	%
15	Cipriano Villanueva Amando	Filipino	282,137	0.00%
16	Corazon V. Dominguez	Filipino	221,081	0.00%
17	University of Santo Tomas	Filipino	190,750	0.00%
18	Ramon C. Chan	Filipino	189,189	0.00%
19	Francis I. Escaler	Filipino	186,935	0.00%
20	Isabela Cultural Corporation	Filipino	156,439	0.00%
<b>Total</b>			<b>6,424,553,045</b>	<b>99.57%</b>

(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, 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, 2015, 2014 and 2013 as follows:

	2015	2014	2013
Cash Dividend Per Share (Php)	₱0.82	₱0.70	₱0.55
Amount Declared (Php)	₱5.3 billion	₱4.5 billion	₱3.5 billion
Declaration Date	18-May-15	16-May-14	23-May-13
Record Date	15-June-15	13-June-14	21-June-13

(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 Securities Regulation Code (SRC).

**VII. CORPORATE GOVERNANCE**

(a) *Evaluation System To Measure Compliance with Manual of Corporate Governance*

The Company evaluates compliance with its Revised Manual of Good Corporate Governance (the "**Manual**") using the Annual Corporate Governance Report, as mandated by the rules of the SEC, and the Corporate Governance Disclosure Survey as mandated by the Philippine Stock Exchange Corporate Governance Guidelines.

(b) *Measures Being Undertaken to Fully Comply with Leading Practices on Good Corporate Governance*

The Company exerts its best efforts to comply with the provisions of its Manual. The following steps have been undertaken to ensure leading practices on good governance are observed:

1. The attendance of each director in the scheduled meetings of the Board of Directors is monitored and recorded;
2. The Audit Committee reviewed all financial reports before these are endorsed to the Board of Directors and/or submitted to the pertinent offices and agencies;
3. The Audit Committee approved the Internal Audit Plans for 2015 before these were implemented;
4. The Audit Committee approved and continuously monitors the Company's internal control system, covering the various departments/functions.

(c) *Plan to Improve Corporate Governance*

The Company shall continue to exert its best efforts to comply with the provisions embodied in its Manual.. It shall also endeavor to address the remaining deviations from said Manual. The Company will regularly review leading practices on good corporate governance as a guide to improving its Manual.

**THE ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2015 (SEC FORM 17-A) WILL BE AVAILABLE UPON REQUEST OF STOCKHOLDERS. YOUR REQUEST MAY BE SENT DIRECTLY TO THE OFFICE OF THE CORPORATE SECRETARY, AT THE 7TH FLOOR VENICE CORPORATE CENTER, 8 TURIN ST., MCKINLEY TOWN CENTER, FORT BONIFACIO, TAGUIG CITY, PHILIPPINES AND A COPY WILL BE SENT TO YOU, FREE OF CHARGE.**

ANNEX "A"

PENDING MATERIAL  
LEGAL PROCEEDINGS

## **PENDING MATERIAL LEGAL PROCEEDINGS (Parent)**

1. **UCC v. R.M.R. Baldemor Cargo Mover Co.**  
(Makati RTC Branch 139 - Civil Case No. 01-722)

This case involves money claims against a cargo forwarder due to short delivery of polyslings. In July 2010, the RTC ordered RMR to pay UCC Php1.3Million.

2. **Holcim Philippines, Inc. V. Jocelyn Suavillo**  
(Taguig City Prosecutor's Office — IS No. XV-16-INV-09H-00730)

This is a criminal complaint for estafa, falsification and qualified theft filed against a former employee. The City Prosecutor dismissed the complaint for lack of probable cause. Holcim's petition for review before the Department of Justice is still pending.

3. **Holcim Philippines, Inc. V. Jocelyn Suavillo and Rhona M. Valenzuela**  
(RTC Makati Branch 133; Makati City Prosecutor's Office - IS No. XV-05-INV-09K-03371)

This is a criminal case for 75 counts of estafa filed against former employees. Holcim entered into a compromise agreement with Rhona Valenzuela and Joseph San Juan and desisted from further pursuing the cases against them. The Court ordered the dismissal of the cases against them. The case against Jocelyn Suavillo is archived.

4. **Holcim Philippines, Inc. v. Jocelyn Suavillo, Rhona M. Valenzuela and Joseph R. San Juan** (Makati MTC, Branch 63, Crim. Case No. 363198)

This is a criminal complaint for estafa filed against former employees. In September 2013, the Court ordered the dismissal of the case as to Rhona Valenzuela and Joseph San Juan following a compromise agreement between them and Holcim. The case is archived as to Jocelyn Suavillo.

5. **Holcim Philippines, inc. v. Jocelyn Suavillo, Rhona M. Valenzuela and Joseph R. San Juan** (Taguig City Prosecutor's Office-IS No. XV016-INV-09L-0168; RTC Taguig Br. 271)

This is a criminal complaint for 4 counts of estafa filed against former employees. In view of Holdalls compromise agreement with Joseph San Juan and Rhona Valenzuela, the court provisionally dismissed the case insofar as they are concerned. The case is archived as to Jocelyn Suavillo.

6. **Holcim v. Sps. Hermenigildo and Norma de la Cruz, and Sps. Joseph and Elizabeth Lososo** (RTC Bayombong, Nueva Vizcaya)

Collection case for unpaid products. Trial is on-going.

7. **In the Matter of an Arbitration under the UNCITRAL Rules between PT Asia Pacific Mining Resources (Indonesia), Madison Energy PTE Ltd (Sfngapore) and Holcim Philippines, Inc.** (Singapore International Arbitration Centre)

PT Asia Pacific Mining Resources (APMR) and Madison Energy PTE Ltd submitted for arbitration Holcim's cancellation of the coal supply agreement with APMR. The arbitration tribunal decided in favor of one of the claimants and the case has been declared closed and terminated.



### **TAX CASES (Parent)**

1. The Company received a final assessment notice from the Bureau of Internal revenue (BIR) in September 2015 for alleged deficiency income tax, value added tax, expanded withholding tax, final withholding tax and documentary stamp tax for the taxable year 2008 in the aggregate amount of Php720 million, inclusive of penalties and interest. The Company filed its protest in October and December 2015.
2. The Company received a final assessment notice from the BIR for alleged deficiency final withholding taxes for the taxable year 2010 amounting to Php150.9 million, inclusive of penalties and interest. The assessment was issued as a result of the denial of the Company's application for tax treaty relief. The Company filed its protest in July 2013. The Company's protest remains pending with the BIR.
3. In December 2012, the Company received an assessment from the Province of Bulacan for deficiency real property taxes for its Bulacan Plant Line 2 machinery and equipment for the period from January 2011 to December 2012. The Company filed an appeal with the Local Board of Assessment Appeals (LBAA) of Malolos, Bulacan in January 2013. During the pendency of the appeal with the LBAA, Bulacan and the Municipality of Norzagaray issued two additional assessments covering the same Line 2 machinery and equipment for periods covering January 2011 until the third quarter of 2013, inclusive of interest. The Company filed supplemental appeals with the LBAA in respect of said additional assessments, and said appeals remain pending with the LBAA.
4. In December 2014, the Bulacan Provincial Treasurer issued Orders of Payment, which assessed deficiency real property taxes and interest on: lands and buildings located at the Company's Bulacan Plant in the amount of Php11.7 million for the period Q4 2013 until Q4 2014; and machines and equipment found at the same plant in the amount of Php108 million for the period beginning 2011 Q1 2014. The Company paid the assessed amounts under protest in December 2014 and filed the corresponding protest. Following the Provincial Treasurer's inaction on the protests, the Company filed its appeals with the LBAA. The Company's appeals remain pending with the LBAA.
5. In February 2014, the Company received a Notice of Assessment of Business Tax issued by the Norzagaray Municipal Treasurer for alleged deficiency local business taxes, surcharges, and interest in the aggregate amount of Php58.5 million. In June 2014, the Company filed a complaint with the Regional Trial Court of Malolos, Bulacan for the cancellation of the assessment notice. The complaint remains pending with the court.
6. In October 2015, the Company was assessed for deficiency local business taxes, surcharges, and interest in the aggregate amount of Php118.3 million covering the taxable years 2012 to 2015. In December 2015, the Company filed its protest with the Norzagaray Municipal Treasurer. Given the inaction over the Company's protest, the Company filed a complaint for the cancellation of the tax assessment with the Regional Trial Court of Malolos, Bulacan.

### **TAX CASES (Subsidiaries)**

7. HPMC received a final assessment notice from the BIR in June 2014 for alleged deficiency income tax, value-added tax expanded withholding tax and documentary stamp tax covering the taxable year 2008 in the aggregate amount of Php283.8 Mio inclusive of penalties and interest. HPMC filed its protest letter in July 2014. HPMC's protest remains pending with the BIR.
8. CACI received a final assessment notice from the BIR in December 2014 for alleged deficiency income tax and value-added tax covering the taxable year 2011 in the amount of Php2.5 Mio inclusive of penalties and interest. CACI filed its protest letter in January 2015.
9. MGMC has an ongoing tax audit for national taxes in 2012. The BIR has not made any determination of deficiency taxes.

ANNEX "B"

CONSOLIDATED  
FINANCIAL  
STATEMENTS



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

February 23, 2016


**SECURITIES AND EXCHANGE COMMISSION**  
 SEC Building, EDSA Greenhills  
 Mandaluyong City


**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR  
 CONSOLIDATED FINANCIAL STATEMENTS**

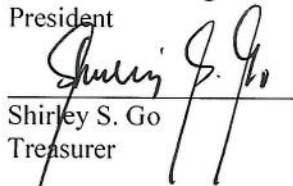
The management of Holcim Philippines, Inc. and Subsidiaries (collectively referred to as "the Company") is responsible for the preparation and fair presentation of the consolidated financial statements as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of 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 and submits the same to the Stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed, by the Stockholders has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

  
 \_\_\_\_\_  
 Tomas I. Alcantara  
 Chairman

  
 \_\_\_\_\_  
 Eduardo A. Sahagun  
 President

  
 \_\_\_\_\_  
 Shirley S. Go  
 Treasurer




SUBSCRIBED AND SWORN to before me this FEB 23 2016 TAGUIG CITY with the presentation of the following:

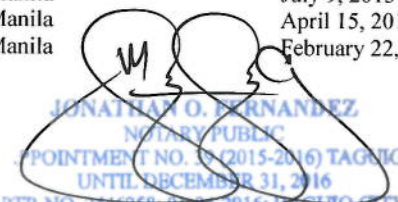
Name  
 Tomas I. Alcantara  
 Eduardo A. Sahagun  
 Shirley S. Go

Passport No.  
 EB8610644  
 EC3944235  
 EB7455382

Place Issued  
 Manila  
 Manila  
 Manila

Date Issued  
 July 9, 2013  
 April 15, 2015  
 February 22, 2013

Doc. No.   
 Page No.   
 Book No.   
 Series of 2016.

  
 JONATHAN O. FERNANDEZ  
 NOTARY PUBLIC  
 (POINTMENT NO. 15 (2015-2016) TAGUIG  
 UNTIL DECEMBER 31, 2016  
 PTR NO. 2446258, 01-01-2016; TAGUIG CITY  
 LIFETIME IBP NO. 08909; Bag-Beng Chapter  
 ROLL NO. 52589  
 MCLE COMPLIANCE NO. V-0007481  
 5/F One Campus Place Building Tower B 1080  
 Campus Avenue McKinley Town Center, Taguig City

## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Holcim Philippines, Inc.  
7th Floor, Two World Square  
McKinley Hill, Fort Bonifacio  
Taguig City

We have audited the accompanying consolidated financial statements of Holcim Philippines, Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





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- 2 -

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Holcim Philippines, Inc. and its subsidiaries as at December 31, 2015 and 2014, and their financial performance and cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

*Catherine E. Lopez*

Catherine E. Lopez  
Partner

CPA Certificate No. 86447

SEC Accreditation No. 0468-AR-2 (Group A),  
February 14, 2013, valid until April 30, 2016

Tax Identification No. 102-085-895

BIR Accreditation No. 08-001998-65-2015,  
February 27, 2015, valid until February 26, 2018

PTR No. 5321648, January 4, 2016, Makati City

February 23, 2016



**HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	December 31	
	2015	2014
	<i>(In Thousands)</i>	
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	P2,540,198	P2,698,207
Trade and other receivables - net (Notes 5 and 25)	3,418,211	2,259,205
Inventories (Note 6)	3,942,552	3,757,521
Other current assets (Note 7)	644,576	615,841
<b>Total Current Assets</b>	<b>10,545,537</b>	<b>9,330,774</b>
<b>Noncurrent Assets</b>		
Investments (Note 9)	4,195,154	4,559
Property, plant and equipment - net (Note 10)	16,018,648	17,604,436
Goodwill (Note 11)	2,635,738	2,635,738
Intangible assets - net (Note 11)	55,965	795,579
Deferred income tax assets - net (Note 26)	365,113	271,029
Other noncurrent assets (Notes 12 and 28)	263,616	264,571
<b>Total Noncurrent Assets</b>	<b>23,534,234</b>	<b>21,575,912</b>
<b>TOTAL ASSETS</b>	<b>P34,079,771</b>	<b>P30,906,686</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Notes payable (Notes 13 and 25)	P999,831	P2,100,105
Trade and other payables (Notes 14 and 25)	6,545,982	5,603,991
Income tax payable (Note 26)	824,141	345,531
<b>Total Current Liabilities</b>	<b>8,369,954</b>	<b>8,049,627</b>
<b>Noncurrent Liabilities</b>		
Retirement benefit liability (Note 27)	553,437	582,924
Provisions (Note 17)	183,282	180,606
Deferred income tax liabilities - net (Note 26)	3,632	653
<b>Total Noncurrent Liabilities</b>	<b>740,351</b>	<b>764,183</b>
<b>Total Liabilities</b>	<b>9,110,305</b>	<b>8,813,810</b>
<b>Equity</b>		
Capital stock (Note 18)	6,452,099	6,452,099
Additional paid-in capital	8,476,002	8,476,002
Other reserves (Note 18)	(9,606)	3,774
Remeasurement loss on retirement benefits - net (Note 27)	(135,840)	(174,986)
Retained earnings (Note 18)	10,178,725	7,326,592
<b>Equity Attributable to Equity Holders of the Parent Company</b>	<b>24,961,380</b>	<b>22,083,481</b>
<b>Noncontrolling Interest</b>	<b>8,086</b>	<b>9,395</b>
<b>Total Equity</b>	<b>24,969,466</b>	<b>22,092,876</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P34,079,771</b>	<b>P30,906,686</b>

*See accompanying Notes to Consolidated Financial Statements.*

\*SGVFS015825\*

**HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Years Ended December 31		
	2015	2014	2013
	<i>(In Thousands, Except Per Share Amounts)</i>		
<b>REVENUES</b> (Notes 25 and 28)	<b>₱37,526,055</b>	₱32,648,659	₱28,893,369
<b>COST OF SALES</b> (Note 19)	<b>27,248,041</b>	23,597,880	21,016,470
<b>GROSS PROFIT</b>	<b>10,278,014</b>	9,050,779	7,876,899
General and administrative expenses (Note 20)	(2,105,567)	(1,326,503)	(1,245,172)
Selling expenses (Note 21)	(583,740)	(501,542)	(502,003)
Interest and financing charges (Notes 13, 24 and 25)	(78,752)	(43,670)	(5,099)
Foreign exchange gains (losses) - net (Notes 15 and 16)	45,333	1,964	(1,694)
Interest and other financial income (Notes 4 and 12)	20,013	13,029	29,474
Gain on remeasurement of retained equity in a former subsidiary (Note 9)	2,635,755	-	-
Others - net (Note 24)	154,629	105,169	250,459
<b>INCOME BEFORE INCOME TAX</b>	<b>10,365,685</b>	7,299,226	6,402,864
<b>PROVISION FOR INCOME TAX</b> (Note 26)			
Current	3,016,500	2,163,334	1,858,292
Deferred	(800,383)	(10,611)	(14,788)
	<b>2,216,117</b>	2,152,723	1,843,504
<b>NET INCOME</b>	<b>₱8,149,568</b>	₱5,146,503	₱4,559,360
Attributable to:			
Equity holders of the Parent Company	₱8,148,071	₱5,145,178	₱4,558,592
Noncontrolling interest	1,497	1,325	768
	<b>₱8,149,568</b>	₱5,146,503	₱4,559,360
<b>Basic/Diluted Earnings Per Common Share of Net Income Attributable to Equity Holders of the Parent Company</b> (Note 29)	<b>₱1.26</b>	₱0.80	₱0.71

*See accompanying Notes to Consolidated Financial Statements.*

\*SGVFS015825\*

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

	Years Ended December 31		
	2015	2014	2013
<b>NET INCOME</b>	<b>₱8,149,568</b>	<b>₱5,146,503</b>	<b>₱4,559,360</b>
<i>(In Thousands)</i>			
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>			
Amounts transferred to profit or loss upon sale of investment in joint venture (Note 24)	-	-	(13,481)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gain (loss) on retirement benefits (Note 27)	56,300	(19,396)	(113,744)
Income tax effect	(16,890)	5,819	34,124
	<b>39,410</b>	<b>(13,577)</b>	<b>(79,620)</b>
Other reserves	(13,380)	3,774	-
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	26,030	(9,803)	(79,620)
	<b>26,030</b>	<b>(9,803)</b>	<b>(93,101)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱8,175,598</b>	<b>₱5,136,700</b>	<b>₱4,466,259</b>
Attributable to:			
Equity holders of the Parent Company	₱8,173,837	₱5,135,317	₱4,465,684
Noncontrolling interest	1,761	1,383	575
	<b>₱8,175,598</b>	<b>₱5,136,700</b>	<b>₱4,466,259</b>

*See accompanying Notes to Consolidated Financial Statements.*

\*SGVFS015825\*



**HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013**

	Equity Attributable to Equity Holders of the Parent Company							Noncontrolling Interest	Total Equity
	Capital Stock (Note 18)	Additional Paid-in Capital	Share In Available-for-sale Financial Assets Reserve of a Joint Venture (Note 24)	Other Reserves (Note 18)	Remeasurement Gain (Loss) on Retirement Benefits - net (Note 27)	Retained Earnings (Note 18)	Total		
<b>BALANCES AT DECEMBER 31, 2012</b>	<b>₱6,452,099</b>	<b>₱8,476,002</b>	<b>₱13,481</b>	<b>₱-</b>	<b>(₱81,924)</b>	<b>₱5,687,947</b>	<b>₱20,547,605</b>	<b>₱11,118</b>	<b>₱20,558,723</b>
Net income for the year	-	-	-	-	-	4,558,592	4,558,592	768	4,559,360
Other comprehensive loss for the year	-	-	(13,481)	-	(79,427)	-	(92,908)	(193)	(93,101)
Total comprehensive income (loss) for the year	-	-	(13,481)	-	(79,427)	4,558,592	4,465,684	575	4,466,259
Cash dividends - ₱0.55 per share (Note 18)	-	-	-	-	-	(3,548,655)	(3,548,655)	-	(3,548,655)
<b>BALANCES AT DECEMBER 31, 2013</b>	<b>6,452,099</b>	<b>8,476,002</b>	<b>-</b>	<b>-</b>	<b>(161,351)</b>	<b>6,697,884</b>	<b>21,464,634</b>	<b>11,693</b>	<b>21,476,327</b>
Net income for the year	-	-	-	-	-	5,145,178	5,145,178	1,325	5,146,503
Other comprehensive income (loss) for the year	-	-	-	3,774	(13,635)	-	(9,861)	58	(9,803)
Total comprehensive income (loss) for the year	-	-	-	3,774	(13,635)	5,145,178	5,135,317	1,383	5,136,700
Cash dividends - ₱0.70 per share (Note 18)	-	-	-	-	-	(4,516,470)	(4,516,470)	(3,681)	(4,520,151)
<b>BALANCES AT DECEMBER 31, 2014</b>	<b>6,452,099</b>	<b>8,476,002</b>	<b>-</b>	<b>3,774</b>	<b>(174,986)</b>	<b>7,326,592</b>	<b>22,083,481</b>	<b>9,395</b>	<b>22,092,876</b>
Net income for the year	-	-	-	-	-	8,148,071	8,148,071	1,497	8,149,568
Other comprehensive income (loss) for the year	-	-	-	(13,380)	39,146	-	25,766	264	26,030
Total comprehensive income (loss) for the year	-	-	-	(13,380)	39,146	8,148,071	8,173,837	1,761	8,175,598
Cash dividends - ₱0.82 per share (Note 18)	-	-	-	-	-	(5,295,938)	(5,295,938)	(3,070)	(5,299,008)
<b>BALANCES AT DECEMBER 31, 2015</b>	<b>₱6,452,099</b>	<b>₱8,476,002</b>	<b>₱-</b>	<b>(₱9,606)</b>	<b>(₱135,840)</b>	<b>₱10,178,725</b>	<b>₱24,961,380</b>	<b>₱8,086</b>	<b>₱24,969,466</b>

See accompanying Notes to Consolidated Financial Statements.

\*SGVFS015825\*

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

	Years Ended December 31		
	2015	2014	2013
	<i>(In Thousands)</i>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱10,365,685	₱7,299,226	₱6,402,864
Adjustments for:			
Gain on remeasurement of retained equity in a former subsidiary (Note 9)	(2,635,755)	—	—
Depreciation, amortization, depletion and impairment (Notes 10, 11 and 23)	1,890,611	1,422,604	1,475,647
Loss (gain) on sale of property, plant and equipment (Note 24)	(107,810)	(12,305)	31,386
Interest and financing charges (Note 24)	78,752	43,670	5,099
Provision for probable losses (Note 17)	73,386	43,632	—
Unrealized foreign exchange losses (gains) - net	(32,735)	(5,260)	9,048
Increase in retirement benefit liability	40,877	66,155	21,330
Interest and other financial income (Notes 4 and 12)	(20,013)	(13,029)	(29,474)
Provisions for (reversal of) site restoration costs (Note 17)	11,607	11,754	(7,355)
Gain on sale of investment in joint venture (Note 24)	—	—	(150,297)
Income before working capital changes	9,664,605	8,856,447	7,758,248
Decrease (increase) in:			
Trade and other receivables	(1,045,915)	(479,938)	187,939
Inventories	(193,163)	(770,302)	(737,370)
Other current assets	270,374	120,274	(184,746)
Increase (decrease) in:			
Trade and other payables	1,516,225	653,613	595,102
Other provisions (Note 17)	—	(49,172)	—
Net cash generated from operations	10,212,126	8,330,922	7,619,173
Cash generated from operations of a former subsidiary (Note 9)	143,929	—	—
Income taxes paid, including creditable withholding taxes	(2,531,374)	(2,036,896)	(2,092,316)
Net cash provided by operating activities	7,824,681	6,294,026	5,526,857
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment (Note 10)	(2,440,515)	(1,894,139)	(2,564,689)
Proceeds from sale of property, plant and equipment	81,359	22,435	38,066
Additions to intangible assets (Note 11)	(11,329)	(544,902)	(58,459)
Additional investments (Note 8)	(242,931)	—	—
Proceeds from sale of investment in joint venture	—	—	475,500
Interest received	20,013	13,029	29,474
Decrease (increase) in other noncurrent assets	(4,205)	15,793	(14,380)
Cash used in investing activities of a former subsidiary (Note 9)	(3,612,264)	—	—
Net cash used in investing activities	(6,209,872)	(2,387,784)	(2,094,488)

(Forward)

\*SGVFS015825\*

	Years Ended December 31		
	2015	2014	2013
	<i>(In Thousands)</i>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of:			
Cash dividends (Note 18)	(P5,299,008)	(P4,520,151)	(P3,548,655)
Notes payable (Notes 13 and 25)	(1,490,473)	(3,992,895)	(1,450,000)
Interest and financing charges	(78,752)	(43,670)	(8,869)
Proceeds from availment of loans (Notes 13 and 24 )	1,625,000	5,200,000	2,343,000
Cash generated from financing activities of a former subsidiary (Note 9)	3,471,125	-	-
Net cash used in financing activities	(1,772,108)	(3,356,716)	(2,664,524)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
	(710)	(423)	2,877
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(158,009)	549,103	770,722
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	2,698,207	2,149,104	1,378,382
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	P2,540,198	P2,698,207	P2,149,104

*See accompanying Notes to Consolidated Financial Statements.*

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**HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Corporate Information**

Holcim Philippines, Inc. (HPI or the “Parent Company”) and all of its subsidiaries (collectively referred to as the “Company”), 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 and distribution of cement products domestically and also for export. Following are the subsidiaries and the respective percentages of ownership as of December 31, 2015 and 2014:

	Principal Activities	Effective Percentage of Ownership	
		2015	2014
<b>Held by HPI</b>			
WEB <sup>(a)</sup>	Holding company	100.00	100.00
Excel Concrete Logistics, Inc. (ECLI)	Distribution of concrete and cement products	100.00	100.00
Holcim Philippines Business Services Center, Inc. (HPBSCI) <sup>(b)</sup>	Business process outsourcing and other information technology enabled services	100.00	100.00
Hubb Stores and Services, Inc. (HSSI) <sup>(c)</sup>	Retail of construction or building materials	100.00	100.00
Holcim Philippines Manufacturing Corporation (HPMC)	Manufacture and distribution of cement products domestically and also for export	99.62	99.62
Holcim Mining and Development Corporation (HMDC) <sup>(d)</sup>	Mining, processing and sale of quarry resources	–	100.00
<b>Held by WEB</b>			
Mabini Grinding Mill Corporation (Mabini)	Manufacture and distribution of cement products domestically and also for export	100.00	100.00
<b>Held by HPMC</b>			
Alsons Construction Chemicals, Inc. (Alchem) <sup>(d)</sup>	Manufacture, use and sale of all kinds of admixtures	99.62	99.62
Bulkcem Philippines, Inc. (Bulkcem)	Purchase, lease and sale of real properties	99.62	99.62
Calamba Aggregates Co., Inc. (CACI) <sup>(e)</sup>	Mining, processing and sale of quarry resources	99.62	99.62
<b>Held by HMDC <sup>(e)</sup></b>			
Holcim Resources and Development Corporation (HRDC) <sup>(e)</sup>	Mining, processing and sale of quarry resources	–	100.00
Lucky One Realty Ventures, Inc. (LORVI) <sup>(f) (g)</sup>	Purchase, lease and sale of real properties	–	100.00

(a) A company incorporated in British Virgin Islands

(b) Incorporated on February 4, 2014

(c) Incorporated on June 2, 2014

(d) Ceased commercial operations since 2004

(e) In the process of liquidation

(f) Acquired by HMDC as assets on July 28, 2014

(g) Deconsolidated as of December 31, 2015 (see Note 9)

\*SGVFS015825\*

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 and HPMC are in the provinces of Batangas and Misamis Oriental, respectively. The registered office address of the Parent Company is 7<sup>th</sup> Floor, Two World Square, Mckinley Hill, Fort Bonifacio, Taguig City.

The Parent Company is majority-owned by Union Cement Holdings Corporation (UCHC), a company incorporated in the Philippines. The Philippine-domiciled ultimate parent company of HPI is Clinco Corporation (Clinco).

The consolidated financial statements were reviewed and recommended for approval by the Audit Committee on February 22, 2016. The same were approved for issuance by the Board of Directors (BOD) on February 23, 2016.

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## 2. Summary of Significant Accounting Policies and Financial Reporting Practices

### Basis of Preparation

The consolidated financial statements are prepared on a historical cost basis, except for derivative financial instruments and available-for-sale (AFS) financial assets that are measured at fair value.

The consolidated financial statements are presented in Philippine peso (Peso), the Parent Company's functional currency. All values are rounded to the nearest thousand, unless otherwise indicated.

### Statement of Compliance

The consolidated financial statements of the Company are prepared in accordance with Philippine Financial Reporting Standards (PFRS).

### Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and entities controlled by the Parent Company (its subsidiaries) as at December 31 of each year. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has all the following:

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

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

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

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

Subsidiaries are fully consolidated from the date the Company obtains control, and continue to be consolidated until the date when such control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions and gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Recognizes the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company has directly disposed of the related assets or liabilities.

#### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments effective beginning January 1, 2015:

- Amendments to PAS 19, "Employee Benefits - Defined Benefit Plans: Employee Contributions"

PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The adoption of these amendments did not have any impact on the Company's consolidated financial statements since the Company's retirement plans are noncontributory.

- Annual Improvements to PFRS (2010 to 2012 cycle)

The Annual Improvements to PFRSs (2010 to 2012 cycle) contain non-urgent but necessary amendments to the following standards. Except as otherwise stated, the adoption of these amendments did not have a significant impact on the consolidated financial statements.

- PFRS 2, "Share-based Payment - Definition of Vesting Condition"

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, "Business Combinations - Accounting for Contingent Consideration in a Business Combination"

The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39.

- PFRS 8, "Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets"

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, "Property, Plant and Equipment: Revaluation Method - Proportionate Restatement of Accumulated Depreciation", and PAS 38, "Intangible Assets: Revaluation Method - Proportionate Restatement of Accumulated Amortization"

The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, "Related Party Disclosures - Key Management Personnel"

The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- Annual Improvements to PFRS (2011 to 2013 cycle)

The Annual Improvements to PFRSs (2011 to 2013 cycle) contain non-urgent but necessary amendments to the following standards. Except as otherwise stated, the adoption of these amendments did not have a significant impact on the consolidated financial statements.

- PFRS 3, “Business Combinations - Scope Exceptions for Joint Arrangements”

The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, “Fair Value Measurement - Portfolio Exception”

The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, “Investment Property”

The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

New Accounting Standards, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2015

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2015 are disclosed below. Except as otherwise indicated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on the financial position or performance.

*Deferred*

- Philippine Interpretation IFRIC 15, “Agreements for the Construction of Real Estate”

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Company.



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

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

*Effective in 2016*

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

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

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

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

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

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

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

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

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

- PFRS 14, “Regulatory Deferral Accounts”

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

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

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

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

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

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

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that

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

- Annual Improvements to PFRSs (2012-2014 cycle)

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

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

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

- PFRS 7, “Financial Instruments: Disclosures - Servicing Contracts”

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

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

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

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

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

- PAS 34, “Interim Financial Reporting - Disclosure of Information ‘Elsewhere in the Interim Financial Report’”

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

*Effective in 2018*

- PFRS 9, “Financial Instruments”

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

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

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

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

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

- IFRS 16, “Leases”

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

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

#### Fair Value Measurement

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

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

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

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company 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 Company 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.

#### Financial Assets and Liabilities

*Date of Recognition.* Financial assets and liabilities are recognized in the consolidated balance sheet when the Company becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are also recognized on a trade date basis.

*Initial Recognition of Financial Instruments.* Financial assets and liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at FVPL.

Financial assets are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS financial assets. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities at amortized cost. The classification depends on the purpose for which the instruments were acquired or liabilities incurred and whether they are quoted in an active market. The Company determines the classification of financial instruments at initial recognition and where appropriate and applicable, reevaluates this designation at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

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

*Financial Assets and Financial Liabilities at FVPL.* Financial assets and financial liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL.

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives (including separated embedded derivatives) are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract.

Financial assets and financial liabilities may be designated as at FVPL by management on initial recognition when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value are recorded as part of "Foreign exchange gains (losses) - net" in the consolidated statement of income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded separately in the consolidated statement of income when the right of the payment has been established.

Included under this classification are the Company's bifurcated embedded currency forward derivatives.

#### Derivative Financial Instruments and Hedge Accounting

The Company uses derivative financial instruments such as cross-currency swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Derivative financial instruments (including bifurcated embedded derivatives) are initially recognized at fair value at the date when they are entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are recognized directly in the consolidated statement of income.

For purposes of hedge accounting, derivatives can be designated either as cash flow hedges or fair value hedges depending on the type of risk exposure it hedges.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine whether they have been actually highly effective prospectively and retrospectively throughout the financial reporting periods for which they were designated.

*Cash Flow Hedges.* Cash flow hedges are hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect profit or loss. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized as OCI, while any hedge ineffectiveness is immediately recognized in the consolidated statement of income under "Others - net" account.

Amounts taken to OCI are transferred to the consolidated statement of income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a nonfinancial asset or liability, the amounts taken to OCI are transferred to the initial carrying amount of the nonfinancial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized in OCI are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in other comprehensive income shall remain in OCI until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

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*Embedded Derivatives.* An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL. The Company assesses whether embedded derivatives are required to be separated from the host contracts when the Company first becomes a party to the contract. Reassessment of embedded derivatives is only performed when there are changes in the contract that significantly modifies the cash flows that otherwise would be required under the contract.

The Company's embedded derivatives comprise of bifurcated embedded currency forwards from purchase orders.

*Loans and Receivables.* Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as at FVPL nor designated as AFS financial assets or HTM investments.

After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are integral part of the effective interest rate. The amortization is included in the "Interest and other financial income" account in the consolidated statement of income. The losses arising from impairment are recognized as provision for doubtful accounts in the consolidated statement of income. Loans and receivables are classified as current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

Included under this category are the Company's cash and cash equivalents, trade and other receivables, advances to employees included under "Other current assets" and guarantee deposits and restricted cash included under "Other noncurrent assets".

*HTM Investments.* Quoted nonderivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM investments when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. HTM investments are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initially recognized amount and the maturity amount less allowance for impairment. For investments carried at amortized cost, gains and losses are recognized in the consolidated statement of income when the investment are derecognized or impaired, as well as through the amortization process. Where the Company sells other than an insignificant amount of HTM investments, the entire category will be tainted and reclassified as AFS financial assets. Assets under this category are classified as current assets if maturity is within 12 months from balance sheet date and as noncurrent if maturity is more than a year from balance sheet date.

The Company has no investments classified as HTM investments as at December 31, 2015 and 2014.

*AFS Financial Assets.* AFS financial assets are nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

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After initial recognition, AFS financial assets that are quoted in an active market are carried at fair value. The unrealized gains and losses arising from the change in fair value of AFS financial assets are recognized in OCI and credited in the AFS reserve unless the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statement of income in finance costs. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from balance sheet date.

The Company classified its investments in quoted and unquoted ordinary shares of stocks of various companies and club shares as AFS financial assets.

*Other Financial Liabilities.* Financial liabilities are classified in this category if they are not held for trading or not designated as at FVPL upon the inception of the liability. Other financial liabilities which include notes payable and trade and other payables are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

Financial liabilities are classified as current liabilities if these are expected to be paid or settled within 12 months after the balance sheet date. Otherwise, these are classified as noncurrent liabilities.

#### Impairment of Financial Assets

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

*Assets Carried at Amortized Cost.* The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest

rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of loss is recognized in the consolidated statement of income. The assets together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

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

*AFS Financial Assets.* The Company assesses at each reporting date whether there is objective evidence that an AFS financial asset or a group of AFS financial assets is impaired. For equity investments classified as AFS financial assets, objective evidence of impairment would include a significant or prolonged decline in fair value of the investments below its cost. Significant decline in fair value is evaluated against the original cost of investment, while prolonged decline is assessed against the periods in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income, is removed from OCI and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed in the consolidated statement of income. Increases in fair value after impairment are recognized in OCI.

#### Derecognition of Financial Assets and Liabilities

*Financial Assets.* A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the contractual right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset. In this case, the Company also recognizes an associated liability. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged, is cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or

modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### Cash and Cash Equivalents

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

#### Inventories

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

- 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.

#### 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 Company within the normal operating cycle or within 12 months from the balance sheet date. They are initially measured at the amount paid in advance by the Company for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

#### Investments in Associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Company's investments in its associates are accounted for using the equity method. Under the equity method, the investments in associates are initially recognized at cost. The carrying amount of the investments is adjusted to recognize changes in the Company's share of net assets of the associates since the acquisition date. Any goodwill relating to an associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Company's share of the results of operations of the associates. Any change in OCI of the associate is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associates, the Company recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associates are eliminated to the extent of the interest in the associates.

The aggregate of the Company's share of profit or loss of the associates is shown on the face of the consolidated statement of income and represents profit or loss after tax and noncontrolling interests in the subsidiaries of the associates.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on its investments in the associates. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss as part of the "Equity in net earnings or losses" in the consolidated statement of income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

#### Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and depletion and any impairment in value. Land is carried at cost less any impairment in value. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income as incurred. Spare parts are classified as property, plant and equipment if the expected time of use is more than twelve months and provided that the capitalization thresholds are met.

Mineral and quarry rights included in "Land and land improvements" are recognized at cost less accumulated depletion and any impairment. Cost incurred in the acquisition of mineral and quarry rights including directly related project development costs are initially recognized as intangible assets. Such amount is reclassified to property, plant and equipment when the Company starts its quarry operations.

Depreciation is computed using the straight-line method, less any residual value, over the following estimated useful lives of the assets:

	<u>Estimated Useful Lives in Years</u>
Land improvements	20 to 50
Buildings and installations	20 to 40
Machinery and equipment	10 to 30
Furniture, vehicles and tools	3 to 10

Depletion of land with mineral reserves and quarry rights is computed using the unit-of-production method.

The useful lives, residual values, depreciation and depletion methods are reviewed at each financial year-end and adjusted if appropriate, to ensure that the periods and method of depreciation and the estimated units to be extracted used as basis for the depletion rate are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

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

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 asset 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.

#### Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any noncontrolling interests in the acquiree. For each business combination, the Company elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

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Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing performed annually, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### Intangible Assets

*Software Costs.* Costs of acquisition of new software and its customization are capitalized and treated as an intangible asset if these costs are not an integral part of the related hardware. Software costs are amortized on a straight-line basis over three years.

*Mineral and Quarry Rights and Project Development Costs.* Mining rights are stated at cost. The cost includes the purchase price, fees and licenses directly related to the quarry. Project development costs are costs directly associated with the development of land covered by mineral and quarry rights. When these projects are considered operational, such amounts are reclassified to the "Property, plant and equipment - Land and land improvements" account in the consolidated balance sheet and subjected to depletion as resources are extracted. These are charged to current operations in the year these are determined to be worthless.

*Foreshore Lease.* Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The Company's foreshore lease qualifies as intangible with finite life and is amortized over its lease term of 25 years using the straight-line method.

#### Impairment of Nonfinancial Assets

At each reporting period, the carrying values of property, plant and equipment, investments in associates, creditable withholding taxes, input value-added tax (VAT), prepaid expenses, other current assets, software costs and other nonfinancial assets, except goodwill, are assessed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and when the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of the asset is the greater of fair value less costs to sell or value-in-use. The fair value is the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date. 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 assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is

determined for the cash-generating unit to which the asset belongs. Provision for impairment losses is recognized in the consolidated statement of income.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recognized in the consolidated statement of income. However, the increased carrying amount of the asset due to reversal of an impairment loss is recognized only to the extent that it does not exceed the carrying amount (net of accumulated depreciation, amortization and depletion) that would have been determined had impairment loss not been recognized for that asset in the prior years.

#### *Goodwill*

Goodwill is tested annually for impairment at the end of each reporting period and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of CGU (or group of CGUs) is less than their carrying amount, an impairment loss is recognized immediately in profit or loss of the CGU (or group of CGUs) to which goodwill has been allocated. Impairment losses relating to goodwill cannot be reversed in future periods.

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the Company expects a provision to be reimbursed, such as under an insurance contract, the reimbursement is recognized as a separate asset but only when reimbursement is virtually certain. The expense related to a provision is presented in the consolidated statement of income, net of any reimbursement.

*Provision for Site Restoration Costs.* A provision for site restoration costs is recognized when the Company starts the extraction activity in the land with mineral reserves in which it operates. The initial provision for site restoration costs, which represents the present value of estimated cash flows expected to be incurred to settle the obligation, is capitalized as land with mineral reserves and included in "Property, plant and equipment - Land and land improvements" account in the consolidated balance sheet. The cash flows are discounted at a current pre-tax discount rate that reflects the risks specific in restoring the site. The unwinding of the discount is recognized in the consolidated statement of income as it occurs. The estimated future costs of restoring the site are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset in the current period.

#### Equity

Preferred and common stocks are measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. Proceeds and/or fair value considerations received in excess of par value are recognized as additional paid-in capital.

The Company's own equity instruments which are reacquired are deducted from equity and presented as "Cost of treasury shares held" in the consolidated balance sheet. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the

consideration received, if any, upon reissuance or cancellation of shares is recognized as additional paid-in capital.

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration and other capital adjustments.

#### Cash Dividend to Equity Holders of the Parent Company

The Parent Company recognizes a liability to make cash distributions to equity holders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Parent Company. A corresponding amount is recognized directly in equity.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably, regardless when the amount is received. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, returns, rebates and value-added taxes (VAT). The following specific recognition criteria must also be met before revenue is recognized:

*Sale of Goods.* Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on the delivery of the goods to and acceptance by the buyer.

*Interest.* Revenue is recognized as the interest accrues taking into account the effective interest yield on the asset.

*Dividend.* Revenue is recognized when the Company's right to receive dividends has been established.

#### Costs and Expenses

Costs and expenses are recognized when incurred. These are measured based on the fair value of consideration paid or payable.

#### 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 balance sheet.

#### Retirement Benefit Costs

Retirement benefits liability, as presented in the consolidated balance sheet, 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 actuarially determined using the projected unit credit method. The retirement benefit costs comprise of the service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.



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

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

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

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. 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 Company'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.

HPBSCI has a defined contribution plan covering all regular employees. As HPBSCI operates in the Philippines, it is subject to Republic Act (RA) No. 7641, which requires a minimum benefit equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year. HPBSCI accounts for its retirement obligation under the higher of the defined benefit obligation relating to the minimum guarantee and the obligation arising from the defined contribution plan.

HPI also has a defined contribution plan, which covers all permanent employees. The cost of providing benefits under defined contribution plan is determined by the contributions due for the services rendered by employees during the year. The obligation is measured on an undiscounted basis, except when they do not fall due wholly within 12 months after the end of the period in which the employees render the related service.

#### 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

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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.

#### Operating Leases as Lessee

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the term of the lease.

#### Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are recognized as expense when incurred.

#### Functional Currency and Foreign Currency Translation

The consolidated financial statements are presented in Peso, which is also the functional currency of the Parent Company. The functional currency of the Parent Company's subsidiaries is also the Peso. The Peso is the currency of the primary economic environment in which the Parent Company and its subsidiaries operate. This is also the currency that mainly influences the revenue from and cost of rendering products and services. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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 statement of 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.

#### Income Tax

*Current Income Tax.* Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax

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rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at balance sheet date.

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

Deferred income tax liabilities are recognized for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO) can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax asset to be utilized.

Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax assets to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the assets are realized or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted as at balance sheet date.

Income tax relating to items recognized directly in equity is recognized in OCI and not in the consolidated statement of income.

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

#### Contingencies

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

Events after Balance Sheet Date

Post year-end events that provide additional information about the Company's financial position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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**3. Significant Accounting Judgments and Estimates**

The preparation of consolidated financial statements in conformity with PFRS requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the reporting date. The uncertainties inherent in these judgments and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future years.

Judgments

In the process of applying the Company's accounting policies, management has made the following significant judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

*Determination of Control.* The Parent Company determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Parent Company controls an entity if and only if the Company has all of the following:

- a. Power over the entity;
- b. Exposure, or rights, to variable returns from its involvement with the entity; and,
- c. The ability to use its power over the entity to affect the amount of the Parent Company's returns.

The Parent Company regularly reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The Parent Company determined that it exercises control on all of its subsidiaries as it has all the elements of control listed above.

*Assessment of Loss of Control on HMDC.* The Company assesses the consequences of changes in its ownership interest in a subsidiary that may result in a loss of control as well as the consequences of losing control of a subsidiary during the reporting period.

In December 2015, the Company appointed and designated a third party subscriber of the shares of stock of HMDC as its proxy, authorized to vote for and on its behalf 60% of all of its shares in HMDC at any and all meetings of the stockholders of HMDC. Subsequently, the nominees of such third party subscriber were elected as majority members of the BOD of HMDC. Consequently, as of December 31, 2015, the Company lost its control on HMDC and accounted for its remaining interest as investment in an associate (see Note 9).

*Assessment for the Acquisition of Certain Lafarge Entities and Properties.* On August 3, 2015, the Company and HMDC purchased shares of stock of certain Lafarge entities, parcels of land and a terminal facility. Management assessed that the acquired entities and properties, except for the quarry land in Pinagtulayan, qualify as business because of the integrated set of assets and activities present in the acquired entities that is sufficient for the Company to generate output. The quarry land in Pinagtulayan did not qualify as business because of the missing element of inputs (i.e., mining/quarry rights) necessary to produce or extract raw materials from the site.

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Additional discussions regarding the acquisition can be found in Note 8 to the consolidated financial statements.

*Assessment for the Acquisition of LORVI.* Taking into consideration the relevant provisions of PFRS 3, the Company assessed that the acquisition of LORVI in 2014 is a purchase of group of assets due to the absence of critical elements of inputs and processes to sufficiently generate output. Also, there is no compelling evidence that the missing element could easily be replicated by the Company in a relatively short period of time.

*Operating Lease Commitments - Company as Lessee.* The Company has various lease agreements as a lessee. The Company 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). Accordingly, the Company accounts for these leases as operating leases (see Note 28).

#### Estimates

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.* 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 2015 and 2014. The carrying value of depreciable property, plant and equipment amounted to ₱13.6 billion and ₱13.8 billion as at December 31, 2015 and 2014, respectively (see Note 10).

*Depletion of Mineral and Quarry Rights.* Mineral and quarry rights reserves estimates are, to a large extent, based on interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based on anticipated tonnage and grades of minerals to be mined and processed, the configuration of the mineral body, expected recovery rates of minerals, estimated operating costs, estimated climatic conditions and other factors. Proven reserves estimates are attributed to future quarry sites projects only where there is a significant commitment to project funding and extraction and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from block grading and extraction activities or from changes in economic factors including product prices or development plans.

Estimates of reserves for undeveloped or partially developed areas are subject to greater uncertainty over their future life than estimates of reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven reserves will be subject to future revision once additional information becomes available. The estimated recoverable reserves are used in the calculation of depletion and testing for impairment, the assessment of life of quarry sites, and forecasting the timing of the payment of provision for site

restoration. The carrying value of mineral and quarry rights amounted to ₱197.7 million and ₱283.2 million as at December 31, 2015 and 2014, respectively, included in “Property, plant and equipment - Land and land improvements” (see Note 10).

*Impairment of Nonfinancial Assets.* PFRS requires that an impairment review be performed when certain impairment indicators are present. If any such indicators exist, the Company estimates the recoverable amount of the relevant asset.

Determining the recoverable amount of property, plant and equipment, investments in associates, intangible assets and other nonfinancial 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 Company’s financial position and financial performance. The preparation of estimated future cash flows involves significant estimations and assumptions. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the Company’s assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

No reversal or additional impairment was recognized in 2014 and 2013. In 2015, the Company recognized impairment loss on certain idle plant facility and cancelled projects (see Note 10).

The allowance for impairment losses on nonfinancial assets totaled ₱376.7 million and ₱55.7 million as at December 31, 2015 and 2014, respectively. The carrying values of investments in associates, property, plant and equipment, and intangible assets are disclosed in Notes 9, 10 and 11, respectively.

*Impairment of Goodwill.* The Company 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 cash-generating unit to which the goodwill is allocated. Value-in-use is estimated by making an estimate of the expected future cash flows from the cash-generating unit and to apply a suitable discount rate in order to calculate the present value of those cash flows. In 2013 and prior years, goodwill arising from the Company’s acquisition of WEB and Mabini on August 14, 2003 has been attributed to the entire cement operation, which is considered as one cash-generating unit. Starting January 1, 2014, due to the rehabilitation and return to full operations of Mabini plant, the entire goodwill was attributed to Mabini plant’s cement operations. The recoverable amount of the goodwill has been determined based on a value-in-use calculation using cash flow projections based on the three-year financial plan approved by the senior management. The Company has determined that the goodwill is not impaired. The carrying amount of goodwill amounted to ₱2.6 billion as at December 31, 2015 and 2014 (see Note 11).

*Allowance for Doubtful Accounts.* The Company reviews its trade and other receivables at each reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors such as receivables’ credit risk characteristics, customers’ ability to pay amounts due and customers’ historical experience with the Company. Actual results may differ resulting in future changes in the allowance.

In addition to specific allowance against individually significant loans and receivables, the Company 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 allowance for doubtful accounts amounted to ₱201.5 million and ₱151.3 million as at December 31, 2015 and 2014, respectively. Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱3.4 billion and ₱2.3 billion as at December 31, 2015 and 2014, respectively (see Note 5).

*Retirement Benefit Costs.* The costs of defined benefit pension plans 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 27.

In determining the appropriate discount rate, 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 Company.

Total retirement benefits liability amounted to ₱553.4 million and ₱582.9 million as at December 31, 2015 and 2014, respectively (see Note 27).

*Deferred Income Tax Assets.* The Company 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 Company'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 Company 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 Company'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 income tax assets recognized in the Company's consolidated balance sheets amounted to ₱595.7 million and ₱544.2 million as at December 31, 2015 and 2014, respectively. The amounts of temporary differences and carryforward benefits of unused tax credits and unused tax losses, for which no deferred income tax assets as at December 31, 2015 and 2014 are disclosed in Note 26.

*Provision for Site Restoration Costs.* The Company recognizes a provision for the cost of restoring a mineral and quarry site where a legal or constructive obligation exists. This requires an estimation of the cost to restore the quarry on a per hectare basis, depending on the location and is based on the best estimate of the expenditure required to settle the obligation as at balance sheet date, discounted using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the liability. The provision for site restoration amounted to ₱66.3 million and ₱137.0 million as at December 31, 2015 and 2014, respectively (see Note 17).

*Net Realizable Value of Inventories.* The Company 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 statement of income. The carrying values of inventories amounted to ₱3.9 billion and ₱3.8 billion as at December 31, 2015 and 2014, respectively (see Note 6).

*Provisions for Claims, Litigations and Assessments.* The Company 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 Company 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, 2015 and 2014, the Company's provisions for claims and litigations amounted to ₱117.0 million and ₱43.6 million, respectively (see Note 17).

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#### 4. Cash and Cash Equivalents

	2015	2014
	<i>(In Thousands)</i>	
Cash on hand and in banks	<b>₱1,850,752</b>	₱2,090,237
Short-term deposits	<b>689,446</b>	607,970
	<b>₱2,540,198</b>	<b>₱2,698,207</b>

Cash in banks earn interest at prevailing bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the cash requirements of the Company, and earn interest at the prevailing short-term deposit rates.

Interest income earned from cash in banks and short-term deposits amounted to ₱18.9 million, ₱10.7 million and ₱27.5 million in 2015, 2014 and 2013, respectively.

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5. Trade and Other Receivables - net

	2015	2014
	<i>(In Thousands)</i>	
Trade		
Dealers	<b>₱1,296,171</b>	₱1,034,594
Retailers	<b>65,893</b>	85,269
Institutional	<b>882,509</b>	795,215
Alternative fuel and raw materials (AFR)/ready mix (RMX)/others	<b>479,806</b>	358,780
Due from related parties (Note 25)	<b>831,488</b>	75,739
Others	<b>63,838</b>	60,885
	<b>3,619,705</b>	2,410,482
Less allowance for doubtful accounts	<b>201,494</b>	151,277
	<b>₱3,418,211</b>	₱2,259,205

Trade receivables are noninterest-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.

Total amount of intercompany receivables eliminated as of December 31, 2015 and 2014 amounted to ₱1.3 billion.

Movements in the allowance for doubtful accounts which pertain to trade and other receivables are as follows:

	2015					
	Dealers	Retailers	Institutional	AFR/RMX/ Others	Others	Total
	<i>(In Thousands)</i>					
Beginning of year	₱32,067	₱5,876	₱74,768	₱34,942	₱3,624	₱151,277
Provisions (reversals) (Note 21)	(714)	25,150	(3,064)	28,845	-	50,217
End of year	<b>₱31,353</b>	<b>₱31,026</b>	<b>₱71,704</b>	<b>₱63,787</b>	<b>₱3,624</b>	<b>₱201,494</b>
Individually impaired	<b>₱20,540</b>	<b>₱28,966</b>	<b>₱4,944</b>	<b>₱20,833</b>	<b>₱3,624</b>	<b>₱78,907</b>
Collectively impaired	<b>₱10,813</b>	<b>₱2,060</b>	<b>₱66,760</b>	<b>₱42,954</b>	<b>₱-</b>	<b>₱122,587</b>

	2014					
	Dealers	Retailers	Institutional	AFR/RMX/ Others	Others	Total
	<i>(In Thousands)</i>					
Beginning of year	₱20,246	₱4,901	₱65,681	₱32,956	₱3,624	₱127,408
Provisions (Note 21)	12,018	991	9,238	4,116	-	26,363
Write-off	(197)	(16)	(151)	(2,130)	-	(2,494)
End of year	<b>₱32,067</b>	<b>₱5,876</b>	<b>₱74,768</b>	<b>₱34,942</b>	<b>₱3,624</b>	<b>₱151,277</b>
Individually impaired	<b>₱20,540</b>	<b>₱3,593</b>	<b>₱5,155</b>	<b>₱29,285</b>	<b>₱3,624</b>	<b>₱62,197</b>
Collectively impaired	<b>₱11,527</b>	<b>₱2,283</b>	<b>₱69,613</b>	<b>₱5,657</b>	<b>₱-</b>	<b>₱89,080</b>

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**6. Inventories**

	2015	2014
	<i>(In Thousands)</i>	
At cost:		
Finished goods	P801,454	P738,847
Goods in process	1,089,133	1,081,558
Raw materials	621,945	692,847
Fuel	385,421	409,805
Spare parts and others	918,864	723,898
At net realizable value:		
Finished goods, spare parts and others	125,735	110,566
	<b>P3,942,552</b>	<b>P3,757,521</b>

The costs of spare parts and other inventories at net realizable value amounted to P325.4 million and P307.0 million as at December 31, 2015 and 2014, respectively. Finished goods inventories with total cost of P114.9 million were fully provided for with allowance for inventory obsolescence in 2015.

The following table shows the movement of allowance for inventory obsolescence as of December 31, 2015 and 2014:

	2015	2014
	<i>(In Thousands)</i>	
Balance at beginning of year	P196,403	P183,279
Provisions (Note 19)	118,192	13,124
Balance at end of year	<b>P314,595</b>	<b>P196,403</b>

Total inventories charged to cost of sales amounted to P11.9 billion, P11.5 billion and P10.0 billion in 2015, 2014 and 2013, respectively (see Note 19).

**7. Other Current Assets**

	2015	2014
	<i>(In Thousands)</i>	
Advances to suppliers (Note 28)	P302,160	P242,840
Prepaid expenses	250,643	187,892
Advances to employees	41,129	67,777
Input value-added taxes	37,898	87,093
Creditable withholding taxes	5,148	11,664
Others	7,598	18,575
	<b>P644,576</b>	<b>P615,841</b>

Advances to suppliers represent advances that are applied against subsequent purchases and are outstanding for less than one year from initial recognition. Prepaid expenses include rent and insurance paid in advance that are amortized over the year.

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**8. Acquisition of Business**

On August 3, 2015, the Company, through HMDC, acquired the shares of stock of the following entities (the 'Lafarge entities'), which were all incorporated in the Philippines:

Entity	Principal Activities
LafargeHolcim Aggregates, Inc. (LHAI, formerly Lafarge Republic Aggregates, Inc.)	Aggregates and quarry operations
Quimson Limestones, Inc. (QLI)	Quarry operations
APC Properties, Inc. (APC)	Purchasing and selling of properties
Sigma Cee Mining Corporation (SCMC)	Exploration, mining and processing of minerals

On the same date, the Company also entered into Deeds of Absolute Sale for the purchase of parcels of land in Pinagtulayan, Norzagaray, Bulacan and a terminal facility, including the land where the facility is situated, in Manila.

The acquisition of these Lafarge entities and properties were based on management's study on potential synergies in terms of strategic fit of the assets acquired with the current operations and the results of the financial, tax, technical and legal due diligence undertaken on these assets.

The total consideration for the aforementioned acquisitions amounted to ₱3.1 billion, of which ₱23.1 million pertains to purchase of the quarry land in Pinagtulayan, Norzagaray, Bulacan accounted for as purchase of assets (see Note 3).

The recognized fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition follow (amounts in thousands):

<b>Assets</b>	
Cash and cash equivalents	₱35,465
Trade and other receivables	509,375
Inventories	27,330
Other current assets	68,977
Property, plant and equipment	1,167,850
Deferred income tax assets	5,078
Other noncurrent assets	19,070
	<u>1,833,145</u>
<b>Liabilities</b>	
Notes payable	46,360
Trade and other payables	431,880
Income tax payable	28,517
Deferred income tax liabilities	50,654
Provisions	2,879
	<u>560,290</u>
Total identifiable net assets at fair value	1,272,855
Goodwill arising on acquisition	1,799,040
Purchase consideration	<u>₱3,071,895</u>

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The net assets recognized were based on their fair value as of acquisition date. The fair values of the parcels of land, land improvements, building and machinery and equipment acquired from the Lafarge entities were determined by a third party independent appraiser. Valuation technique used was market data approach. The deferred income tax liabilities comprise the tax effect of the fair value adjustments on properties that were subjected to appraisal.

From the date of the acquisition, the acquired business contributed ₱202.6 million of income before income tax and ₱136.7 million of net income to the Company. If the acquisition had taken place at the beginning of 2015, the Company's income before income tax and net income would have been ₱1.4 billion and ₱8.9 billion, respectively.

The Lafarge entities acquired in 2015 were deemed disposed in 2015, when the Company lost control of HMDC (see Note 9). In accordance with the provisions of PFRS 5, *Noncurrent Assets Held for Sale*, the assets and liabilities acquired were considered as noncurrent assets and noncurrent liabilities held for disposal, at acquisition date. Accordingly, the effect of this acquisition on the consolidated property, plant and equipment, goodwill and intangible assets were not presented as additions in the movement of these accounts as disclosed in Notes 10 and 11.

Also, while PFRS 5 requires that the net income of these entities from date of acquisition to date of deconsolidation be shown separately as discontinued operations in the 2015 consolidated statement of income, the net income of these entities were deemed to be insignificant to the Company's entire operations, and thus were not presented separately.

## 9. Investments

Investments as of December 31, 2015 and 2014 consist of the following:

	2015	2014
	<i>(In Thousands)</i>	
Investments in associates	₱4,191,214	₱619
AFS financial assets (Notes 15 and 16)	3,940	3,940
	<b>₱4,195,154</b>	<b>₱4,559</b>

The details of investment in associates as of December 31, 2015 and 2014 are as follows:

	2015	2014
	<i>(In Thousands)</i>	
HMDC	₱4,190,595	₱-
Asia Coal		
Acquisition cost	29,162	29,162
Accumulated equity in net losses	(28,543)	(28,543)
	619	619
	<b>₱4,191,214</b>	<b>₱619</b>

### HMDC

In October 2015, HMDC, its shareholders HPI and HPMC, together with the Holcim Philippines, Inc. Retirement Fund (RF), executed a Shareholders Agreement governing HMDC, in relation to the subscription by the RF of shares in HMDC. HPI and HPMC waived their respective preemptive rights allowing the RF to subscribe to 60% of the issued and outstanding capital stock of HMDC.

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In November 2015, RF paid its subscription (25% of the subscribed shares) to the voting preferred shares of HMDC. The latter applied for the increase in capital stock with the SEC to cover RF's subscription. As of February 23, 2016, HMDC's application for increase in capital stock is pending with the SEC.

Pursuant to the subscription by the RF to 60% of the issued and outstanding capital stock of HMDC, HPI and HPMC appointed and designated 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 RF were elected to the five-member Board of HMDC. As a result, RF has effectively taken over the control of HMDC. Consequently, the Company accounted for its remaining 40% interest in HMDC as investment in an associate. At the date of the loss of control, the Company's investment in HMDC was remeasured at ₱4.2 billion based on the fair value of its retained equity in HMDC.

Related gain on remeasurement of retained equity in HMDC recognized in profit or loss amounted to ₱2.6 billion, arising mainly from the fair value adjustments on land owned by HMDC and its subsidiaries. In accordance with the Shareholders Agreement, the Company recognized full equity in the land owned by HMDC and the liabilities attached thereto, since RF will participate only in the operating profit of HMDC generated from raw materials supply, land and foreshore leasing, tolling arrangements, and earth-moving activities.

Following are the summarized consolidated balance sheet financial information of HMDC as of December 31, 2015 (in thousands):

Current assets	₱1,476,682
Noncurrent assets	
Land and related assets	2,235,133
Other noncurrent assets	3,871,230
Current liabilities	
Attributable to land	(14,499)
Other current liabilities	(1,154,313)
Noncurrent liabilities	
Attributable to land	(50,654)
Other noncurrent liabilities	(4,842,730)
<u>Equity</u>	<u>₱1,520,849</u>
Share in net assets of HMDC and subsidiaries	
Attributable to land	₱2,169,980
Attributable to other net assets	37,288
Gain on remeasurement of retained equity at deconsolidation	2,635,755
Receivable from HMDC and its subsidiaries (Note 25)	(652,428)
<u>Company's carrying amount of the investment</u>	<u>₱4,190,595</u>

Notes payable and long-term debt of HMDC and its subsidiaries amounted to ₱0.2 billion and ₱4.8 billion, respectively, as of December 31, 2015.

The consolidated profit or loss and other comprehensive income of HMDC and its subsidiaries for the entire 2015 formed part of the consolidated statement of income of the Company as the loss of control occurred only on December 23, 2015. The Company has determined that transactions that occurred and were recognized by HMDC and its subsidiaries from the date of the loss of control until December 31, 2015 are not material.

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As presented in the 2015 statement of cash flows, HMDC and its subsidiaries generated cash from operations amounting to ₱0.1 billion and from financing activities amounting to ₱3.5 billion. Net cash used in their investing activities amounted to ₱3.7 billion, which include, among others, acquisition of Lafarge entities and properties amounting to ₱2.8 billion, net of cash acquired (see Note 8), purchases of property and equipment amounting to ₱0.1 billion (see Note 10) and total cash of HMDC and its subsidiaries as of deconsolidation date amounting to ₱0.8 billion.

Asia Coal Corporation (Asia Coal)

The Company has a 28% interest in Asia Coal, which was incorporated in the Philippines. Asia Coal ceased operations on November 1, 2014. On March 19, 2009, the directors and stockholders of Asia Coal approved the shortening of the corporate life of Asia Coal to October 31, 2009. Asia Coal shall be dissolved and liquidated, the date of which is subject to the approval of the SEC. The reporting date of Asia Coal is October 31. The effect of the difference in the reporting date of the Parent Company and Asia Coal is immaterial.

**10. Property, Plant and Equipment**

	December 31, 2014	Additions/ Depreciation/ Impairment <sup>(a)</sup>	Disposals/ Retirements	Transfers/ Reclassifi- cation <sup>(a)</sup>	Effect of deconso- lidation <sup>(a)</sup> (Note 9)	December 31, 2015
<i>(In Thousands)</i>						
Cost:						
Land and land improvements	₱1,863,433	₱444,265	(₱76,156)	₱37,543	(₱1,800,078)	₱469,007
Buildings and installations	12,134,485	109,060	(124,112)	467,808	(265,259)	12,321,982
Machinery and equipment	21,231,854	142,522	(21,669)	1,285,200	(1,321)	22,636,586
Furniture, vehicles and tools	1,206,519	1,044	(174,019)	76,947	(50,349)	1,060,142
Construction in-progress	2,674,532	1,743,624	-	(1,859,366)	(59,461)	2,499,329
	39,110,823	2,440,515	(395,956)	8,132	(2,176,468)	38,987,046
Less accumulated depreciation and depletion:						
Land improvements	298,149	47,896	(76,156)	-	(15,254)	254,635
Buildings and installations	6,497,146	375,574	(44,899)	-	(15,459)	6,812,362
Machinery and equipment	13,852,550	987,395	(9,508)	-	(28,414)	14,802,023
Furniture, vehicles and tools	802,842	103,394	(154,747)	-	(28,833)	722,656
	21,450,687	1,514,259	(285,310)	-	(87,960)	22,591,676
Less accumulated impairment losses:						
Buildings and installations	3,092	276,614	-	-	-	279,706
Machinery and equipment	18,513	44,408	-	-	-	62,921
Furniture, vehicles and tools	34,095	-	-	-	-	34,095
	55,700	321,022	-	-	-	376,722
<b>Net book value</b>	<b>₱17,604,436</b>	<b>₱605,234</b>	<b>(₱110,646)</b>	<b>₱8,132</b>	<b>(₱2,089,508)</b>	<b>₱16,018,648</b>

(a) Additions and effect of deconsolidation do not include the property, plant and equipment of the Lafarge entities amounting to ₱1.2 billion, as discussed in Note 8.

	December 31, 2013	Additions/ Depreciation	Disposals/ Retirements	Transfers/ Reclassifi- fications	December 31, 2014
<i>(In Thousands)</i>					
Cost:					
Land and land improvements	₱1,690,780	₱152,801	₱-	₱19,852	₱1,863,433
Buildings and installations	11,566,093	290,282	-	278,110	12,134,485
Machinery and equipment	21,385,149	1,370	(425,865)	271,200	21,231,854
Furniture, vehicles and tools	1,149,799	-	(32,450)	89,170	1,206,519
Construction in-progress	1,851,804	1,449,686	-	(626,958)	2,674,532
	37,643,625	1,894,139	(458,315)	31,374	39,110,823
Less accumulated depreciation, depletion					
Land improvements	261,420	36,729	-	-	298,149
Buildings and installations	6,121,350	375,796	-	-	6,497,146
Machinery and equipment	13,421,904	856,513	(425,867)	-	13,852,550
Furniture, vehicles and tools	689,797	135,363	(22,318)	-	802,842
	20,494,471	1,404,401	(448,185)	-	21,450,687

(Forward)

\*SGVFS015825\*

	December 31, 2013	Additions/ Depreciation	Disposals/ Retirements	Transfers/ Reclassi- fications	December 31, 2014
	<i>(In Thousands)</i>				
Less accumulated impairment losses:					
Buildings and installations	₱3,092	₱-	₱-	₱-	₱3,092
Machinery and equipment	18,513	-	-	-	18,513
Furniture, vehicles and tools	34,095	-	-	-	34,095
	55,700	-	-	-	55,700
Net book value	₱17,093,454	₱489,738	(₱10,130)	₱31,374	₱17,604,436

In July 2014, the Company acquired a group of assets from Calumbuyan Holdings, Inc. at a purchase price of ₱918.0 million representing port facility and foreshore lease in Mabini, Batangas (see Note 11). This group of assets was part of the deconsolidated assets in December 2015 (see Note 9).

Construction in progress includes on-going item replacements and expansion projects for the Company's operations.

In 2015, the Company recognized impairment loss on certain idle plant facility and cancelled projects. The Company will rely on other strategic initiatives to increase capacity and sufficiently supply the market. Impairment loss is presented under "General and administrative expenses - Depreciation and impairment" account in the 2015 statement of income (see Note 20).

## 11. Goodwill and Intangible Assets

The movements of goodwill and intangible assets are as follows:

	December 31, 2014	Additions/ Amortization/ Transfers <sup>(a)</sup>	Effect of de- consolidation <sup>(a)</sup> (Note 9)	December 31, 2015
Goodwill	₱2,635,738	₱-	₱-	₱2,635,738
Intangible assets:				
Cost:				
Mining rights	179,544	-	(179,544)	-
Foreshore lease	544,902	-	(544,902)	-
Software costs	122,384	-	-	122,384
Project development costs and others	38,256	11,329	(11,329)	38,256
	885,086	11,329	(735,775)	160,640
Less accumulated amortization:				
Foreshore lease	-	40,066	(40,066)	-
Software costs	78,087	14,766	-	92,853
Project development costs and others	11,420	498	(96)	11,822
	89,507	55,330	(40,162)	104,675
	795,579	(44,001)	(695,613)	55,965
Balance	₱3,431,317	(₱44,001)	(₱695,613)	₱2,691,703

(a) Additions and effect of deconsolidation do not include the goodwill arising on acquisition of the Lafarge entities amounting to ₱1.8 billion, as discussed in Note 8.

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	December 31, 2013	Additions/ Amortization <i>(In Thousands)</i>	December 31, 2014
Goodwill	P2,635,738	P-	P2,635,738
Intangible assets:			
Cost:			
Mining rights	179,544	-	179,544
Foreshore lease	-	544,902	544,902
Software costs	122,384	-	122,384
Project development costs and others	38,256	-	38,256
	340,184	544,902	885,086
Less accumulated amortization:			
Software costs	63,321	14,766	78,087
Project development costs and others	7,983	3,437	11,420
	71,304	18,203	89,507
	268,880	526,699	795,579
Balance	P2,904,618	P526,699	P3,431,317

#### Goodwill

Goodwill amounting to P2.6 billion relates to the Company's acquisition of WEB and Mabini on August 14, 2003.

The Company 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 weighted average cost of capital (WACC) adjusted for country-specific inflation risks.

The cash flow projections are based on a three-year financial planning period approved by senior management. Cash flows beyond the three-year budget period are extrapolated based on cash flows at zero growth. As a result of this analysis, management has determined that there was no impairment loss in 2015, 2014 and 2013 since the value-in-use exceeds the carrying value of Mabini plant's cement operations.

#### *Sensitivity to Changes in Assumptions*

With regard to the assessment of value-in-use of the CGU, management believes that a change in the discount rate of 1% point would not cause the carrying value of goodwill to exceed its recoverable amount.

#### *Key Assumptions*

	Discount Rate	Long-term GDP Growth Rate
<b>2015</b>	<b>8.3%</b>	<b>5.0%</b>
2014	7.9%	5.0%
2013	8.2%	5.5%

#### Mining Rights

Mining rights pertain to HMDC's Mineral Production Sharing Agreement (MPSA) No. 108-98 IV for an aggregate quarry. In 2008, one of the surface owners of a portion of the area covered by the MPSA filed a petition with the Department of Environmental and Natural Resources (DENR) for the cancellation of HMDC's MPSA. The owner claimed that HMDC had failed to complete its exploration activities, to commence commercial production within the prescribed period and to comply with the applicable reportorial requirements. In an order dated February 12, 2009, the panel of arbitrators allowed the petitioner to withdraw the petition for cancellation, which was subsequently re-filed with the Mines and Geosciences Bureau. In an order dated September 18,

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2009, the DENR cancelled HMDC's MPSA. In a second order dated November 20, 2009, the DENR denied HMDC's Motion for Reconsideration. These orders were upheld by the Office of the President in a decision dated March 5, 2010 and resolution dated May 29, 2010. HMDC thereafter filed with the Court of Appeals a Petition seeking the reversal and/or annulment of the decision and resolution issued by the Office of the President for being completely erroneous and based on a misapprehension of the facts and the law.

On August 16, 2011, the Seventeenth Division of the Court of Appeals granted the petition of HMDC and nullified the decision dated March 5, 2010 and the resolution dated May 29, 2010 issued by the Office of the President. Accordingly, the Orders dated September 18, 2009 and November 2009, issued by the DENR were reversed and set aside, thus, declaring that the MPSA is in full force and effect.

A motion for reconsideration and a supplemental motion for reconsideration were filed by the petitioner for the reversal of the said decision by the Court of Appeals. On February 2, 2012, both motion and supplemental motion for reconsideration were denied by the Court of Appeals.

Following the Court of Appeals' denial of the motion for reconsideration, the petitioner filed a Petition for Review on Certiorari dated March 7, 2012 to the Supreme Court. Subsequently on June 25, 2012, HMDC filed its comment on the petition with the Supreme Court. The petitioner filed his reply to the Supreme Court on May 3, 2013 where the case is still pending.

This MPSA was part of the deconsolidated net assets of HMDC and its subsidiaries before yearend (see Note 9).

Foreshore Lease

Foreshore lease amounting to ₱544.9 million relates to LORVI's foreshore lease in Mabini, Batangas. The foreshore lease contract was executed on October 1, 1997 with the Regional Office IV of DENR, covering a parcel of land under plan FLC-041016-23-D with an area of 84,185 square meters located at Brgy. Balibaguhan, Mabini, Batangas. The existing foreshore lease contract has a remaining term of 16 years as of December 31, 2015, renewable for another 25 years thereafter.

This foreshore lease was part of the deconsolidated net assets of HMDC and its subsidiaries before yearend (see Note 9).

**12. Other Noncurrent Assets**

	2015	2014
	<i>(In Thousands)</i>	
Restricted cash	₱86,185	₱81,019
Guarantee deposits (Note 28)	62,788	42,693
Deferred input value-added taxes	57,054	76,269
Refundable deposit	48,466	48,466
Long-term financial receivable	8,566	15,832
Others	557	292
	<b>₱263,616</b>	<b>₱264,571</b>

Restricted cash represents minimum mine rehabilitation fund required by the DENR for site restoration cost.

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Refundable deposit represents cash bond deposited by Mabini with the Bureau of Customs (BOC) for importations made in 2001. On March 7, 2007, Mabini filed a case against the BOC for the release of the cash bond. On October 12, 2012, the Officer-in-Charge of the Law Division of the Collection District of Batangas submitted a memorandum for the release of the cash bond. Subsequently on October 22, 2012, a Letter of First Indorsement was submitted by the District Collector to the BOC Commissioner recommending favorable consideration to Mabini's appeal, subject to compliance with pertinent customs laws, rules and regulations. On December 18, 2014, Mabini received a letter from the BOC requesting for the submission of documents in order to proceed with the resolution of the cash bonds. On October 21, 2015, the Company submitted to BOC a letter of application for the release of the cash bonds. On October 26, 2015, the Commissioner of Customs endorsed the application to the Legal Services Division and Revenue Collection Monitoring Group and Deputy Commissioner for appropriate action. As of December 31, 2015, the decision on the Company's application is currently being drafted.

Guarantee deposits represent cash deposits made to suppliers for raw material supply agreement and various security deposits for rentals (see Note 28).

Long-term financial receivable is due from the Company's third party service provider for sale of certain heavy equipment in 2012 and 2008, which will be settled on or before 2017 and 2019, respectively. Interest income earned from long-term financial receivable at an annual interest rate of 4.5% to 7.0% amounted to ₱1.1 million, ₱2.3 million and ₱2.0 million in 2015, 2014 and 2013, respectively.

### 13. Notes Payable

During 2014, the Company availed of a short-term loan from UCHC totaling ₱0.5 billion bearing interest equal to the prevailing interest rate using PDST-F rate for one month plus 1%. The loan was fully paid in the same year (see Note 25).

In 2014, HMDC availed of additional loans from UCHC amounting to ₱1.0 billion, which remained outstanding as of the end of 2014. The loan which bears interest equal to the prevailing interest rate using PDST-F rate for one month plus 1% was fully paid in 2015 (see Note 25).

The Company also availed of various short-term loans from various banks in 2015 and 2014 totaling ₱1.0 billion and ₱3.7 billion, respectively, bearing interest ranging from 1.5% to 3.0%. The outstanding balance of these loans as of December 31, 2015 and 2014 totaled ₱1.0 billion and ₱1.1 billion, respectively. The loans are not subject to any debt covenants.

Total interest expense from notes payable charged to profit or loss amounted to ₱34.1 million, ₱41.9 million and ₱3.5 million in 2015, 2014 and 2013, respectively (see Notes 24 and 25).

### 14. Trade and Other Payables

	2015	2014
	<i>(In Thousands)</i>	
Trade	₱2,668,662	₱2,490,492
Accrued expenses:		
Power	387,602	305,449
Outside services	280,387	219,108
Employee related	115,767	71,045
(Forward)		

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	2015	2014
	<i>(In Thousands)</i>	
Maintenance	P272,224	P262,695
Project expenses	96,840	107,246
Others	52,370	142,801
Advances and deposits from customers	867,910	724,056
Due to related parties (Note 25)	867,108	646,676
Output VAT	216,854	-
Other taxes payable	211,035	219,367
Nontrade	193,510	240,822
Other payables	315,713	174,234
	<b>P6,545,982</b>	<b>P5,603,991</b>

Trade payables are noninterest-bearing and normally have payment terms of 30 to 60 days.

Nontrade payables represent accounts with suppliers other than production-related expenses. These are noninterest-bearing and have an average term of three months or less.

Advances and deposits from customers represent the following:

- Advances and deposits that are applied against subsequent shipments thus, are generally outstanding for less than 30 days from initial recognition; and,
- Interest-bearing cash bonds that are refundable anytime upon demand by the customers.

Total amount of intercompany payables eliminated as of December 31, 2015 and 2014 amounted to P1.3 billion.

#### 15. Financial Risk Management Objectives and Policies

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 uses derivative instruments such as cross-currency swaps to hedge the interest and foreign exchange risks from its foreign currency-denominated debt. 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 notes payable. The main purpose of these financial instruments is to raise funds for the Company's operations. The Company also has various other financial assets and liabilities such as trade and other receivables, advances to employees, guarantee deposits, restricted cash 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 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 2 to the consolidated financial statements.

Market Risks

The Company is exposed to market risks, such as foreign currency and interest rate 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 sales, purchases of goods and services and debt servicing requirements in currencies other than the Peso that leads to currency translation effects. Of the Company's revenues, approximately 0.1% in 2014 (nil in 2015) are denominated in currencies other than the Peso. The Company may hedge certain foreign currency-denominated borrowings or other instruments by entering into derivative transactions.

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

The table below summarizes the Company's exposure to foreign currency risk before considering the effect of hedging transactions. Included in the table are the Company's foreign currency-denominated assets and liabilities at carrying amounts:

	December 31			
	2015		2014	
	In USD	In PHP	In USD	In PHP
	<i>(In Thousands)</i>			
Assets:				
Cash and cash equivalents	\$3,079	P145,237	\$1,840	P82,285
Trade and other receivables	4,918	231,982	160	7,155
	7,997	377,219	2,000	89,440
Liabilities:				
Trade and other payables	6,058	285,756	11,813	528,277
Net exposure	\$1,939	P91,463	(\$9,813)	(P438,837)

*Converted to Philippine peso at US\$1.00: P47.17 as of December 31, 2015 and US\$1.00: P44.72 as of December 31, 2014.*

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The following table demonstrates the sensitivity of the Company'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
<i>(In Thousands)</i>		
<b>December 31, 2015</b>		
<b>Sensitivity 1</b>	<b>10%</b>	<b>₱9,146</b>
<b>Sensitivity 2</b>	<b>(5%)</b>	<b>(4,573)</b>
<b>December 31, 2014</b>		
Sensitivity 1	10%	(₱43,884)
Sensitivity 2	(5%)	21,942

\* The effect on equity pertains to the amount that directly impact equity only.

The impact of any change in foreign exchange rate on the embedded currency forwards of the Company 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 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, 2015 and 2014, the Company 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 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, except for the following financial assets:

	Gross Maximum Exposure <sup>(a)</sup>		Net Maximum Exposure <sup>(b)</sup>	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
<i>(In Thousands)</i>				
Loans and receivables:				
Cash and cash equivalents*	₱2,539,624	₱2,694,118	₱2,516,602	₱2,673,070

(Forward)

\*SGVFS015825\*

	Gross Maximum Exposure <sup>(a)</sup>		Net Maximum Exposure <sup>(b)</sup>	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
<i>(In Thousands)</i>				
Trade and other receivables:				
Trade:				
Dealers	₱1,264,818	₱1,002,527	₱838,233	₱632,047
Retailers	34,867	79,393	15,549	57,932
Institutional	810,805	720,447	750,721	635,762
Restricted cash**	86,185	81,019	85,685	80,519
<b>Total</b>	<b>₱4,736,299</b>	<b>₱4,577,504</b>	<b>₱4,206,790</b>	<b>₱4,079,330</b>

<sup>(a)</sup> Gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangements.

<sup>(b)</sup> Gross financial assets after taking into account any collateral or other credit enhancements or offsetting arrangements or deposit insurance.

\* Excluding cash on hand.

\*\* Included under "Other noncurrent assets" account in the consolidated balance sheets.

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

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

The following tables present the credit quality of the financial assets as at December 31, 2015 and 2014:

	December 31, 2015					Total
	Neither Past due nor Impaired			Past Due but not Impaired	Past Due and Impaired	
	Class A	Class B	Class C			
<i>(In Thousands)</i>						
AFS financial assets						
Quoted shares	₱176	₱-	₱-	₱-	₱-	₱176
Unquoted shares	3,764	-	-	-	-	3,764
Loans and receivables						
Cash and cash equivalents						
Cash in banks	1,850,178	-	-	-	-	1,850,178
Short-term deposits	689,446	-	-	-	-	689,446
Trade and other receivables						
Trade						
Dealers	15,380	914,833	111,377	223,228	31,353	1,296,171
Retailers	-	26,301	1,764	6,802	31,026	65,893
Institutional	15	701,167	4,861	104,762	71,704	882,509
AFR/RMX/others	267	177,884	-	237,868	63,787	479,806
Due from related parties	831,488	-	-	-	-	831,488
Other receivables	-	-	60,214	-	3,624	63,838
Advances to employees*	-	-	41,129	-	-	41,129
Restricted cash**	86,185	-	-	-	-	86,185
Guarantee deposits**	-	-	62,788	-	-	62,788
<b>Total</b>	<b>₱3,476,899</b>	<b>₱1,820,185</b>	<b>₱282,133</b>	<b>₱572,660</b>	<b>₱201,494</b>	<b>₱6,353,371</b>

\*Included under "Other current assets" in the consolidated balance sheet.

\*\*Included under "Other noncurrent assets" in the consolidated balance sheet.

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	December 31, 2014						Total
	Neither Past due nor Impaired			Past Due but not Impaired	Past Due and Impaired		
	Class A	Class B	Class C				
<i>(In Thousands)</i>							
AFS financial assets							
Quoted shares	P176	P-	P-	P-	P-	P176	
Unquoted shares	3,764	-	-	-	-	3,764	
Loans and receivables							
Cash and cash equivalents							
Cash in banks	2,086,148	-	-	-	-	2,086,148	
Short-term deposits	607,970	-	-	-	-	607,970	
Trade and other receivables							
Trade							
Dealers	21,781	755,526	117,332	107,888	32,067	1,034,594	
Retailers	-	44,618	1,707	33,068	5,876	85,269	
Institutional	3,278	577,234	2,606	137,329	74,768	795,215	
AFR/RMX/others	940	53,402	978	268,318	34,942	358,780	
Due from related parties	75,739	-	-	-	-	75,739	
Other receivables	-	-	57,261	-	3,624	60,885	
Advances to employees*	-	-	67,777	-	-	67,777	
Restricted cash**	81,019	-	-	-	-	81,019	
Guarantee deposits**	-	-	42,693	-	-	42,693	
<b>Total</b>	<b>P2,880,815</b>	<b>P1,430,780</b>	<b>P290,354</b>	<b>P546,803</b>	<b>P151,277</b>	<b>P 5,300,029</b>	

\*Included under "Other current assets" in the consolidated balance sheet.

\*\*Included under "Other noncurrent assets" in the consolidated balance sheet.

The Company uses the following criteria to rate credit risk on accounts receivable as to class:

Class	Description
Class A	Collateralized accounts from counterparties with excellent paying habits or accounts from counterparties with no history of default payment
Class B	Secured accounts from counterparties with good paying habits but with history of default payment
Class C	Unsecured accounts

With respect to derivatives, AFS financial assets and cash and cash equivalents, the Company evaluates the counterparty's external credit risk rating in establishing credit quality.

The tables below show the aging analysis of the Company's financial assets as at December 31, 2015 and 2014:

	December 31, 2015						
	Total	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired
			<30 Days	30-60 Days	61-90 Days	91-120 Days	
<i>(In Thousands)</i>							
AFS financial assets:							
Quoted shares	P176	P176	P-	P-	P-	P-	P-
Unquoted shares	3,764	3,764	-	-	-	-	-
Cash and cash equivalents:							
Cash in banks	1,850,178	1,850,178	-	-	-	-	-
Short-term deposits	689,446	689,446	-	-	-	-	-
Trade and other receivables:							
Trade receivables from:							
Dealers	1,296,171	1,041,590	123,323	19,975	4,581	75,349	31,353
Retailers	65,893	28,065	730	199	-	5,873	31,026
Institutional	882,509	706,043	39,034	7,186	7,612	50,930	71,704
AFR/RMX/others	479,806	178,151	33,961	48,917	35,279	119,711	63,787
Due from related parties	831,488	831,488	-	-	-	-	-
Others	63,838	60,214	-	-	-	-	3,624

(Forward)

\*SGVFS015825\*

December 31, 2015							
Total	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired	
		<30 Days	30-60 Days	61-90 Days	91-120 Days		
<i>(In Thousands)</i>							
Advances to employees*	P41,129	P41,129	P-	P-	P-	P-	P-
Restricted cash**	86,185	86,185	-	-	-	-	-
Guarantee deposits**	62,788	62,788	-	-	-	-	-
<b>Total</b>	<b>P6,353,371</b>	<b>P5,579,217</b>	<b>P197,048</b>	<b>P76,277</b>	<b>P47,472</b>	<b>P251,863</b>	<b>P201,494</b>

\* Included under "Other current assets" account in the consolidated balance sheet.

\*\* Included under "Other noncurrent assets" account in the consolidated balance sheet.

December 31, 2014							
Total	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired	
		<30 Days	30-60 Days	61-90 Days	91-120 Days		
<i>(In Thousands)</i>							
AFS financial assets:							
Quoted shares	P176	P176	P-	P-	P-	P-	P-
Unquoted shares	3,764	3,764	-	-	-	-	-
Cash and cash equivalents:							
Cash in banks	2,086,148	2,086,148	-	-	-	-	-
Short-term deposits	607,970	607,970	-	-	-	-	-
Trade and other receivables:							
Trade receivables from:							
Dealers	1,034,594	894,639	98,303	4,883	2,467	2,235	32,067
Retailers	85,269	46,325	30,952	900	223	993	5,876
Institutional	795,215	583,118	63,933	49,596	17,399	6,401	74,768
AFR/RMX/others	358,780	55,320	151,168	59,888	38,996	18,466	34,942
Due from related parties	75,739	75,739	-	-	-	-	-
Others	60,885	57,261	-	-	-	-	3,624
Advances to employees*	67,777	67,777	-	-	-	-	-
Restricted cash**	81,019	81,019	-	-	-	-	-
Guarantee deposits**	42,693	42,693	-	-	-	-	-
<b>Total</b>	<b>P5,300,029</b>	<b>P4,601,949</b>	<b>P344,356</b>	<b>P115,267</b>	<b>P59,085</b>	<b>P28,095</b>	<b>P151,277</b>

\* Included under "Other current assets" account in the consolidated balance sheet.

\*\* Included under "Other noncurrent assets" account in the consolidated balance sheet.

### 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, unused credit lines and readily available marketable securities to meet its liquidity requirements at all times. In addition, the strong credit worthiness of the Company allows it to make efficient use of the financial markets for financing purposes. As at December 31, 2015 and 2014, the Company has unutilized credit facilities of P8.1 billion and P10.4 billion, respectively.

\*SGVFS015825\*



The tables below summarize the maturity profile of the Company's financial assets used for liquidity management as at December 31, 2015 and 2014:

	December 31, 2015				Total
	On Demand	Less than 3 Months	3 to 12 Months	>1 to 5 Years	
<i>(In Thousands)</i>					
AFS financial assets:					
Quoted shares	P-	P-	P176	P-	P176
Unquoted shares	-	-	3,764	-	3,764
Loans and receivables:					
Cash and cash equivalents:					
Cash in banks	1,850,178	-	-	-	1,850,178
Short-term deposits	-	689,446	-	-	689,446
Trade and other receivables:					
Trade receivables from:					
Dealers	31,353	223,228	1,041,590	-	1,296,171
Retailers	31,026	6,802	28,065	-	65,893
Institutional	71,704	104,762	706,043	-	882,509
AFR/RMX/others	63,787	237,868	178,151	-	479,806
Due from related parties	-	-	831,488	-	831,488
Other receivables	3,624	-	60,214	-	63,838
Advances to employees*	-	-	41,129	-	41,129
Restricted cash**	-	-	-	86,185	86,185
Guarantee deposits**	-	-	-	62,788	62,788
<b>Total</b>	<b>P2,051,672</b>	<b>P1,262,106</b>	<b>P2,890,620</b>	<b>P148,973</b>	<b>P6,353,371</b>

\* Included under "Other current assets" account in the consolidated balance sheet.

\*\* Included under "Other noncurrent assets" account in the consolidated balance sheet.

	December 31, 2014				Total
	On Demand	Less than 3 Months	3 to 12 Months	>1 to 5 Years	
<i>(In Thousands)</i>					
AFS financial assets:					
Quoted shares	P-	P-	P176	P-	P176
Unquoted shares	-	-	3,764	-	3,764
Loans and receivables:					
Cash and cash equivalents:					
Cash in banks	2,086,148	-	-	-	2,086,148
Short-term deposits	-	607,970	-	-	607,970
Trade and other receivables:					
Trade receivables from:					
Dealers	32,067	107,888	894,639	-	1,034,594
Retailers	5,876	33,068	46,325	-	85,269
Institutional	74,768	137,329	583,118	-	795,215
AFR/RMX/others	34,942	268,518	55,320	-	358,780
Due from related parties	-	-	75,739	-	75,739
Other receivables	3,624	-	57,261	-	60,885
Advances to employees*	-	-	67,777	-	67,777
Restricted cash**	-	-	-	81,019	81,019
Guarantee deposits**	-	-	-	42,693	42,693
<b>Total</b>	<b>P2,237,425</b>	<b>P1,154,773</b>	<b>P1,784,119</b>	<b>P123,712</b>	<b>P5,300,029</b>

\* Included under "Other current assets" account in the consolidated balance sheet.

\*\* Included under "Other noncurrent assets" account in the consolidated balance sheet.

\*SGVFS015825\*

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2015 and 2014 based on contractual undiscounted payments:

	December 31, 2015				Total
	On Demand	Less than 3 Months	3 to 12 Months	>1 to 5 Years	
<i>(In Thousands)</i>					
Financial liability at FVPL:					
Derivative liability*	P-	P-	P882	P-	P882
Other financial liabilities:					
Notes payable	-	999,831	-	-	999,831
Trade and other payables:					
Trade	2,668,662	-	-	-	2,668,662
Accrued expenses and nontrade payables	1,398,700	-	-	-	1,398,700
Due to related parties	867,108	-	-	-	867,108
Advances from customers	361,923	-	-	-	361,923
Other payables	314,831	-	-	-	314,831
<b>Total</b>	<b>P5,611,224</b>	<b>P999,831</b>	<b>P882</b>	<b>P-</b>	<b>P6,611,937</b>

\*Included under "Trade and other payables" account in the consolidated balance sheet.

	December 31, 2014				Total
	On Demand	Less than 3 Months	3 to 12 Months	>1 to 5 Years	
<i>(In Thousands)</i>					
Other financial liabilities:					
Notes payable	P-	P2,100,105	P-	P-	P2,100,105
Trade and other payables:					
Trade	2,490,492	-	-	-	2,490,492
Accrued expenses and nontrade payables	1,349,166	-	-	-	1,349,166
Due to related parties	646,676	-	-	-	646,676
Advances from customers	255,232	-	-	-	255,232
Other payables	174,234	-	-	-	174,234
<b>Total</b>	<b>P4,915,800</b>	<b>P2,100,105</b>	<b>P-</b>	<b>P-</b>	<b>P7,015,905</b>

#### Capital Management Policy

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

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

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The Company 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 balance sheets as shown in the table below:

	2015	2014
	<i>(In Thousands)</i>	
Notes payable	₱999,831	₱2,100,105
Customers' deposits*	505,987	468,824
Financial debt	1,505,818	2,568,929
Less cash and cash equivalents	2,540,198	2,698,207
Net financial asset	(1,034,380)	(129,278)
Total equity	24,969,466	22,092,876
Gearing ratio	(4.1%)	(0.6%)

\* Included as part of "Trade and other payables"

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

Total equity increased by 13.0% in 2015 and 2.9% in 2014 as a result of improvement in operating results for these years.

## 16. Financial Assets and Liabilities

### Fair Value of Financial Instruments

The estimated fair value of each class of the Company's financial instruments, is equal to their carrying amount as at December 31, 2015 and 2014. The following methods and assumptions are used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

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

*Derivative Liabilities.* The fair values of the embedded currency forwards with notional amount of US\$810,475 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.

*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 of December 31, 2015 and 2014, the Company's financial instruments measured at fair value include only the quoted equity securities, classified as AFS financial assets (Level 1).

As at December 31, 2015 and 2014, the Company 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 2015 and 2014.

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## 17. Provisions

	2015	2014
	<i>(In Thousands)</i>	
Provision for site restoration costs	<b>₱66,264</b>	₱136,974
Other provisions	<b>117,018</b>	43,632
	<b>₱183,282</b>	₱180,606

### Provision for Site Restoration Costs

The Company is required either expressly under mineral production sharing agreements or through customary business practice to restore the surface and underground of a quarry/pit after exploration. A provision for site restoration cost is recognized based on estimated environmental obligation.

The movements in the provision for site restoration cost as at December 31, 2015 and 2014 are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱136,974</b>	₱127,778
Additions (Note 20)	<b>11,607</b>	11,754
Accretion and other adjustments	<b>2,570</b>	(2,558)
Transfer of obligation to HMDC	<b>(84,887)</b>	-
Balance at end of year	<b>₱66,264</b>	₱136,974

Additions represent new provisions for site restoration costs for the year.

Transfer of provision for site restoration costs to HMDC was incidental to the Company's transfer of mining rights to HMDC in 2015 (see Note 25).

The accretion is presented as part of "Interest and financing charges" in the consolidated statements of income (see Note 24).

### Other Provisions

Other provisions pertain to provisions for probable claims, tax assessments and other litigations involving the Company. The timing of the cash outflows of these provisions is uncertain as it depends upon the outcome of the Company's negotiations and/or legal proceedings, which are currently ongoing with the parties involved. In 2014, all provisions related to claims and other litigations as of December 31, 2013 were settled as a result of the final decisions of the Company's negotiations and/or legal proceedings. The Company recognized provision for tax assessment amounting to ₱73.4 million and ₱43.6 million in 2015 and 2014, presented under "General and administrative expenses – Others" in the consolidated statement of income (see Note 20).

\*SGVFS015825\*

## 18. Equity

### a. Capital Stock

The composition of the Parent Company's capital stock is as follows:

	Number of Shares
Authorized - ₱1 par value	
Preferred shares	20,000,000
Common shares	9,980,000,000
Issued - Common shares	6,452,099,144

The preferred shares are cumulative and nonparticipating and entitled to preferential dividend rate when declared by the BOD of the Parent Company. There were no preferred shares issued and outstanding as at December 31, 2015 and 2014.

The Parent Company's common shares were registered/listed on June 17, 1996. Total shares registered and outstanding as at December 31, 2015 and 2014 is 6.5 billion. These shares are held by 5,527 and 5,606 stockholders as at December 31, 2015 and 2014, respectively. There have been no recent changes in the number of shares registered and outstanding.

b. Other reserves represent the Company's share in the performance compensation scheme of the Holcim Group.

### c. Retained Earnings

The Parent Company's retained earnings available for dividend declaration as at December 31, 2015 amounted to ₱5.6 billion based on the guidelines set in the Securities Regulation Code Rule 68, As Amended (2011).

Cash dividends declared are as follows:

	2015	2014	2013
Cash dividend per share	<b>₱0.82</b>	₱0.70	₱0.55
Amount declared	<b>₱5.3 billion</b>	₱4.5 billion	₱3.5 billion
Declaration date	<b>May 18, 2015</b>	May 16, 2014	May 23, 2013
Record date	<b>June 15, 2015</b>	June 13, 2014	June 21, 2013

On May 18, 2015, the BOD of HPMC declared cash dividends totaling ₱808.1 million (₱350.0 per share) for stockholders on record as of June 24, 2015.

On May 11, 2014, HPMC declared cash dividends totaling ₱570.1 million (₱247 per share) for stockholders on record as of May 30, 2014.

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### 19. Cost of Sales

	2015	2014	2013
	<i>(In Thousands)</i>		
Raw, packaging and production materials (Notes 6, 25 and 28)	P10,252,616	P7,432,111	P5,686,523
Power and fuel (Notes 6 and 28)	6,878,557	6,774,355	6,244,485
Outside services (Notes 25 and 28)	2,467,342	1,946,516	1,902,303
Transportation and communications	2,316,751	2,376,697	1,950,102
Personnel (Notes 22 and 27)	1,632,931	1,473,826	1,581,121
Depreciation, amortization and depletion (Note 23)	1,483,290	1,351,723	1,397,982
Repairs and maintenance	1,327,844	1,424,525	1,609,592
Taxes and licenses	279,221	255,958	248,754
Insurance	137,682	154,844	168,609
Rent (Note 28)	78,890	49,998	46,318
Others (Note 6)	392,917	357,327	180,681
	<b>P27,248,041</b>	<b>P23,597,880</b>	<b>P21,016,470</b>

### 20. General and Administrative Expenses

	2015	2014	2013
	<i>(In Thousands)</i>		
Outside services (Note 25)	P724,312	P207,178	P262,447
Personnel (Notes 22 and 27)	460,662	517,866	453,875
Depreciation and impairment (Notes 10 and 23)	396,653	59,336	66,346
Software implementation costs (Note 25)	151,320	204,475	91,311
Office expenses	98,874	155,308	125,909
Transportation and communications	44,999	23,292	30,202
Taxes and licenses	32,639	61,707	31,928
Directors' fees	19,100	19,100	18,428
Entertainment, amusement and recreation	1,745	1,227	909
Others (Notes 17, 25 and 28)	175,265	77,014	163,817
	<b>P2,105,567</b>	<b>P1,326,503</b>	<b>P1,245,172</b>

Others include training expenses, community services and expenses related to the Company's ongoing internal projects.

### 21. Selling Expenses

	2015	2014	2013
	<i>(In Thousands)</i>		
Personnel (Notes 22 and 27)	P239,016	P184,944	P194,727
Advertising	123,891	116,117	86,699
Outside services	68,294	47,685	58,048
Provision for doubtful accounts (Note 5)	50,217	26,363	11,834
Office expenses	38,954	35,773	30,393
Transportation and communication	28,998	43,385	27,166
Depreciation (Note 23)	10,668	11,545	11,319
Taxes and licenses	10,260	9,185	5,629
Others (Notes 28)	13,442	26,545	76,188
	<b>P583,740</b>	<b>P501,542</b>	<b>P502,003</b>

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Others include insurance, utilities and expenses related to the Company's ongoing internal projects.

## 22. Personnel Expenses

	2015	2014	2013
		<i>(In Thousands)</i>	
Salaries, wages and employee benefits	<b>₱1,550,380</b>	₱1,493,290	₱1,690,849
Retirement benefit costs (Note 27)	<b>156,321</b>	182,212	154,263
Training	<b>69,914</b>	56,701	67,301
Others	<b>555,994</b>	444,433	317,310
	<b>₱2,332,609</b>	₱2,176,636	₱2,229,723

## 23. Depreciation, Amortization, Depletion and Impairment

	2015	2014	2013
		<i>(In Thousands)</i>	
Property, plant and equipment (Note 10):			
Cost of sales (Note 19)	<b>₱1,427,960</b>	₱1,333,520	₱1,379,779
General and administrative expenses (Note 20)	<b>396,653</b>	59,336	66,346
Selling expenses (Note 21)	<b>10,668</b>	11,545	11,319
	<b>1,835,281</b>	1,404,401	1,457,444
Intangible assets (Note 11):			
Cost of sales (Note 19)	<b>55,330</b>	18,203	18,203
	<b>₱1,890,611</b>	₱1,422,604	₱1,475,647

## 24. Interest and Financing Charges and Others - Net

Details of interest and financing charges are as follows:

	2015	2014	2013
		<i>(In Thousands)</i>	
Interest and amortization of debt issue costs on:			
Notes payable (Notes 13 and 25)	<b>₱34,092</b>	₱41,929	₱3,484
Long-term debt	<b>42,092</b>	-	-
Accretion of provision for site restoration cost and others (Note 17)	<b>2,568</b>	1,741	1,615
	<b>₱78,752</b>	₱43,670	₱5,099

In 2015, HMDC obtained a five-year unsecured Philippine peso-denominated term loan from various local banks totaling ₱4.8 billion, exclusive of debt issuance costs. The loan is equally divided into two, having fixed and variable interest rates. This loan was part of the deconsolidated net assets of HMDC and its subsidiaries before yearend (see Note 9).

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Details of Others - net are as follows:

	2015	2014	2013
		<i>(In Thousands)</i>	
Gain (loss) on sale of properties - net	P107,810	P12,305	(P31,386)
By products and other revenue (Note 25)	57,778	89,378	142,594
Gain on sale of investment in joint venture	-	-	150,297
Others	(10,959)	3,486	(11,046)
	<b>P154,629</b>	<b>P105,169</b>	<b>P250,459</b>

*Gain on Sale of a Joint Venture*

In 2012, the Company had a 50% interest in Trans-Asia Power Generation Corporation (TA Power) under a joint venture agreement with Trans-Asia Oil and Energy Development Corporation (TA Oil). TA Power operates and maintains a 52-megawatt power generation plant, including related facilities, machinery and equipment in Norzagaray, Bulacan.

On January 1, 2013, the Company and TA Oil entered into a Share Purchase Agreement for the sale of the Company's interest in TA Power for P475.5 million. Proceeds from the sale were collected on January 3, 2013. Total gain on sale amounted to P150.3 million.

*Gain on Sale of Intellectual Property Rights*

In January 2015, HPBSCI sold all of its intellectual property and property and equipment to HEAB, a related party, for a total consideration of P171.6 million (see Note 25). Gain on such sale amounted to P137.1 million, presented as part of "Gain (loss) on sale of properties - net".

**25. 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 Company has transactions with the following related parties:

Parent:

- Clinco
- Cemco Holdings, Inc. (Cemco), a subsidiary of Clinco
- Union Cement Holdings Corporation (UCHC), a subsidiary of Cemco

Subsidiaries of Holcim Ltd. (through Holderfin B.V.), a stockholder of HPI:

- Holcim Trading Pte. Ltd., Singapore (Holcim Trading)
- Holcim Services (Asia) Ltd., Thailand (HSEA)
- Holcim Technology and Services (HTSX)
- Holcim Technology (Singapore) Pte. Ltd. (HTPL)
- Holcim East Asia Business Service Centre B.V (HEAB)
- Other Holcim Group affiliates



Associate of HPI, and its subsidiaries as of December 31, 2015:

- HMDC
- HRDC
- LHAI
- SMC
- APC
- QLI
- LORVI

The following table summarizes the related party transactions and outstanding balances as of and for the years ended December 31, 2015 and 2014:

Related Parties	Nature	2015		2014		Terms and Conditions
		Transactions during the Year	Outstanding Receivable (Payable)	Transactions during the Year	Outstanding Receivable (Payable)	
<i>(In Thousands)</i>						
<b>Parent</b>						
UCHC	Short-term loans	₱-	₱-	₱1,500,000	(₱1,000,000)	Interest-bearing, unsecured
	Interest expense	40,288	-	17,759	-	Unsecured
	Payment of expenses	-	(5,413)	5,497	(5,413)	Noninterest-bearing, unsecured
Cemco	Payment of expenses	254	(5,392)	5,156	(5,138)	Noninterest-bearing, unsecured
	Advances	-	-	3,775	-	Unsecured, not impaired
Clinco	Payment of expenses	1	28	25	27	Noninterest-bearing, unsecured, not impaired
<b>Under common shareholder</b>						
HSEA	Purchases and/or expense	98	-	241,909	(123,316)	Noninterest-bearing, unsecured
	Revenue	-	-	12,196	-	Noninterest-bearing, unsecured
HTSX	Purchases and/or expense	2,047,621	(425,242)	1,437,128	(274,094)	Noninterest-bearing, unsecured
	Advances	-	-	9,492	-	Noninterest-bearing, unsecured
Holcim Trading	Purchases and/or expense	458,612	(328,324)	300,421	(230,490)	Noninterest-bearing, unsecured
HTPL	Purchases and/or expense	36,376	(8,271)	62,760	(62,760)	Noninterest-bearing, unsecured
HEAB	Service Contract	537,056	(110,739)	-	-	Noninterest-bearing, unsecured
	Sale of assets	188,682	213,862	-	-	Noninterest-bearing, unsecured, not impaired
	Transfer of liability	2,683	(2,683)	-	-	Noninterest-bearing, unsecured
	Purchases and/or expense	68	125	-	-	Noninterest-bearing, unsecured
	Advances	-	-	67,650	67,650	Noninterest-bearing, unsecured, not impaired
	Revenue	-	-	3,225	-	Noninterest-bearing, unsecured, not impaired
Other Holcim Group Affiliates	Purchases and/or expense	(41,700)	702	12,094	(8,225)	Noninterest-bearing, unsecured
	Advances	-	-	5,466	8,062	Noninterest-bearing, unsecured, not impaired
<b>Associates</b>						
HMDC	Short-term loans	280,000	-	-	-	Interest-bearing, unsecured, not impaired
	Interest on loan	5,809	797	-	-	Unsecured, not impaired
	Sale and transfer of assets	475,752	322,366	-	-	Noninterest-bearing, unsecured, not impaired

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Related Parties	Nature	2015		2014		Terms and Conditions
		Transactions during the Year	Outstanding Receivable (Payable)	Transactions during the Year	Outstanding Receivable (Payable)	
	Expenses for various charges	₱3,727	₱2,393	₱-	₱-	Noninterest-bearing, unsecured, not impaired
	Service contract	42,082	(42,082)	-	-	Noninterest-bearing, unsecured
	Lease of land	51,486	(51,486)	-	-	Noninterest-bearing, unsecured, not impaired
	Additional investment	203,750	-	-	-	Noninterest-bearing, unsecured, not impaired
	Dividends	267,813	267,813	-	-	Noninterest-bearing, unsecured, not impaired
HRDC	Expenses from various charges	8	12,891	-	-	Noninterest-bearing, unsecured, not impaired
	Lease of land	2,498	(208)	-	-	Noninterest-bearing, unsecured
LHAI	Expenses from various charges	12,257	12,257	-	-	Noninterest-bearing, unsecured, not impaired
APC	Expenses from various charges	780	780	-	-	Noninterest-bearing, unsecured, not impaired
	Short-term loan	52,204	52,204	-	-	Noninterest-bearing, unsecured, not impaired
QLI	Expenses from various charges	207	207	-	-	Noninterest-bearing, unsecured, not impaired
	Short-term loan	77,314	77,314	-	-	Noninterest-bearing, unsecured, not impaired
SCMC	Expenses from various charges	201	201	-	-	Noninterest-bearing, unsecured, not impaired
	Short-term loan	666	666	-	-	Noninterest-bearing, unsecured, not impaired
LORVI	Expenses from various charges	13	13	-	-	Noninterest-bearing, unsecured, not impaired
	Foreshore lease	20,400	(20,400)	-	-	Noninterest-bearing, unsecured

Parent

- a. The Company grants non-interest bearing advances to Cemco and Clinco for working capital requirements.
- b. The Company availed of various short-term loans from UHC in 2014, but none in 2015. The applicable interest of the loans is equal to the prevailing interest rate using PDST-F rate for one month plus 1%. The short-term loans are for a period of one year (see Note 13).

Entities under common shareholder

- a. *HEAB*. The Company and HPBSCI sold various assets to HEAB as part of building the regional shared service center for Asia Pacific region for a lump sum of ₱171.6 million, all of which are still outstanding as of December 31, 2015. The ROHQ assumed the retirement benefit liability of HPBSCI amounting to ₱2.7 million as of December 31, 2014 from which a corresponding liability was recognized by the Company.

On January 1, 2015, the Company entered into a service contract with HEAB for business process outsourcing and other information technology enabled services.

Advances to HEAB in 2014 pertain to project cost and expenses paid by HPI and HPBSCI in behalf of HEAB.

- b. *HTSX*. Effective January 1, 2013, a new contract with HTSX 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.

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The IFF shall cover all intellectual properties and value-adding solutions derived by the Company. IFF is an annual charge payable quarterly and is based on fair assessment of economic value of intellectual properties and value adding solutions. This new agreement is separate from the existing agreement with HSEA for information technology related service.

HTSX also renders managerial and project support services to the Company.

Total expenses incurred in 2015 and 2014 amounted to ₱2.0 billion and ₱1.4 billion (see Note 19).

- c. *Holcim Trading.* The Company imports clinker and raw materials, such as gypsum and granulated blast furnace slag.
- d. *HTPL.* On January 1, 2014, the Company entered into a service agreement with HTPL, 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. No services were rendered by HTPL in 2015.
- e. *HSEA.* The Company's network server and information technology database is handled by the information technology services group of HSEA and provides the necessary training assistance to employees. Expenses for services provided are mostly shown as part of "Software implementation costs" and "Outside services" accounts in the "General and administrative expenses" (see Note 20). Other income amounting to ₱12.2 million in 2014, represent manpower services provided by the Company to HSEA (see Note 24).

As of January 1, 2015, HEABS took over the operations of HSEA.

Also, in 2015, the Company reimbursed HSEA for various expenses paid by HSEA in behalf of the Company.

- f. *Other Holcim Group Affiliates.* The Company'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.

Associate - HMDC

- a. For 2015, the Company has an existing service agreement with HMDC for the quarry operations. wherein HMDC provides quarry and related services for a fee plus operating costs charged back to the Company.
- b. Various land assets with total book value of ₱475.8 million was sold to HMDC in 2015. The Company also leases various assets from HMDC, HRDC and LORVI through operating lease agreements.
- c. The Company granted a short-term loan to HMDC, bearing interest ranging from 2.0% to 3.0% per annum, and non-interest bearing advances to APC, QLI and SCMC for settlement of their respective liabilities.
- d. The Company grants non-interest bearing advances to HMDC, HRDC, LORVI and LHAI for working capital requirements.

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- e. In 2015, the Company increased its investment in HMDC to meet the new capital requirements of HMDC as approved by the Philippine SEC. The increase in investment amounted to ₱203.6 million.

In addition, the Company also transferred mining rights (and the related provision for site restoration costs) in 2015 amounting to ₱73.7 million after obtaining the approval from the related regulatory agency. The mining rights were part of the assets assigned by the Company in 2013 as part of the Company's subscription in the 2013 increase in capital stock of HMDC.

- f. In 2015, HMDC declared 10% dividends for its Class A and Class B preferred shares, and ₱11.75 per share dividend for its Common A and Common B shares. This remains as outstanding receivable as of December 31, 2015, with total amount of ₱267.8 million.
- g. Net receivable from HMDC amounting to ₱499.8 million was presented as Due from related parties under Trade and Other Receivables – net (Note 5).

#### Retirement Benefit Funds

- a. As of December 31, 2015 and 2014, HPI's defined benefit retirement fund has investments in HPI's shares with a cost of ₱3.4 million and ₱6.7 million, respectively. The retirement benefit fund's total losses arising from the changes in market prices amounted to ₱1.2 million in 2015, while total gain amounted to ₱23.1 million in 2014 and ₱18.6 million in 2013.
- b. HPMC's retirement benefit fund has investments in shares of stock of Clinco. As of December 31, 2015 and 2014, the Fund has a total subscription of ₱40.0 million in Clinco's common shares while its total subscription payable amounted to ₱29.6 million.
- c. As of December 31, 2015, HPI's defined benefit retirement fund has investments in HMDC's shares with a cost of ₱131.3 million representing 60% of the total ownership (see Note 9).

All of the funds' investing decisions are made by the Board of Trustees, the composition of which includes certain officers of HPI. 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, 2015 and 2014, the Company 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 balance sheets.

Key Management Personnel

The following are the details of the compensation of key management personnel:

	2015	2014	2013
	<i>(In Thousands)</i>		
Short-term employee benefits	<b>₱179,455</b>	₱184,083	₱158,933
Retirement benefits cost	<b>21,312</b>	41,533	59,590
	<b>₱200,767</b>	<b>₱225,616</b>	<b>₱218,523</b>

**26. Income Tax**

The provision for current income tax in 2015 and 2014 follows:

	2015		2014		2013	
	RCIT	MCIT	RCIT	MCIT	RCIT	MCIT
	<i>(In Thousands)</i>					
Parent Company	<b>₱2,733,360</b>	<b>₱-</b>	₱2,036,680	<b>₱-</b>	₱1,759,228	<b>₱-</b>
HPMC	<b>158,358</b>	-	95,127	-	78,756	-
Mabini	<b>25,250</b>	-	25,203	-	20,267	-
HPBSCI	<b>24,677</b>	-	4,916	-	-	-
Bulkcem	<b>7,088</b>	-	1,031	-	-	8
LHAI	-	<b>65,842</b>	-	-	-	-
HMDC	-	<b>1,661</b>	-	332	-	7
HRDC	-	<b>264</b>	-	45	-	26
	<b>₱2,948,733</b>	<b>₱67,767</b>	<b>₱2,162,957</b>	<b>₱377</b>	<b>₱1,858,251</b>	<b>₱41</b>

The reconciliation between the statutory and effective income tax of the Company is as follows:

	2015	2014	2013
	<i>(In Thousands)</i>		
Income before income tax	<b>₱10,365,685</b>	₱7,299,226	₱6,402,864
Income tax at statutory income tax rate	<b>₱3,109,705</b>	₱2,189,768	₱1,920,859
Change in unrecognized deferred income tax assets	<b>(14,514)</b>	(1,371)	23,056
Income tax effects of:			
Nontaxable gain on remeasurement of retained equity in HMDC	<b>(790,265)</b>	-	-
Difference between tax base and book value of deconsolidated subsidiaries	<b>(672,841)</b>	-	-
Excess of fair market value over selling price of land	<b>663,940</b>	-	-
Use of OSD	<b>(103,066)</b>	(50,171)	(37,057)
Nondeductible expenses	<b>26,029</b>	17,802	2,459
Interest and other income subjected to lower tax rates	<b>(4,479)</b>	(4,025)	(50,407)
Income not subject to income tax	-	-	(903)
Others	<b>1,608</b>	720	(14,503)
Income tax at effective tax rate	<b>₱2,216,117</b>	<b>₱2,152,723</b>	<b>₱1,843,504</b>

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The components of the Company's net deferred income tax assets as at December 31, 2015 and 2014 are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Deferred income tax assets		
Retirement benefit liability	<b>₱165,611</b>	<b>₱174,877</b>
Allowances for:		
Impairment losses on property, plant and equipment	<b>111,016</b>	47,175
Decline in value of inventories	<b>94,379</b>	58,921
Doubtful accounts	<b>74,408</b>	45,383
Provision for bonus accrual	<b>47,122</b>	61,017
Accrued expenses	<b>29,641</b>	59,402
Unamortized past service costs	<b>19,419</b>	25,857
Provision for site restoration costs	<b>16,700</b>	38,031
Unamortized deferred charges	<b>4,737</b>	7,050
Unrealized foreign exchange losses	-	2,863
NOLCO, excess MCIT and others	<b>32,678</b>	23,673
	<b>595,711</b>	544,249
Deferred income tax liabilities		
Capitalized cost of property, plant and equipment from insurance proceeds	<b>177,661</b>	145,324
Unamortized amount of capitalized land site restoration costs	<b>44,923</b>	76,286
Unrealized foreign exchange gain	<b>6,490</b>	-
Undepreciated capitalized borrowing costs and others	<b>1,524</b>	51,610
	<b>230,598</b>	273,220
Net deferred income tax assets	<b>₱365,113</b>	<b>₱271,029</b>

The net deferred income tax liabilities of ₱3.6 million and ₱0.7 million as of December 31, 2015 and 2014, respectively, pertains to the unrealized foreign exchange gain and the revaluation increment of property, plant and equipment at deemed cost.

Deferred income taxes for temporary differences for Bulkcem, HPMC, HPBSCI, and Mabini 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.

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:

	2015	2014
	<i>(In Thousands)</i>	
Carryforward benefits of:		
NOLCO	<b>₱32,685</b>	<b>₱44,508</b>
MCIT	-	163
Allowances for doubtful accounts	<b>472</b>	13,060
Unrecognized deferred income tax assets	<b>₱9,947</b>	<b>₱17,433</b>

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The following NOLCO can be claimed as deduction against future taxable income:

Date Incurred	Expiry Date	NOLCO
		<i>(In Thousands)</i>
December 31, 2015	December 31, 2018	₱43,127
December 31, 2014	December 31, 2017	16,101
December 31, 2013	December 31, 2016	30,970
		<b>₱90,198</b>

NOLCO incurred by ECLI in 2012 amounting to ₱0.2 million and MCIT of CACI amounting to ₱0.1 million expired in 2015.

## 27. Retirement Benefit Costs

### Defined Benefit Retirement Plans

HPI 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.

ECLI and HSSI, on the other hand, provide retirement benefits in accordance with Republic Act 7641, "Retirement Pay Law". Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Company also provides additional post employment healthcare benefits to certain senior employees in the Philippines. These benefits are unfunded.

Effective March 16, 2014, HPBSCI accrued retirement benefits for all its regular employees determined based on 85% of the member's salary as defined every month. As discussed in Note 2, the HPBSCI's defined contribution plan is accounted for as a retirement obligation with minimum guarantee. The retirement benefits costs were determined by a qualified independent actuary using the projected unit credit method. Retirement benefits costs and outstanding liability on HPBSCI's defined contribution plan amounted to ₱2.7 million as of December 31, 2014.

The following tables summarize the components of retirement benefit costs, the unfunded status and the amounts recognized as retirement benefit liability of the Company:

Details of retirement benefit costs are as follows:

	2015	2014	2013
		<i>(In Thousands)</i>	
Current service cost	<b>₱104,989</b>	₱93,506	₱82,096
Net interest cost	<b>25,724</b>	21,555	18,298
Curtailement gain	<b>(8,071)</b>	—	(10,597)
Retirement benefit costs recognized in profit or loss	<b>122,642</b>	115,061	89,797
Remeasurements recognized in OCI	<b>(56,300)</b>	19,396	113,744
Retirement benefit costs	<b>₱66,342</b>	₱134,457	₱203,541

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Remeasurement gain (loss) on retirement benefits consists of:

	2015	2014	2013
	<i>(In Thousands)</i>		
Actuarial gain (loss) arising from:			
Changes in assumptions	P59,736	(P26,120)	(P144,660)
Experience adjustments	51,244	12,764	45,741
	110,980	(13,356)	(98,919)
Loss on plan assets*	(54,680)	(6,040)	(14,825)
	P56,300	(P19,396)	(P113,744)

\* Excluding amounts recognized in net interest cost.

The reconciliation of benefit liability recognized in the balance sheets follows:

	2015	2014
	<i>(In Thousands)</i>	
Present value of benefit obligation	P1,119,561	P1,297,527
Fair value of plan assets	(566,124)	(714,603)
Balance at end of year	P553,437	P582,924

The breakdown of the retirement plan liability per entity follows:

	2015	2014
	<i>(In Thousands)</i>	
HPI	P414,016	P330,621
HPMC	137,063	247,914
ECLI	2,178	1,524
HSSI	180	57
HMDC	-	125
HPBSCI	-	2,683
	P553,437	P582,924

Movements in the retirement benefits liability are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Balance at beginning of year	P582,924	P497,373
Retirement benefit costs	122,642	115,061
Contributions	(121,440)	(48,906)
Remeasurement loss (gain) recognized in OCI	(56,300)	19,396
Transfer	(2,682)	-
Effect of deconsolidation (Note 9)	28,293	-
Balance at end of year	P553,437	P582,924

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The changes in the present value of defined benefit obligation are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Balance at beginning of year	₱1,297,527	₱1,261,204
Actuarial losses (gains)	(110,980)	13,356
Interest cost	58,354	56,940
Current service cost	104,989	93,506
Transfer	(2,682)	-
Curtailement gain	(8,071)	-
Benefits paid	(54,522)	(127,479)
Settlements	(155,175)	-
Effect of deconsolidation (Note 9)	(9,879)	-
<b>Balance at end of year</b>	<b>₱1,119,561</b>	<b>₱1,297,527</b>

The changes in the fair value of plan assets are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Balance at beginning of year	₱714,603	₱763,831
Contributions	121,440	48,906
Loss on plan assets*	(54,680)	(6,040)
Interest income on plan assets	32,630	35,385
Benefits paid	(54,522)	(127,479)
Settlements	(155,175)	-
Effect of deconsolidation (Note 9)	(38,172)	-
<b>Balance at end of year</b>	<b>₱566,124</b>	<b>₱714,603</b>
<b>Actual return (loss) on plan assets</b>	<b>(₱22,050)</b>	<b>₱29,345</b>

\*Excluding amounts recognized in net interest cost.

The funds are administered by a trustee bank under the supervision of the duly Authorized Person or Trustee of the Plans. 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 Plans' 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 funds shall reside in and be the sole responsibility of the Trustee.

The Plans' assets and investments consist of the following:

- Cash and cash equivalents, which includes regular savings and time deposits;
- Investments in government securities, which include retail treasury bonds and fixed rate treasury notes that bear interest ranging from 3.1% to 11.9% and have maturities from October 2016 to October 2037;
- Investments in corporate debt instruments, consisting of both short-term and long-term corporate notes and land bonds, which bear interest ranging from 5.8% to 8.8% and have maturities from October 2016 to January 2024; and
- Investments in equity securities; which consist of listed and actively traded securities of companies in various industries as disclosed below.

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The percentages of fair value of total plan assets are as follows:

	2015		2014	
	HPI	HPMC	HPI	HPMC
Cash and receivables	4.2%	0.0%	0.0%	0.8%
Investments in debt securities:				
Government securities	4.0%	43.8%	41.3%	52.5%
Corporate debt securities	21.0%	20.8%	10.9%	19.1%
	25.0%	64.6%	52.2%	71.6%
Investment in equity securities				
Construction, infrastructure, property and mining	34.4%	12.5%	14.4%	7.8%
Holding firms	10.6%	7.9%	7.7%	6.2%
Power and utilities	13.8%	3.8%	9.8%	3.2%
Banks	4.4%	2.3%	4.6%	3.1%
Telecommunications	1.5%	2.4%	1.6%	2.1%
Others	6.1%	6.5%	9.7%	5.2%
	70.8%	35.4%	47.8%	27.6%
	100.0%	100.0%	100.0%	100.0%

The Company expects to contribute ₱80.2 million and ₱34.7 million to its defined retirement benefit pension plans in HPI and HPMC, respectively, in 2016.

The present value of defined benefit obligation, fair value of plan assets, unfunded and funded status and experience adjustments arising from plan assets and liabilities for the current period and the previous four annual periods are as follows:

	2015	2014	2013	2012	2011
	<i>(In Thousands)</i>				
Present value of defined benefit obligation	₱1,119,561	₱1,297,527	₱1,261,204	₱1,119,716	₱974,984
Fair value of plan assets	(566,124)	(714,603)	(763,831)	(757,417)	(747,256)
Unfunded status	553,437	582,924	497,373	362,299	227,728
Experience adjustments - gain (loss):					
Plan assets	(54,680)	(6,040)	(14,825)	49,453	(3,380)
Plan liabilities	51,244	12,764	45,741	(3,757)	(20,894)

The principal assumptions used in determining the retirement benefit liability of the Company as at December 31 are as follows:

	2015	2014	2013
Discount rates	4.4% - 5.0%	4.5% - 5.0%	4.5% - 5.0%
Future salary rate increases	4.8%	5.6%	5.5%

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The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2015					
		Effect on defined benefit obligation					
		HPI	HPMC	ECLI	HSSI	HPBSCI	
<i>(In Thousands)</i>							
Discount rate							
Sensitivity 1	1%	(P71,104)	(P11,691)	(P330)	(P37)	P-	
Sensitivity 2	(1%)	83,272	13,460	409	48	-	
Future salary rate increases							
Sensitivity 1	1%	82,030	13,268	403	48	-	
Sensitivity 1	(1%)	(71,435)	(11,746)	(331)	(38)	-	

	Increase (decrease)	2014					
		Effect on defined benefit obligation					
		HPI	HPMC	ECLI	HSSI	HPBSCI	HMDC
<i>(In Thousands)</i>							
Discount rate							
Sensitivity 1	1%	(P76,964)	(P37,410)	(P252)	(P12)	(P544)	(P13)
Sensitivity 2	(1%)	90,576	42,742	317	16	710	15
Future salary rate increases							
Sensitivity 1	1%	87,494	41,212	311	16	698	12
Sensitivity 1	(1%)	(75,937)	(36,798)	(253)	(12)	(546)	(13)

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 Company 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 tables below show the maturity analysis of the undiscounted benefit payments as of December 31:

	2015				
	HPI	HPMC	ECLI	HSSI	
<i>(In Thousands)</i>					
Within one year	P58,635	P14,113	P-	P180	
More than one year to five years	258,429	75,770	170	-	
More than five years	389,202	175,085	1,437	-	

	2014				
	HPI	HPMC	ECLI	HPBSCI	HMDC
<i>(In Thousands)</i>					
Within one year	P51,254	P11,286	P-	P13	P-
More than one year to five years	244,155	120,867	-	952	-
More than five years	439,705	224,025	2,231	7,795	2,204

#### Defined Contribution Retirement Plan

HPI has a defined contribution plan wherein the obligation is limited to the specified contribution in the defined contribution plan. Total retirement benefits cost related to the defined contribution plans amounted to P33.7 million, P67.2 million and P64.5 million for the years ended December 31, 2015, 2014 and 2013, respectively.

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Total consolidated retirement benefit costs recognized in the consolidated statements of income are as follows:

	2015	2014	2013
	<i>(In Thousands)</i>		
Expense recognized for:			
Defined benefit plans	P122,642	P115,061	P89,797
Defined contribution plan	33,679	67,151	64,466
<b>Retirement benefit costs</b>	<b>P156,321</b>	<b>P182,212</b>	<b>P154,263</b>

## 28. Commitments and Contingencies

### a. Leases

The Company has a number of lease agreements covering office spaces, warehouses, bulk terminals and various equipment that are accounted for as operating lease with periods ranging from one year to 11 years. Majority of the lease agreements for office spaces have rent escalations wherein monthly rent increases over the lease terms, and provide for renewal option under negotiated terms and conditions upon expiration. The Company records rental expense on a straight-line basis over the base, noncancellable lease terms. Any difference between the calculated expense and amount actually paid is recognized either as prepaid or accrued rent. Prepaid or accrued rent is reflected as current or noncurrent asset and liability, respectively, depending on its expected reversal date. Security deposits made will be applied against future lease payments in accordance with the respective lease agreements (see Note 12). Operating lease expense recognized in the consolidated statements of income amounted to P99.9 million, P108.9 million and P104.3 million in 2015, 2014 and 2013, respectively (see Notes 19, 20 and 21).

Future minimum lease payable under non-cancellable operating leases as at December 31, 2015 and 2014 are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Within one year	P60,942	P60,942
After one year but not more than five years	125,341	175,684
More than five years	-	10,599
	<b>P186,283</b>	<b>P247,225</b>

### b. Supply Agreement with Lafarge

On April 11, 2014, the Company entered into a four-year cement supply agreement with Lafarge Republic, Inc. to deliver the Type IP cement at an annual volume of 300,000 metric tons. The said product must comply with the Philippine National Standards (PNS) 63:2006 Standards and shall be processed at the Company's plant in Mabini, Batangas. The agreement commenced on October 1, 2014. The sales related to this contract are recognized as part of the Company's revenues in 2015 and 2014.

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c. Contract with National Power Corporation (NPC)

i) For Barrio Ilang, Davao City Plant

On September 26, 2008, the Company renewed its contract with NPC for the supply of electricity to the Barrio Ilang, Davao City cement manufacturing facility for a period of five years from September 26, 2008 to September 25, 2013. Charges and adjustments from January 1 to September 25, 2013 are as follows:

(a) Basic Energy Charge

The tariff on electricity based on TOU rates as approved by the Energy Regulatory Commission (ERC) and in accordance with the provisions of the contract shall be the bases of the basic charges and other billing adjustments. This will be applied to the contracted monthly energy levels on a take-or-pay arrangement. For consumption higher than one hundred twenty percent (120%) of the contracted level, the basic energy charge to be applied shall be the prevailing ERC approved rate and other adjustments plus twenty percent (20%) of such rate for the incremental increase beyond the 120% of the contract energy.

- (b) A minimum charge based on the contract energy per billing period shall be paid using the aforementioned basic energy charge subject to deductions and adjustments as provided in the Contract.

Effective September 26, 2013, Davao plant became a "captive customer" of Davao Light and Power Company, 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.

ii) For Lugait, Misamis Oriental Plant

HPI had an agreement with NPC from 2007 to 2013 for the supply of electricity at the Lugait, Misamis Oriental cement manufacturing facility. Charges and adjustments are the same as that of Davao City Plant. Upon expiration of the agreement in November 2012, Misamis I Oriental Electric Cooperative (Moresco I) took over the power supply pursuant to Energy Regulatory Commission Resolution No. 27, series of 2010.

Since grid supply in Mindanao is currently deficient resulting from El Nino, reduced hydro capacities, privatization of NPC assets, new coal-fired power plants coming on-line in 2016, back-up power supply from private generators for Davao and Lugait has been put in place to augment power supply during curtailment periods.

The related expense under this contract is recognized as part of "Power and fuel" account in the Cost of Sales (see Note 19).

d. Lawsuits

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 assessment of management and the opinion of the Company's external legal counsels, the resolution of such cases will not result to any significant liability.

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The disclosure of additional details beyond the present disclosures may seriously prejudice the Company's position and negotiating strategy. Thus, as allowed by PAS 37, "Provisions, Contingent Liabilities and Contingent Assets", only general descriptions were provided.

e. Supply Agreement with Philippine Phosphate Fertilizer Corporation (Philphos)

On April 22, 2008, the Company entered into an agreement with Philphos for the supply of lime-treated phosphor gypsum for a period of five years. Under the agreement, the minimum volume the Company committed to purchase is 90,000 metric tons at a fixed price. The Company paid cash deposit of ₱96.8 million to be applied as payment of material on the fifth year of the agreement.

On April 23, 2013, the supply agreement was renewed for another five-year period. As of December 31, 2014, the amount was reclassified to "Other current assets - Advances to suppliers" as this was due for application against the 2015 deliveries (see Note 7). As the entire amount was not fully applied in 2015, the Company continues to classify the deposit as current as it is anticipated that the remaining amount will be applied in 2016.

f. Supply Agreements with Pozzolanic Philippines, Inc. (PPI)

On August 22, 2012, the Company entered into various agreements with PPI for the supply of fly and bottom ash to the Bulacan, Calaca and ready-mix (RMX) plants with a term of 15 years reckoned from May 1, 2012. Details and terms of the supply agreements are as follows:

i) Bulacan and Calaca

The separate supply agreements for Bulacan and Calaca plants require PPI to deliver fly ash at agreed specifications, volumes and price for a period of five years to be sourced from its power plants in Batangas, Pangasinan and Quezon Province, where PPI has an exclusive purchase agreement. In addition, PPI shall deliver bottom ash to the Company's cement plants free of charge.

ii) RMX

PPI shall supply fly ash with agreed specifications based on the annual volume requirement of the Company for 15 years. Delivery schedules shall be agreed by PPI and the Company and shall be made to the batching plants in Taguig and Bicutan.

The related expense under this contract is recognized as part of "Raw, packaging and production materials" account in the Cost of Sales (see Note 19).

g. Electricity Supply Agreement (ESA)

On August 12, 2011, a 15-year ESA was signed with TA Oil to supply both Bulacan and La Union plants. This supply agreement will commence in 2014. Source will be coming from the 135 MW Puting Bato coal-fired power plant in Calaca, Batangas owned by South Luzon Thermal Energy Corporation, a joint venture company of TA Oil and Ayala Corporation's AC Energy Holdings. Included in the agreement is the provision of back-up supply from the diesel power plants in Bulacan (TA Power) and in Bacnotan (CIP II/TA Oil). In essence, power supply for the Company's Bulacan and La Union Plants is assured over a long-term period without the uncertainties of how the Luzon grid supply situation will move. Electricity fee is structured according to Time of Use (TOU) rate with provisions to rate increases based

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on fuel purchased for the power plant. Mabini Grinding plant, being a "Contestable Customer" signed a 10-year Power Supply Agreement with TA Oil which started last June 26, 2014. The related expense under this contract is recognized as part of "Power and Fuel" account in the Cost of Sales (see Note 19).

h. Sales Agreement with Petron Corporation (Petron) and SL Harbor

On July 1, 2010, the Company entered into a five-year agreement for the supply of industrial fuel oil (IFO), automotive diesel oil (ADO) and/or industrial diesel oil (IDO) with Petron, effective from July 1, 2010 to June 30, 2015. Delivered quantities are based on the Company's estimated monthly consumption of 1 million liters for IFO and 0.7 million liters for ADO/IDO. The Agreement with Petron was extended until October 31, 2015. The supply of bunker and diesel has been awarded to SL Harbor and Petron, respectively, and valid from November 1, 2015 until October 31, 2017. The related expense under this contract is recognized as part of "Power and Fuel" account in the Cost of Sales (see Note 19).

i. Quarry Outsourcing Agreements with ANSECA

The quarry outsourcing agreements with ANSECA for La Union, Davao, Bulacan and Lugait plants have terms and duration of 10 to 11 years. The minimum volume requirement per plant varies from 0.90 million to 1.70 million metric tons per annum. The related expense under this contract is recognized as part of "Outside services" account in the Cost of Sales (see Note 19).

j. Coal Supply Contracts

The Company has contracts with two Indocoal suppliers, with a three-year term commencing on January 1, 2010. Only the coal supply contract for one Indocoal supplier (PT Asia Pacific Mining Resources) was extended until December 2014. The Company also entered into a five-year contract with a local coal supplier, Semirara Mining Corporation, effective January 1, 2010 until December 31, 2014. Negotiations were concluded for a one-year fixed price contract with Semirara for 2015.

As at December 31, 2015 and 2014, the Company was able to comply with the minimum provisions of the coal supply contracts. The related expense under this contract is recognized as part of "Power and fuel" account in the Cost of Sales (see Note 19).

k. Others

There are contingent liabilities for tax assessments occurring in the ordinary course of business. On the basis of information furnished by the Company's legal counsels, management believes that none of these contingencies will materially affect the Company's financial position and financial performance.

## 29. Earnings Per Common Share (EPS)

Basic/diluted EPS is computed as follows:

	2015	2014	2013
	<i>(In Thousands, Except Per Share Amounts)</i>		
Consolidated net income for the year attributable to common equity holders of the Parent Company	<b>₱8,148,071</b>	₱5,145,178	₱4,558,592
Weighted average number of common shares - Issued and outstanding	<b>6,452,099</b>	6,452,099	6,452,099
Basic/diluted EPS of net income attributable to equity holders of the Parent Company	<b>₱1.26</b>	₱0.80	₱0.71

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 of 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.

The increase in the EPS is due to the gain on remeasurement for the retained equity in HMDC (see Note 9). Without the gain, basic/diluted EPS of net income attributable to equity holders of the Parent Company would amount to ₱0.85.

There are no dilutive financial instruments in 2015, 2014 and 2013, hence, diluted EPS is the same as basic EPS.

## 30. Environmental and Regulatory Matters

### a. Executive Order (EO) 79

On July 6, 2012, the Philippine Government issued EO 79, *Institutionalizing and Implementing Reforms in the Philippine Mining Sector, Providing Policies and Guidelines to Ensure Environmental Protection and Responsible Mining in the Utilization of Mineral Resources*, also known as the Revised Mining Act. EO 79 provides for the following, among others:

- restriction on applications of mineral contracts and agreements in critical areas and pending new legislation;
- review of performance of existing mining operations and cleansing of non-moving mining rights holders;
- review of existing mining contracts and agreements for possible renegotiation of terms and conditions;
- establishment of mineral reservations and opening of areas for mining through competitive public bidding;
- disposition of abandoned ores and valuable metals in mine wastes and mill tailings; and,
- creation of the Mining Industry Coordinating Council with powers and functions granted by this EO.

On October 8, 2012, the DENR published Administrative Order No. 2012-07-A containing guidance for the implementation of EO 79.

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Management assessed that EO 79 will not have a significant effect on the current operations of the Company. Management continuously monitors the implementation of EO 79 and its impact on the industry in general.

b. Clean Air Act

The Clean Air Act and the related IRR contain provisions that have an impact on the industry as a whole, and to the Company 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 Company's existing facilities, management believes it complies with the provisions of the Clean Air Act and the related IRR.

### 31. Segment Reporting

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

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

- clinker and cement segment, which manufactures and sells clinker and cement for both domestic and export customers; and
- other construction materials and services segment, which includes operations from the RMX business and Helps-U-Build and aggregates.

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

The Company 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, 2015 and 2014 and for each of the three years ended December 31, 2015 are presented below:

	2015				
	Clinker and Cement	Others	Total	Adjustments and Eliminations	Consolidated
	<i>(In Thousands)</i>				
Revenue:					
External customers	₱35,562,583	₱1,963,472	₱37,526,055	₱-	₱37,526,055
Inter-segment	1,237,827	44,268	1,282,095	(1,282,095)	-
	₱36,800,410	₱2,007,740	₱38,808,150	(₱1,282,095)	₱37,526,055

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2015					
	Clinker and Cement	Others	Total	Adjustments and Eliminations	Consolidated
	<i>(In Thousands)</i>				
Operating EBITDA	₱9,228,190	₱251,128	₱9,479,318	₱-	₱9,479,318
Segment assets	25,811,461	709,776	26,521,237	7,558,534	34,079,771
Segment liabilities	4,896,749	386,834	5,283,583	3,826,722	9,110,305
Results -					
Depreciation, amortization and depletion	1,786,063	104,548	1,890,611	-	1,890,611
Other disclosures -					
Construction in-progress	2,412,619	-	2,412,619	-	2,412,619
	2014				
	Clinker and Cement	Others	Total	Adjustments and Eliminations	Consolidated
	<i>(In Thousands)</i>				
Revenue:					
External customers	₱31,774,849	₱873,810	₱32,648,659	₱-	₱32,648,659
Inter-segment	464,803	-	464,803	(464,803)	-
	₱32,239,652	₱873,810	₱33,113,462	(₱464,803)	₱32,648,659
Operating EBITDA	₱8,802,920	(₱157,582)	₱8,645,338	₱-	₱8,645,338
Segment assets	27,336,850	645,201	27,982,051	2,924,635	30,906,686
Segment liabilities	6,127,731	224,748	6,352,479	2,461,331	8,813,810
Results -					
Depreciation, amortization and depletion	1,354,211	68,393	1,422,604	-	1,422,604
Other disclosures -					
Construction in-progress	2,674,532	-	2,674,532	-	2,674,532
	2013				
	Clinker and Cement	Others	Total	Adjustments and Eliminations	Consolidated
	<i>(In Thousands)</i>				
Revenue:					
External customers	₱28,195,962	₱697,407	₱28,893,369	₱-	₱28,893,369
Inter-segment	316,633	-	316,633	(316,633)	-
	28,512,595	697,407	29,210,002	(316,633)	28,893,369
Operating EBITDA	₱7,713,141	(₱107,770)	₱7,605,371	₱-	₱7,605,371
Segment assets	25,270,421	547,857	25,818,278	2,408,250	28,226,528
Segment liabilities	4,927,943	197,667	5,125,610	1,624,591	6,750,201
Results:					
Depreciation, amortization and depletion	1,412,786	62,861	1,475,647	-	1,475,647
Equity in net losses of a joint venture					
Other disclosures - Construction in progress	1,851,804	-	1,851,804	-	1,851,804

Inter-segment revenues, other than those outside the Company, 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.

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Following is the reconciliation of segment operating profit to consolidated income before income tax:

	2015	2014	2013
		<i>(In Thousands)</i>	
Operating EBITDA	P9,479,318	P8,645,338	P7,605,371
Depreciation, amortization and depletion	(1,890,611)	(1,422,604)	(1,475,647)
Interest and financing charges	(78,752)	(43,670)	(5,099)
Interest and other financial income	20,013	13,029	29,474
Foreign exchange gains (losses) - net	45,333	1,964	(1,694)
Gain on deconsolidation	2,635,755	-	-
Others - net	154,629	105,169	250,459
<b>Income before income tax</b>	<b>P10,365,685</b>	<b>P7,299,226</b>	<b>P6,402,864</b>

	December 31, 2015	December 31, 2014	
		<i>(In Thousands)</i>	
Segment assets	P26,979,306	P27,932,891	
Cash and cash equivalents	2,540,198	2,698,207	
Investments	4,195,154	4,559	
Deferred income tax assets - net	365,113	271,029	
<b>Consolidated assets</b>	<b>P34,079,771</b>	<b>P30,906,686</b>	
Segment liabilities	P5,283,583	P5,713,105	
Notes payable	999,831	2,100,105	
Trade and other payables	1,999,118	5,603,91	
Income tax payable	824,141	345,531	
Deferred income tax liability - net	3,632	653	
<b>Consolidated liabilities</b>	<b>P9,110,305</b>	<b>P8,813,810</b>	

#### Geographic Information

	2015	2014	2013
		<i>(In Thousands)</i>	
Revenues from external customers			
Local	P37,526,055	P32,623,607	P28,847,602
Export	-	25,052	45,767
<b>Total revenues</b>	<b>P37,526,055</b>	<b>P32,648,659</b>	<b>P28,893,369</b>

The Company has no revenue from transactions with a single external customer accounting for 10% or more of the consolidated revenues. All property, plant and equipment of the Company are located in the Philippines.

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**Supplementary Schedules to the  
Consolidated Financial Statements  
For the year ended  
December 31, 2015**

**HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES**

**INDEX TO SUPPLEMENTARY SCHEDULES**

**FORM 17-A**

**Supplementary Schedules**

Independent Auditors' Report on Supplementary Schedules	
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. Intangible Assets - Other Assets	
Schedule E. Long-Term Debt	N/A
Schedule F. Indebtedness to Related Parties	N/A
Schedule G. Guarantees of Securities of Other Issuers	N/A
Schedule H. Capital Stock	



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working world

Sycip Gorres Velayo & Co.  
6760 Ayala Avenue  
1226 Makati City  
Philippines

Tel: (632) 891 0307  
Fax: (632) 819 0872  
ey.com/ph

BOA/PRC Reg. No. 0001,  
December 14, 2015, valid until December 31, 2018  
SEC Accreditation No. 0012-FR-4 (Group A),  
November 10, 2015, valid until November 9, 2018

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and Board of Directors  
Holcim Philippines, Inc.  
7th Floor, 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 as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, included in this Form 17-A, and have issued our report thereon dated February 23, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Catherine E. Lopez

Partner

CPA Certificate No. 86447

SEC Accreditation No. 0468-AR-2 (Group A),  
February 14, 2013, valid until April 30, 2016

Tax Identification No. 102-085-895

BIR Accreditation No. 08-001998-65-2015,  
February 27, 2015, valid until February 26, 2018

PTR No. 5321648, January 4, 2016, Makati City

February 23, 2016



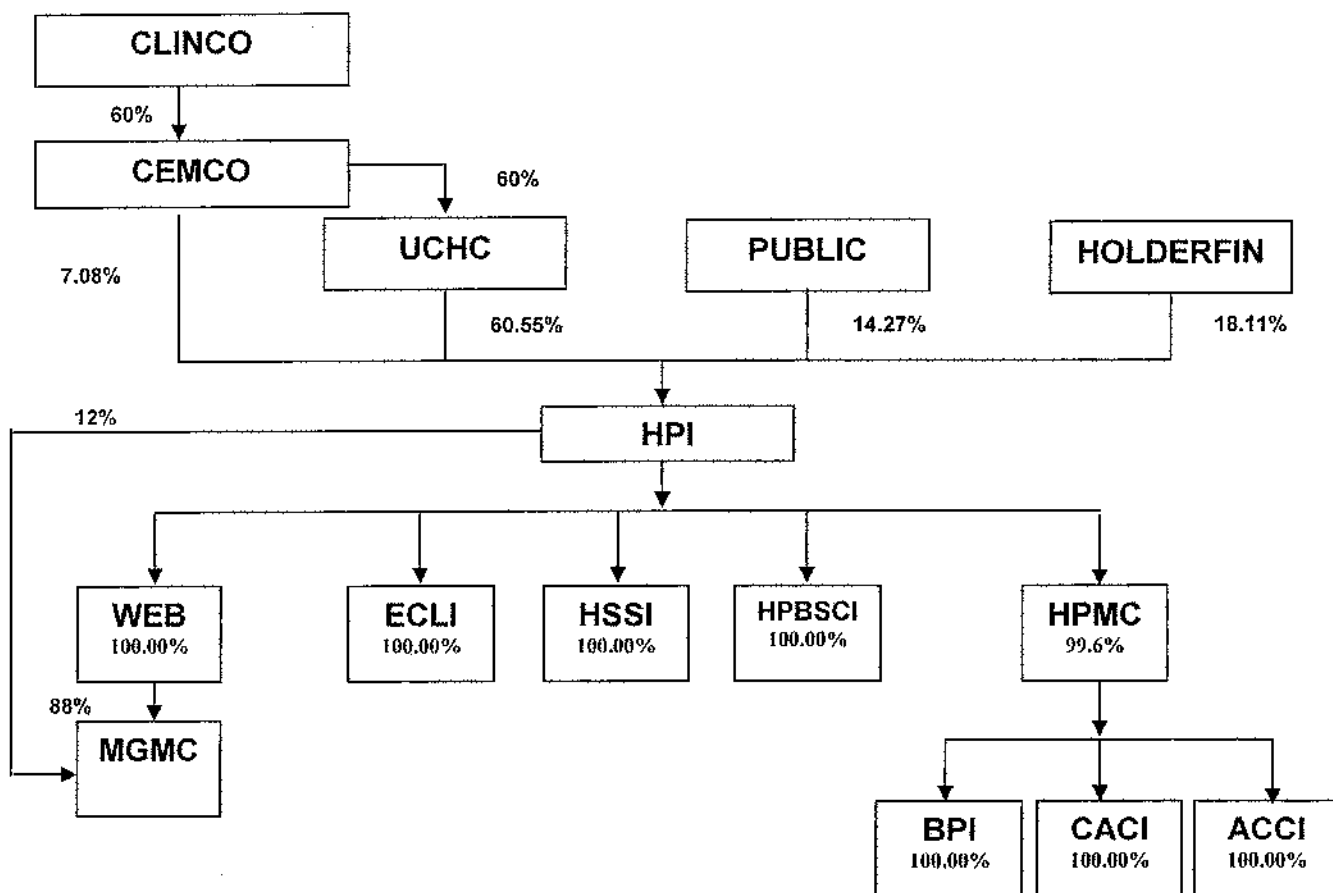
**HOLCIM PHILIPPINES, INC.****SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS****AVAILABLE FOR DIVIDEND DECLARATION****DECEMBER 31, 2015****(In Thousands)**

Unappropriated retained earnings, beginning	₱6,100,734
Adjustment for deferred income tax assets (excluding amounts recognized in OCI)	(359,609)
Unappropriated retained earnings, as adjusted, beginning	5,741,125
Net income based on the face of audited financial statements	5,277,476
Unrealized foreign exchange gain (other than cash and cash equivalents)	(21,461)
Increase in deferred income tax assets (excluding amounts recognized in OCI)	(57,232)
Net income actual/realized	5,198,783
Less dividend declaration during the year	(5,290,721)
Unappropriated retained earnings, as adjusted, ending	₱5,649,187

**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, 2015



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**  
**Philippine Financial Reporting Standards and Interpretations**  
**Effective as of December 31, 2015**

	Title	Adopted	Not Adopted	Not Applicable
	<b>Framework for the Preparation and Presentation of Financial Statements</b>	✓		
	Conceptual Framework Phase A: Objectives and qualitative characteristics			
	<b>PFRSs Practice Statement Management Commentary</b>			✓
	<b>Philippine Financial Reporting Standards</b>			
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS1: Government Loans			✓
	Amendment to PFRS 1: Borrowing Costs			✓
	Amendment to PFRS 1: Meaning of Effective PFRS			✓
PFRS 2	Share-based Payment	✓		✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		✓
	Amendment to PFRS 2: Definition of Vesting Condition	✓		✓
PFRS 3	Business Combinations	✓		✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements	✓		✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendments to PFRS 5: Changes in Methods of Disposal		Not early adopted	
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Servicing Contracts		Not early adopted	
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements		Not early adopted	
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		✓
PFRS 9	Financial Instruments		Not early adopted	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		Not early adopted	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception		Not early adopted	
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Investment Entities	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations		Not early adopted	
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception		Not early adopted	
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		✓
PFRS 14	Regulatory Deferral Accounts		Not early adopted	
	<b>Philippine Accounting Standards (PASs)</b>			
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		

	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative		Not early adopted	
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	✓		✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization		Not early adopted	
	Amendment to PAS 16: Bearer Plants		Not early adopted	
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate		Not early adopted	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	✓		
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		✓
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Consolidated and Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Separate Financial Statements - Equity Method in Separate Financial Statements		Not early adopted	
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception		Not early adopted	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'		Not early adopted	
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	✓		✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization		Not early adopted	
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		

	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property	✓		✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants		Not early adopted	
<b>Philippine Interpretation</b>				
IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC-6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	✓		
IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC-8	Scope of PFRS 2	✓		
IFRIC-9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
IFRIC-10	Interim Financial Reporting and Impairment	✓		
IFRIC-11	PFRS 2- Group and Treasury Share Transactions	✓		
IFRIC-12	Service Concession Arrangements	✓		
IFRIC-13	Customer Loyalty Programmes	✓		
IFRIC-14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC-17	Distributions of Non-cash Assets to Owners	✓		
IFRIC-18	Transfers of Assets from Customers	✓		
IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine	✓		
IFRIC-21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities	✓		
	Amendment to SIC - 12: Scope of SIC 12	✓		
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	✓		
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

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

Financial KPI	Definition	For the Calendar Year Ended December 31	
		2015	2014
<u>Current/Liquidity ratios</u>			
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	126%	116%
Quick Ratio	$\frac{\text{Current Assets} - \text{Inventory} - \text{Prepayments}}{\text{Current Liabilities}}$	79%	69%
<u>Solvency ratio/Debt-to-equity ratio</u>			
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Equity}}$	36%	40%
<u>Asset to Equity Ratios</u>			
Asset to Equity Ratio/ Equity Multiplier	$\frac{\text{Total Assets}}{\text{Equity}}$	136%	140%
<u>Interest Rate Coverage Ratio</u>			
Interest Coverage Ratio/EBITDA Net Interest Cover	$\frac{\text{Operating EBITDA}}{\text{Net Interest}}$	161.4	282.1
<u>Profitability Ratios</u>			
Return on Assets	$\frac{\text{Net Income}}{\text{Average Total Assets}}$	25.1%	17.4%
Return on Equity	$\frac{\text{Net Income}}{\text{Average Total Equity}}$	34.6%	23.6%
Operating EBITDA Margin	$\frac{\text{Operating EBITDA}}{\text{Net Sales}}$	25.3%	26.5%

**HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES**  
**Schedule A. Financial Assets**  
**For the Year Ended December 31, 2015**  
**(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, 2015  
(Amounts in Thousands)

Name and Designation of Debtor	Beginning Balance	Additions	Deductions		Current	Non Current	Ending Balance
			Amount Collected	Amount Written-Off			
<b>Directors, Officers and Employees</b>							
GAVINO, DEBRA GRACIA A. Employee	5,588	P 8	P (5,601)	P	(5)		(5)
BONIFACIO, CARMELA ABAD Employee	2,546	1	(2,552)		(5)		(5)
VENGARA, MARIA CECILIA SILVED Employee	2,694	5	(2,002)		(3)		(3)
LABRADORES, FLOR MAY C. Employee	1,980	# 1	(2,076)		(14)		(14)
PIZARRAS, MICHELLE RAMO Employee	1,765	3	(1,987)		(4)		(4)
SOY'LOM, MELCHOR P Employee	1,349	1,608	(3,427)		(54)		(54)
BALO JR., ELPEDIO C Employee	1,043	414	(411)		1,352		1,352
CORTES, GILLIANY Employee	1,040	818	(1,753)		108		108
DURAN, FRISCO Employee	961	54	(49)		1,065		1,065
ABRAGAN, CIELLA E Employee	957	402	(1,085)		278		278
LACTUAN, BEREN C Employee	894	-	(952)		(15)		(15)
MARCIAL, BENJAMIN B Employee	882	57	(927)		24		24
GO, VENCITO T. Employee	870	497	(1,015)		364		364
BUZON, ANNALINE V. Employee	869	2,067	(3,151)		(214)		(214)
MANGUERRA, APRIL GRACE R Employee	846	2,272	(2,724)		417		417
GATMATAN, ERNESTO A Employee	751	36	(1,032)		305		305
DEL ROSARIO, MARY CHRISTIAN C Employee	717	1,317	(1,717)		640		640
CATANGHAL, PEHO E. Employee	688	1	(1)		317		317
BENITEZ, MA PILAR A. Employee	615	3,412	(1,074)		688		688
MASONGSONG, RAY MAR J Employee	569	2,451	(2,511)		2,973		2,973
MARSANILO, LEONILYN B Employee	539	1,707	(1,793)		489		489
DELA CRUZ, ERNESTO OCAMPO Employee	511	835	(1,472)		454		454
CURIBA, NANETTE B Employee	488	1,042	(593)		(128)		(128)
DE LARA, JEZZEL Employee	488	2,921	(2,509)		937		937
GILERA, ROBERT Employee	448	12	(52)		466		466
JOSEF, CHERYL T Employee	427	437	(864)		84		84
PADRIGON, REUBEN JAMES Employee	421	4,740	(751)		113		113
SASIS, RIGEL Employee	406	917	(4,172)		989		989
GONZALES, ARCELI ESGUERRA Employee	387	99	(1,280)		43		43
GALANG, MARIA LIANDA C Employee	380	3,527	(92)		394		394
DENANO, GERSON M Employee	380		(5,653)		254		254
KORONEL, GENNELEE A Employee	374	361	(255)		506		506
MASCARINAS, LOURDES SHARON Employee	368	739	(1,116)		(3)		(3)
BULLEGER, MITCHEL A. Employee	345	241	(624)		(15)		(15)
GABRIAN, ALEMAR PHILIP DEODO Employee	344	757	(884)		218		218
QUITUTIN, FRANCISCO JR. MANI Employee	340	15	(7)		350		350
OBUSAN, RAFAEL JR. Employee	325	2,536	(2,513)		183		183
TORCUATOR, LILIBETH T Employee	265	1,162	(1,282)		139		139
AFALLA, RYAN JAY Employee	194	493	(549)		244		244
DELIGENCIA, LOU JASON Employee	67	1,431	(1,333)		166		166
RAGOT, ANTONIO P Employee	36,810	40,552	(62,530)		15,023		15,023
<b>Advances to Directors, Officers and Employees</b>							
Holcim Technology Ltd	6,151	P	(6,151)		-		-
Holcim East Asia Business Service Centre, B.V. - Philippines ROHQ	50,724	188,750	(118,908)		100,566		100,566
Cineco Corporation	27	2			28		28
Other Holcim Group Affiliates	1,608	366	(422)		1,552		1,552
Related Parties	38,510	189,117	(125,481)		102,146		102,146

**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, 2015**  
**(Amounts in Thousands)**

Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written Off	Current	Non Current	Balance at the End of Period
<b>Holcim Philippines Manufacturing Corporation</b>							
Due from:							
Bulkeon Philippines, Inc.	42,809		(603)		42,206		42,206
Calamba Aggregates Co., Inc.	26,306				26,306		26,306
	69,115		(603)		68,512		68,512
<b>Holcim Philippines, Inc.</b>							
Due from:							
Bulkeon Philippines, Inc.		2					2
Holcim Philippines Manufacturing Corp.	(387,766)	115,698	393,780		121,772		121,772
Excel Concrete Logistics, Inc.	106,701	10,399	11,670		128,770		128,770
Calamba Aggregates Co., Inc.	44,585	142			44,727		44,727
Hubb Stores and Services, Inc.	864	339,652			340,516		340,516
Mabini Grinding Milling Corp.	534,872	174,409	(172,711)		536,570		536,570
Holcim Philippines Business Services Center, Inc.	34,324	53,311	(8,727)		78,908		78,908
	333,640	693,614	224,012		1,251,266		1,251,266

**HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES**  
**Intangible Assets**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

Description	Beginning Balance	Additions At Cost	Deductions		Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
			Charged to Cost and Expenses				
Project Development Cost and Others	P 26,836	P 11,329	P (498)	P		P (11,233)	P 26,434
Software Cost	44,297		(14,766)				29,531
Mining Rights	179,544		(40,066)			(179,544)	-
Foreshore lease	544,902					(504,836)	-
Goodwill	2,635,738						2,635,738
	3,431,317	11,329	(55,330)			(695,613)	2,691,703



**HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES**  
**Schedule E.**  
**Long-Term Debt**  
**For the Year Ended December 31, 2015**  
**(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 F. Indebtedness to Related Parties (Long-term Loans from Related Companies)**  
**For the Year Ended December 31, 2015**  
**(Amounts in Thousands)**

Name of Related Party	Beginning Balance	Balance at the End of Period
	₱ NIL	₱ NIL
	-	-

**HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES**  
**Schedule G. Guarantees of Securities of Other Issuers**  
**For the Year Ended December 31, 2015**  
**(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 Owed by Person for which Statement is Filed	Nature of Guarantee
	NIL	P NIL	P NIL	NIL
-				

**HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES**  
**Capital Stock**  
**Schedule H.**  
**For the Year Ended December 31, 2015**

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		5,531,417,797	148,269	920,533,078
	<u>10,000,000,000</u>	<u>6,452,099,144</u>	-	<u>5,531,417,797</u>	<u>148,269</u>	<u>920,533,078</u>

**ANNEX "C"**

**MINUTES OF THE  
ANNUAL MEETING  
OF THE  
STOCKHOLDERS HELD  
ON MAY 18, 2015**

MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS

OF

**HOLCIM PHILIPPINES, INC.**

Ballroom 2, 2nd Level, Fairmont Makati  
1 Raffles Drive, Makati Avenue, 1224 Makati City  
May 18, 2015 at 10:00 a.m.

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**I. CALL TO ORDER**

The meeting was called to order and presided over the same by the Chairman, Mr. Tomas I. Alcantara.

**II. PROOF OF NOTICE OF MEETING AND PRESENCE OF A QUORUM**

Proof of notices was certified by Ms. Kristine N.L. Evangelista, Corporate Secretary. She further certified that notices for the Annual Stockholders Meeting were sent out to all stockholders of record as of April 18, 2015, the date fixed by the Board of Directors for the determination of stockholders entitled to notice of, and to vote at the meeting. There are represented in person or by proxy, stockholders owning 5,584,596,053 shares representing 86.55% of the total issued and outstanding shares of the Company, thus, there is a quorum. The Secretary also certified that the Chairman is holding votes for 5,584,408,166 shares representing 86.55% of the total issued and outstanding shares of the Company.

**III. APPROVAL OF THE MINUTES OF PREVIOUS STOCKHOLDERS' MEETING**

Upon motion duly made and seconded, the minutes of the previous meeting of shareholders held on May 16, 2014 were unanimously approved.

**IV. APPROVAL OF ANNUAL REPORT AND THE AUDITED FINANCIAL STATEMENTS OF THE CORPORATION AS OF DECEMBER 31, 2014**

The Chief Executive Officer, Mr. Eduardo A. Sahagun, presented the report on Company's operations and highlights of the audited financial statements for the year 2014.

Upon motion made and duly seconded, the stockholders unanimously approved the annual report and the audited financial statements of the Company as of December 31, 2014.

**V. APPROVAL AND RATIFICATION OF ALL ACTS, INVESTMENTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS AND MANAGEMENT**

Upon motion duly made and seconded, all acts, contracts, investments and resolutions and actions by the Board of Directors and management from the last annual meeting were unanimously approved, confirmed and ratified.

**VI. ELECTION OF DIRECTORS**

The Chairman asked the Secretary to read the names of the persons nominated as directors of the Company. The Secretary then proceeded to read the names of the following persons who were nominated in accordance with the provisions of the By-Laws:

1. Tomas I. Alcantara
2. Ian S. Thackwray
3. Eduardo A. Sahagun
4. Daniel N. Bach
5. Yasuo Kitamoto – Independent Director
6. Simeon V. Marcelo – Independent Director
7. David Lucas B. Balangue - Independent Director

Upon motion to declare all the nominees elected as Directors for the ensuing year duly made and seconded, the stockholders unanimously approved the motion and the Chairman declared that all the nominees were elected as Directors for the ensuing year, who shall act as such until their successors shall have been duly elected and qualified.

**VII. APPOINTMENT OF EXTERNAL AUDITOR**

Upon motion duly made and seconded, the stockholders unanimously approved the appointment of the auditing firm of SyCip Gorres Velayo & Co. as the Company's external auditor for the current year.

**VIII. APPROVAL OF AMENDMENTS TO THE AMENDED ARTICLES OF INCORPORATION AND BY-LAWS**

Upon motion duly made and seconded, the stockholders unanimously approved the amendment to the Third Article of the Amended Articles of Incorporation to reflect the change in principal office address of the Corporation, and Section 2, Article II of the By-laws to reduce the bar period on related experience of independent directors from five to two years to reflect existing relevant SEC issuances (i.e. SEC Memorandum Circular No. 13, series of 2004.) The approval of the amendments is subject to the approval of the Securities and Exchange Commission.

**IX. ADJOURNMENT**

There being no further business to transact, on motion duly made and seconded the meeting was adjourned.

**KRISTINE N. L. EVANGELISTA**  
Corporate Secretary

ATTEST:

**TOMAS I. ALCANTARA**  
Chairman