COVER SHEET

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S.E.C. Registration Number

H O L C I M P H I L I P P I N E S , I N C .

(Company's Full Name)

7 T H F L O O R T W O W O R L D

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

0 5 — 3 1

Month *Day*

Fiscal Year

Definitive Information Statement

FORM TYPE

Second Thursday of May of each year

Annual Meeting

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

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 26, 2017
10:00 AM, Philippine Time

You are cordially invited to attend the Annual Meeting of Stockholders of HOLCIM PHILIPPINES, INC. (the "Company") which will be held on May 26, 2017 at Ballroom 2, 2nd Level, Fairmont Makati, 1 Raffles Drive, Makati Avenue, 1224 Makati City, Metro Manila, at 10:00 am, Philippine time. 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, 2016
4. Management's Report
5. Approval of the Annual Report and the Audited Financial Statements of the Company as of December 31, 2016
6. Approval and ratification of all acts, contracts, investments and resolutions of the Board of Directors, Committees and Management since the last annual meeting
7. Election of the members of the Board of Directors
8. Appointment of External Auditor
9. Other matters
10. Adjournment

These items are fully discussed 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 26, 2017 will be entitled to notice of, and to vote, at the meeting. A list of stockholders entitled to vote will be available for inspection at the office of the Company, 7th Floor, Venice Corporate Center, 8 Turin Street, McKinley Town Center, McKinley Hill, Fort Bonifacio, Taguig City 1634, Metro Manila, Philippines fifteen (15) days prior to the Annual Meeting.

HOLCIM PHILIPPINES, INC.

By:

KRISTINE N.L. EVANGELISTA
Corporate Secretary

REGISTRATION OF STOCKHOLDERS WILL START AT 9:00 AM.

SECURITIES AND EXCHANGE COMMISSION
MAY 03 2017
REGULATION DEPT.
BY: ______ TIME: 3:35 pm

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 26, 2017, Friday, at 10:00 A.M
   Ballroom 2, Fairmont Makati
   1 Raffles Drive, Makati Avenue, Makati City

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **May 5, 2017**

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
Common Shares	**6,452,099,144**

11. Are any or all of registrant's securities listed on a Stock Exchange?

    Yes __x__ 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 26, 2017, Friday**

Time: **10:00 A.M.**

Place: **Ballroom 2, Fairmont Makati**
1 Raffles Drive, Makati Avenue
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:

May 5, 2017

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 26, 2017, 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 26, 2017** (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 26, 2017 to be directly or indirectly the record or beneficial owner of more than 5% of the Company's voting securities:

Title of Class	Name, Address, Citizenship of Record Owner & Relationship with Issuer	Name of Beneficial Owner And Relationship with Record Owner	No. of Shares Held	% of Ownership
Common	Union Cement Holdings Corporation ("**UCHC**") 7th Floor, Two World Square, McKinley Hill Fort Bonifacio, Taguig City (Filipino) Stockholder	Union Cement Holdings Corp. (same as record owner)	3,906,425,509	60.55%
Common	Holderfin B.V. ("**Holderfin**") 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. ("**Sumitomo**") 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. ("**Cemco**") 815/816 Tower One & Exchange Plaza Ayala Avenue, Makati City (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 26, 2017, the Company's foreign stockholders hold 30.13% 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 26, 2017:

Title of Class	Name and Address of Beneficial Owner	Amount & Nature of Beneficial Ownership	Citizenship	Registered (R) or Beneficial (B)	% of Ownership
Common	Tomas I. Alcantara	1(D)	Filipino	R	0.00%
Common	Martin Kriegner	1(D)	Austrian	R	0.00%
Common	Daniel Bach	1(D)	Swiss	R	0.00%
Common	Eduardo A. Sahagun	1(D)	Filipino	R	0.00%
Common	Simeon V. Marcelo	1(D) 54,262 (I)	Filipino	R	0.00%
Common	Yasuo Kitamoto	1(D)	Japanese	R	0.00%
Common	David Lucas B. Balangue	1(D) 94,600(I)	Filipino	R	0.00%
	Total	**148,869**			**0.00%**

Directors and officers as a group hold a total of 148,869 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 calendar 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	70	Filipino
Vice Chairman	Martin Kriegner	55	Austrian
Director	Daniel N. Bach	53	Swiss
Director	Eduardo A. Sahagun	60	Filipino
Independent Director	Simeon V. Marcelo	63	Filipino
Independent Director	Yasuo Kitamoto	57	Japanese
Independent Director	David Lucas B. Balangue	65	Filipino

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

Tomas I. 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. 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, Mr. Alcantara was Undersecretary for the Industry & Investment Group of the Department of Trade and Industry and the Vice Chairman and Managing Head of the Board of Investments from July 1986 to March 1995. He was also Special Envoy of the Philippine President to APEC in 1996. He was elected Director of the Company on Jul y 4, 2003.

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

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 the role of 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. In July 2015, Mr. Bach was appointed Area Manager for South East Asia (East).

Eduardo A. Sahagun, is the Company's President. He was appointed as the Company's President and CEO in January 2013. He served as such until November 2016 when he vacated the CEO post while remaining as President and director of the Company. Prior to that, he was the Senior Vice President for Sales, Marketing, Distribution & Technical Services (SMDT) from 2007 to 2012. He was the Chief Financial Officer of the Company before his appointment as SVP for SMDT. 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. He was recently elected as independent director of Philippine Savings Bank.

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. He is now a professor (Evidence) at the De La Salle University College of Law.

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.

***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, Inc., the Philippine Financial Reporting Standards Council, the National Citizens Movement for Free Elections (NAMFREL) and Coalition Against Corruption and an independent director of the following listed companies: Phinma Energy Corp., Roxas Holdings, Inc., and Philippine Bank of Communications.

Directorships in other reporting companies

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

Name of Director	Name of Reporting Company
Tomas I. Alcantara	Alsons Consolidated Resources, Inc. Eagle Ridge Golf & Country Club, Inc. PhilWeb Corporation
Eduardo A. Sahagun	Philippine Savings Bank
David Lucas B. Balangue	Phinma Energy Corp. Roxas Holdings, Inc. Philippine Bank of Communications

Nomination of Directors for 2017-2018

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. Martin Kriegner
3. Daniel N. Bach
4. Sapna Sood
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.

The business experience of Ms. Sapna Sood during the last five years is set out below (Executive Officers).

Mr. Ernesto Paredes nominated Messrs. Kitamoto, Marcelo, and Balangue as Independent Directors of the Company. Mr. Paredes is not related to any of Messrs. Kitamoto, Marcelo or Balangue by consanguinity or affinity, and has no professional or business dealings with any of 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. Tomas I. Alcantara - Member

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.

On June 15, 2012, the SEC approved the amendments to the Company's By-laws incorporating the procedures for the nomination and election of independent directors in accordance with SRC Rule 38, as amended.

(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	Eduardo A. Sahagun	60	Filipino
Chief Operating Officer	Sapna Sood	43	British
Chief Financial Officer	Jesusa Natividad L. Rojas	50	Filipino
Head – Cement Industrial Performance	Roman Menz	43	Swiss
Head – Sales	William C. Sumalinog	48	Filipino
Head – Organizational Human Resources	Araceli E. Gonzales	54	Filipino
Head – Communication and Corporate Affairs	Nerissa V. Ronquillo	59	Filipino
Head – Corporate Health, Safety & Security	Carmela Dolores S. Calimbas	60	Filipino
Head – Aggregates & Construction Materials	William De Lumley	45	French
Head – Procurement & Logistics	Kevin Savory	49	Australian
Head – Strategic Transformation &	Paul Vu-Huy-Dat	44	French

Position	Name	Age	Nationality
Business Development			
Treasurer	Shirley S. Go	40	Filipino
General Counsel/Corporate Secretary/Compliance Officer	Kristine N. L. Evangelista	43	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:

Sapna Sood, is the Company's Chief Operating Officer. She is a graduate of Chemical Engineering from the University of Sydney with an Executive MBA from IMD Business School. Ms. Sood started her career as an Applications Engineer with Fisher Rosemount. In 1999, she joined the Linde Group where she held various senior positions in Australia, the United States of America, Singapore, Germany and China. From 2011 to 2013 Ms. Sood served as Linde Group's Head of Global Helium, Asia Pacific Zone. She joined Lafarge in 2013 as its Senior Vice President of Health and Safety. Prior to her appointment as the Company's Chief Operating Officer in November 2016, she served as the LafargeHolcim Group Head of Health and Safety starting July 2015.

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

Roman Menz, is the Head of Cement Industrial Performance. He 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 served as Plant Manager of Holcim Romania in 2005, Technical Director of Holcim Russia in 2012, and Manufacturing Director of Holcim Vietnam in 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, APR, 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 30th year, Chairman of its Board of Trustees from 2014 to 2016, and is currently director of Asia Pacific Region Board of IABC and adviser of IABC Philippines. 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 Occupational Health and Safety. 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.

***William de Lumley**,* is the Head of Aggregates and Construction Materials. Mr. De Lumley completed Geological study at the Geological Institute Albert de Lapparent in France. Starting out as Geologist in Lafarge Granulats Service (Lafarge Group, France and UK) in 1998, he assumed key positions in Lafarge operating companies in different regions, including Vice President–Land and Geology in India from 2007 to 2010 and Manufacturing Director in Egypt from 2010 to 2012. Prior to his current position, he was Vice President for Aggregates of Lafarge Republic Aggregates, Inc. since 2012.

Kevin Savory, is the Company's Head of Procurement and Logistics. Mr. Savory has extensive background in supply chain having served as a Supply Officer and Fleet Manager (electrical, instrument and radio fleet) of the Department of Defence of Australia from 1990 to 1996, Supply Superintendent of Incitec Ltd. from 1996 to 1998, Supply Analyst of WMC Fertilizers Ltd. from 1998 to 2000, Procurement Manager and Plant Manager of QCL Group of Companies (now Cement Australia) from 2000 to 2002 and 2002 to 2003, respectively. Prior to joining the Company in December 2015, he handled several key positions in Cement Australia Pty. Ltd.

Paul Vu-Huy-Dat, is the Company's Head of Strategic Transformation and Business Development. He holds a degree in Bachelor of Arts in Economics and Business Management from Universite Paris, X-Nanterre with Masters Degree in Internal Audit from Institut d'Administration des Enterprises in Aix-en-Provence–France. In 1999, Mr. Vu-Hu-Dat joined Lafarge SA in France as Senior Corporate Auditor and went on to assume key positions in various Lafarge operating companies including Regional Internal Control Manager in Lafarge Malaysia from 2006 to 2007, Chief Financial Officer in Lafarge Honduras from 2007 to 2010, Chief Financial Officer in Lafarge Romania from 2010 to 2013, and M&A Director of Lafarge SA in Paris, France from January to July 2014. Prior to joining the Company, he was the Country Chief Executive Officer/ Managing Director of Lafarge Vietnam from August 2014.

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) Warrants and Options Outstanding

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

(f) 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 described in **Annex A** hereof.

(g) Certain Relationships and Related Transactions

On January 1, 2013, the Industrial Franchise Fee (IFF) agreement was entered between the Company and HTSX (Holcim Technology and Services) to cover all intellectual properties and value-adding solutions derived by the Company. The IFF is aligned with the Organization for Economic Cooperation and Development (OECD) principles, takes into account arm's length transfer pricing principles, and supersedes the previous technical support and trademark agreements.

On January 1, 2014, the Company entered into an agreement with Holcim Technology (Singapore) Pte Ltd for support services rendered by the latter to the Company. This Service Agreement is complementary to the IFF and provides additional services outside the scope of the IFF.

For a detailed discussion of other material related party transactions, please see Note 24 – Related Party Transactions to the accompanying consolidated financial statements.

Except for the transactions discussed in Note 24 – Related Party Transactions to the accompanying consolidated financial statements, there were no other material related party transactions during the last three financial years, nor are there any material transactions currently proposed between the Company and any: (i) director, officer, direct or indirect owner of 10% or more of the outstanding shares in the Company; (ii) close family member of such director, officer or owner; (iii) associates of the Company; (iv) enterprises controlling, controlled by or under common control with the Company; or (v) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any director, officer or owner of 10% or more of the outstanding shares in the Company or any close family member of such director, key officer or owner, or collectively, the Related Parties.

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

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

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

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

The following table shows the compensation of the Company's Executive Officers serving as of December 31, 2016.

Executive Compensation (in Php)

Name and Principal Position	Year	Salary	Bonus	Benefits
The CEO and five most highly compensated Executive Officers: ▪ Sapna Sood – Chief Operating Officer ▪ Eduardo A. Sahagun – President ▪ Michael Kevin Savory – Head, Procurement and Logistics ▪ Roman Menz – Head, Cement Industrial Performance ▪ Benjamin Luis Jimenez – Head, Marketing and Innovation ▪ Araceli Gonzales – Head, Organization and Human Resources	2017*	72,232,549	4,404,011	42,820,943
	2016	72,232,549	4,404,011	42,820,943
	2015	53,266,776	11,910,120	6,136,558
All other Executive Officers and Directors as a group unnamed	2017*	56,231,948	10,520,984	22,733,980
	2016	56,231,948	10,520,984	22,733,980
	2015	45,022,140	8,878,561	9,219,130

**Estimated compensation of executive officers for the ensuing year is assumed to approximate the 2016 level. Bonuses given are driven by actual performance of the company; hence, estimate may vary from actual.*

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

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

ITEM 7. INDEPENDENT PUBLIC ACCOUNTANTS

For year 2017, the accounting firm of Navarro, Amper & Co. is being recommended for appointment by the stockholders at the Annual Meeting. Navarro, Amper & Co has accepted the Company's invitation to stand for appointment this year.

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

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 2016. 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, and, Mr. Roel E. Lucas, for the year 2016.

Audit and Audit-Related Fees

The aggregate fees billed for each of the last two (2) years for professional services rendered by SyCip Gorres Velayo & Co. was ₱9.0 million for 2016 and ₱11.4 million for 2015. 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 2016 and 2015.

Tax Fees & Other Fees

The Company engaged SGV for tax services, due diligence audit and advisory services amounting to ₱3.7 million and ₱13.1 million in 2016 and 2015, 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

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 consolidated audited financial statements of the Company for the period ended on December 31, 2016 and the Quarterly Report for the period ended March 31, 2017 are attached as **Annexes B** and **C**, respectively. Management's Discussion and Analysis of Financial Condition and Results of Operations are 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 2016.

Other proposed actions include ratification of all acts, investments, proceedings and resolutions of the Board, the Board 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 Board Committees, 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:

Date of Disclosure	Subject
May 18, 2016	▪ Declaration of cash dividend in the amount of Php0.87 per share to all stockholders of record as of June 15, 2016 and setting the payment date no later than July 6, 2016.

Date of Disclosure	Subject
August 19, 2016	▪ Accepted resignation of Mr. Ian S. Thackwray as Director, Vice Chairman of the Board, and Chairman of the Board Executive Committee ▪ Appointment of Mr. Kriegner as Director, Vice Chairman of the Board, and Chairman of the Board Executive Committee
September 1, 2016	▪ Appointment of Ms. Sapna Sood as the Company's Chief Operating Officer.
September 20, 2016	▪ Appointment of Ms. Jesusa Natividad L. Rojas as the Company's Chief Financial Officer.
October 27, 2016	▪ Approval of the amendment to Article II (Secondary Purposes) of the Company's Articles of Incorporation to include providing support services to its related parties.
March 1, 2017	▪ Approval of the Company's Audited Financial Statements for the fiscal year 2016 and the SEC Form 17-A Report ▪ Approval of the nomination of Navarro Amper & Co. as the Company's external auditor for the year 2017 ▪ Setting the Company's annual stockholders' meeting for 2017 on May 26, 2017, and a record date for stockholders entitled to notice of, and to vote, at the annual meeting to April 26, 2017, and delegating to the Corporate Secretary the agenda, venue and time of the annual stockholders' meeting.

The approval of the minutes, Annual Report and audited financial statements for the period ended December 31, 2016, and ratification of all acts, proceedings and resolutions of the Board, the Board Committees 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

There is no action to be taken with respect to any amendment of the Company's Articles of Incorporation, By-Laws or other documents.

ITEM 18. OTHER PROPOSED ACTION

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

1. Election of directors for 2017-2018; 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.

(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:

Number of shares held on record x Seven (7) = 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, 2016 (see **Annex D**)
4. Management's Report
5. Approval of the Annual Report and the Audited Financial Statements of the Company for the period ended December 31, 2016
6. Approval and ratification of all acts, contracts, investments and resolutions of the Board, Board Committees and Management since the last annual stockholders' meeting
7. Election of the members of the Board of Directors
8. Appointment of external auditor
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 May 2, 2017.

HOLCIM PHILIPPINES, INC.

By:

Kristine N. L. Evangelista
Corporate Secretary

MANAGEMENT REPORT

HOLCIM PHILIPPINES, INC.

MANAGEMENT REPORT

I. CONSOLIDATED AUDITED FINANCIAL STATEMENTS AND INTERIM FINANCIAL STATEMENTS

Holcim Philippines, Inc.'s ("**HPI**" or the "**Company**") consolidated audited financial statements for the year ended December 31, 2016 and interim financial statements as of March 31, 2017 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 OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE INTERIM FINANCIAL STATEMENTS AS OF MARCH 31, 2017 AND 2016

Results of Operations

Based on internal estimates, local cement industry demand in the first quarter of 2017 contracted by 2% compared to the same period of last year. Industry demand was slow which was expected based on the historical government spending pattern following an election period. At the end of first quarter, the Company posted total net sales of ₱8.8 billion, lower by 12% as compared to ₱10.1 billion reported in the same period last year from the combined effect of lower volume and price. Margins were likewise depressed mainly by rising cost of production inputs. The Company achieved a total operating EBITDA of ₱1.7 billion for the three-month period compared to the ₱2.5 billion reported with the same period last year. Net income after tax stood at ₱0.9 billion giving earnings per share of ₱0.15.

Financial Position

The Company's financial position has remained healthy with very liquid cash position and strong asset utilization ratio as it continues to generate high revenues. Total assets stood at ₱34.7 billion, 3% higher from end of 2016.

Cash Flow Generation

The Company's cash requirements have been mainly sourced through cash flow from operations. Please refer to the attached statement of cash flow for more details.

Key Performance Indicators

The comparative financial KPI's of the Company for the periods ended March 31, 2017 and 2016 were as follows:

Financial KPI	Definition	For the period ended March 31	
		2017	2016
Profitability			
Return on Equity (ROE)	Net Income / Ave. Total Shareholders' Equity	3.5%	5.8%
Return on Asset (ROA)	Net Income / Average Total Assets	2.7%	4.3%
Efficiency			
EBITDA Margin	Operating EBITDA / Net Sales	19.7%	24.6%
Liquidity			
Gearing	Net Financial Debt (Asset) / Stockholders' Equity	(7.1%)	(11.9 %)
EBITDA Net Interest Cover	Operating EBITDA / Net Interest	460 times	247 times

Profitability and Efficiency

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

Liquidity

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

Notes to Financial Statements

1. *Summary of Significant Accounting Policies*

These condensed consolidated interim financial statements have been prepared in accordance with PAS 34 *Interim Financial Reporting* and do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2016.

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, 2017:

- PAS 7, "Statement of Cash Flows – Disclosure Initiative" (Amendments)

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2017 consolidated financial statements.

- PAS 12, “Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses” (Amendments)

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments are not expected to have any impact on the Company.

- PFRS 12, “Disclosure of Interests in Other Entities – Clarification of the Scope of the Disclosure Requirements in PFRS 12” (Part of Annual Improvements on PFRS 2014 – 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments will not have any impact on the consolidated financial statements.

Effective in 2018

- PAS 40, “Investment Property – Transfers of Investment Property” (Amendments)

  The amendments clarify when an entity should transfer property, including property under construction or development, into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if that is possible without the use of hindsight. The amendments are not expected to have any impact on the Company.

- Philippine IFRIC Interpretation 22, “Foreign Currency Transactions and Advance Consideration”

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the interpretation on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Company does not expect the adoption of this interpretation to have any significant impact on the consolidated financial statements.

- PFRS 2, “Share-based Payments – Classification and Measurement of Share-based Payment Transactions” (Amendments)

  The amendments address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application of the amendment is permitted. The Company plans to adopt the new standard on the required effective date.

- Amendments to PFRS 4, “Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4”

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard, before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  The amendments are not applicable to the Company since none of the entities within the Company have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 9, “Financial Instruments”

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, “Financial Instruments: Recognition and Measurement”, 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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Company plans to adopt the new standard on the required effective date. Based on the following preliminary assessment, the Company expects no significant impact to its consolidated balance sheet.

(a) Classification and Measurement

The Company does not expect a significant impact on its consolidated balance sheet or equity upon application of the classification and measurement requirements of PFRS 9 as its current financial assets carried at fair value are not significant.

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

(b) Impairment

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

(c) Hedge accounting

The Company does not expect any impact as a result of applying this phase of PFRS 9 as it does not apply hedge accounting on any existing hedge relationships.

- PFRS 15, "Revenue from Contracts with Customers"

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

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

(a) Sale of goods

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

(b) Variable consideration

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

(c) Disclosure requirements

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

- PAS 28, "Investments in Associates and Joint Ventures – Measurement of Investees at Fair Value through Profit or Loss (FVPL) on an Investment-by-Investment Basis" (Part of *Annual Improvements to PFRSs* 2014 – 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. The amendments are not expected to have any impact on the consolidated financial statements as these are not applicable to the Company.

Effective in 2019

- PFRS 16, "Leases"

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, "Leases". Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Company is currently assessing the impact of adopting PFRS 16.

2. *Seasonality Aspects of the Business*

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

3. *Financial Risk Management Objectives and Policies*

General Risk Management Approach

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

Financial risk management of the Company is governed by policies approved by management. It provides principles for overall risk management, as well as policies covering specific risk areas such as interest rate risk, foreign exchange risk, counterparty risk, 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 purchases of goods and services and debt servicing requirements in currencies other than the Philippine Peso that leads to currency translation effects. Approximately 0.1% of the Company's revenues were denominated in currencies other than the Philippine Peso in 2017.

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

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

As of March 31, 2017, the Company had minimal assets and liabilities exposed to foreign currency risks.

Interest Rate Risk

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

The Company is exposed to fluctuations in financing costs and market value movements of its debt portfolio related to changes in market interest rates. The Company's interest rate exposure is mainly addressed through the steering of the fixed/floating ratio of net debt. To manage this mix, the Company may enter into derivative transactions, as appropriate. As at March 31, 2017 and 2016, the Company had minimal exposure to interest rate risk.

Credit Risk

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

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

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

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

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

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 March 31, 2017, the Company has unutilized credit facilities of ₱9.4 billion.

Capital Management Policy

The Company considers equity attributable to the equity holders of the Parent Company as its capital. The Company's objectives when managing capital are to secure the Company's ongoing financial needs to continue as a going concern as well as to cater 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.

4. *Financial Assets and Liabilities*

Fair Value of Financial Instruments

The estimated fair value of each class of the Company's financial instruments is equal to their carrying amount as at March 31, 2017 and December 31, 2016. 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, and Trade and Other Payables: Due to the short-term nature of the transactions, the fair values of these instruments approximate the corresponding carrying values as of end of each reporting period.

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

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

Fair Value Hierarchy

Below are the list of financial assets and liabilities carried at fair value that are classified using a fair value hierarchy as at March 31, 2017 and December 31, 2016:

	March 31, 2017			December 31, 2016		
	Level 1[1]	**Level 2**[2]	**Total**	Level 1[1]	Level 2[2]	Total
AFS financial assets - Quoted equity securities	**₱176**	**-**	**₱176**	₱176	-	₱176

[1] *Fair value is determined using observable market inputs that reflect quoted prices in active markets for identical assets or liabilities.*
[2] *Fair value is determined using inputs other than quoted prices that are either directly or indirectly observable for the assets or liabilities.*

5. *Segment Reporting*

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

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

- clinker and cement segment, which manufactures and sells clinker and cement for both domestic and export customers; and
- Other construction materials and services segment, which includes operations from the RMX business, Helps-U-Build and aggregates trading.

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

Segment revenues, EBITDA, assets and liabilities as at March 31, 2017 and 2016 are presented below:

			2017		
	Clinker and cement	**Others**	**Total**	**Adjustments and eliminations**	**Consolidated**
			(In Thousands)		
Revenue:					
External customers	**₱8,242,264**	**₱565,987**	**₱8,808,251**	**₱-**	**₱8,808,251**
Inter-segment	**227,776**	**-**	**227,776**	**(227,776)**	**-**
	₱8,470,040	**₱565,987**	**₱9,036,027**	**(₱(225,759)**	**₱8,808,251**
Operating EBITDA	**₱2,316,273**	**₱48,777**	**₱2,365,050**	**(₱633,804)**	**₱1,731,223**
Segment assets	**26,494,516**	**800,526**	**27,295,041**	**7,397,898**	**34,692,939**
Segment liabilities	**5,846,705**	**442,171**	**6,288,877**	**1,205,002**	**7,493,879**

			2016		
	Clinker and cement	Others	Total	Adjustments and eliminations	Consolidated
			(In Thousands)		
Revenue:					
External customers	₱9,501,684	₱560,469	₱10,062,153	₱973	₱10,063,126
Inter-segment	262,209	5,825	268,034	(268,034)	-
	₱9,763,893	₱566,294	₱10,330,187	(₱(267,061)	₱10,063,126
Operating EBITDA	₱2,691,937	₱95,189	₱2,787,126	(₱315,086)	₱2,472,040
Segment assets	23,475,568	926,733	24,402,301	11,679,748	36,082,049
Segment liabilities	6,525,348	388,783	8,914,131	2,693,960	9,608,091

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

6. *Retained Earnings*

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

Interim Disclosures

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

1. Unusual items that materially affect the Company's consolidated assets, liabilities, equity, net income or cash flows because of their nature, size or incidents.

2. Changes in estimates of amounts reported in prior financial years that have a material effect in the current period.

3. Issuances and repurchases of equity securities.

4. Material changes in contingent liabilities or contingent assets since the last annual balance sheet date.

5. Existence of material contingencies and other events of transactions that are material to an understanding of the current interim period.

6. Known trends, demands, commitments, events and uncertainties that will result in or likely to decrease its liquidity in any material way. The Company does not anticipate having within the next twelve (12) months any cash flow or liquidity problems nor does it anticipate any default or breach of any of its existing notes, loans, leases, other indebtedness or financing arrangements requiring it to make payments.

7. Events that will trigger direct or contingent material financial obligations to the Company.

8. Material off-balance sheet transactions, arrangements, obligations (direct or contingent), and other relationships of the Company with unconsolidated entities or other persons created during the year.

9. Material commitments for capital expenditures.

10. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales/revenues/income from continuing operations.

11. Significant elements of income or loss that did not arise from the Company's continuing operations.

12. Material events subsequent to end of the reporting period that have not been reflected in this report.

13. Material changes in the composition of the Company, including any business combination, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

14. Any seasonal aspect that had a material effect on the financial condition or results of operation.

Material Changes in Balance Sheet Accounts

14% increase in Cash and cash equivalents
Mainly due to lower expenditures on capital expenditure and absence of third party loan payment.

12% increase in Trade and other receivables - net
Primarily due to revenues which were outstanding at the end of quarter.

5% decrease in Inventories
Mainly due to absence of scheduled plant shutdowns for the quarter that will require inventory build-up to support continued operations coupled with lower production requirement brought about by decrease in demand.

103% increase in Other current assets
Mainly due to increase in prepaid expenses for charter services, real property and business taxes, insurance, and creditable taxes.

5% increase in Deferred tax assets
Mainly due to the increase of allowance for doubtful accounts and additional NOLCO recognized during the period.

7% decrease in Intangibles - net
Due to amortization recognized for the period.

45% increase in Income tax payable
Mainly due to additional taxable income for the period and outstanding tax payable from previous year net income.

54% increase in Deferred tax liabilities
Mainly attributable to the non-deductible depreciation expense and unrealized forex gain/loss.

16% decrease in Other reserves
Due to accrual of share-based remuneration for the period.

8% increase in Retained earnings
Due to net income recognized for the period.

Material Changes in Income Statement Accounts

12% decrease in Net sales
Mainly driven by soft demand for the quarter as compared to same period of last year.

7% decrease in Cost of sales
Due to lower volume sold and lower imported cement and clinker cost.

113% decrease in Net financial expense
Mainly due to lower unrealized foreign exchange losses and interest expenses recognized for the period.

22% decrease in Provision for current income tax
Due to lower taxable income for the period.

174% decrease in Provision for deferred income tax
Due to the increase of net deferred tax assets for the period.

26% decrease in Noncontrolling interest in net income
Decrease was mainly due to lower net income of subsidiaries compared to same period last year.

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

Financial KPI	Definition	For the three (3) Months Ended March 31 2017	2016
Current/Liquidity ratio Current Ratio	Current Assets / Current Liabilities	154.1%	142.6%
Solvency ratio/Debt-to-equity ratio Gearing	Net Financial Debt (Asset) / Stockholder's Equity	(7.1%)	(11.9 %)
Asset to Equity Ratios Asset to Equity Ratio/ Equity Multiplier	Total Assets / Stockholder's Equity	127.6%	138.3%
Interest Rate Coverage Ratio Interest Rate Coverage	Income before Tax / Net Interest	410 times	213 times
Profitability Ratios Return on Assets	Net Income / Average Total Assets	2.7%	4.3%
Return on Equity	Net Income / Average Total Equity	3.5%	5.8%

IV. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016 AND 2015

Review of CY 2016 Operations vs. CY 2015

In 2016, the Country's Gross Domestic Product (GDP) grew by 6.8%*, higher than the 5.8% growth in 2015. Among the major economic sectors, Industry had the fastest growth. Services decelerated as compared from prior year while Agriculture sector further declined.

Similarly, the cement industry grew by 6.6%** boosted by robust developments in private and public construction.

The Company's revenue increased to ₱40.3 billion, or 7.5% higher compared to that of last year brought about by the strong and increasing demand from both public and private sectors. The Company achieved a consolidated operating EBITDA of ₱10.8 billion, or 14.1% higher than 2015. Net income after tax stood at ₱6.8 billion compared with ₱8.1 billion, or 16.2% lower than last year. Prior year income benefited from one-time gain of ₱2.6 billion from the revaluation of its investment in an affiliate. Without the one-off item in 2015, profits were higher by 24% in 2016 on effective management of manufacturing costs even as the company successfully raised its cement production capacity.

**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, 2016 and 2015 are as follows:

Financial KPI	Definition	For the Calendar Year ended December 31 2016	2015
Profitability			
Return on Assets (ROA)	Net Income / Ave. Total Assets	20.2%	25.1%
Return on Equity (ROE)	Net Income / Ave. Total Equity	26.7%	34.6%
Operating EBITDA Margin	Operating EBITDA / Net Sales	26.8%	25.3%
Liquidity			
Gearing Ratio	Net Financial Debt / Total Equity	-6.3%	-4.1%
EBITDA Net Interest Cover (times)	Operating EBITDA / Net Interest	486.5	161.4

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

Profitability

Operating EBITDA Margin was higher compared last year. ROE and ROA declined but largely due to the one-time gain recognized in 2015 from re-measurement of retained investment in an associate. On a like-for-like basis, both ROA and ROE improved by 3.3 basis points compared last year.

Liquidity

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

Significant Disclosures

Please refer to the Annual Report for 2016 for the significant disclosures made by the Company during the year. Other than those mentioned in the Annual Report for 2016, the Company is not aware of the following:

1. Unusual items that materially affect the Company's consolidated assets, liabilities, equity, net income or cash flows because of their nature, size or incidents.

2. Changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts in prior financial years that have a material effect in the current period.

3. Issuances and repurchase of equity securities.

4. Material changes in contingent liabilities or contingent assets since the last annual balance sheet date.

5. Existence of material contingencies and other events of transactions that are material to an understanding of the current period.

6. Known trends, demands, commitments, events and uncertainties that will result in or likely decrease its liquidity in a material way. The Company does not anticipate having within the next 12 months any cash flow or liquidity problems nor does it anticipate any default or breach of any of its existing notes, loans, leases, other indebtedness or financial arrangements requiring it to make payments. With the improvement in the Company's operating performance, it expects to meet all financial loan covenants for the next interim period.

7. Events that will trigger direct or contingent material financial obligations to the Company.

8. Material off-balance sheet transactions, arrangements, obligations (direct or contingent), and other relationships of the Company with unconsolidated entities or other persons created during the year.

9. Material commitments for capital expenditures.

10. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales, revenues, net income from continuing operations.

11. Significant elements of income or loss that did not arise from the Company's continuing operations.

12. Material events subsequent to end of the reporting period that have not been reflected in the consolidated financial statements.

Notes to Financial Statements

Accounting Policies and Principles

The consolidated financial statements of the Company, which comprise the consolidated balance sheets as of December 31, 2016 and 2015 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, 2016 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 cyclicality. 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 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 purchases of goods and services and debt servicing requirements in currencies other than the Philippine Peso that leads to currency translation effects. Of the Company's revenues, approximately 0.1% were denominated in currencies other than the Philippine Peso in 2016. The Company had no foreign currency denominated sales transaction in 2015.

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

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

As of December 31, 2016, the Company had minimal assets and liabilities exposed to foreign currency risks.

Interest Rate Risk

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

The Company is exposed to fluctuations in financing costs and market value movements of its debt portfolio related to changes in market interest rates. The Company's interest rate exposure is mainly addressed through the steering of the fixed/floating ratio of net debt. To manage this mix, the Company may enter into derivative transactions, as appropriate. As at December 31, 2016 and 2015, the Company had minimal exposure to interest rate risk.

Credit Risk

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

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

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

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

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

The Company's exposure to credit risks arising from outstanding financial assets is disclosed in Note 14 – 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, 2016 and 2015, the Company has unutilized credit facilities of ₱9.4 billion and ₱8.1 billion, respectively.

The Company's financial assets and liabilities as of December 31, 2016 and 2015 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:

	2016	2015
Notes payable	**₱-**	₱999,831
Customers' deposits	**483,584**	505,987
Financial debt	**483,584**	1,505,818
Less cash and cash equivalents	**2,125,116**	2,540,198
Net financial debt (asset)	**(1,641,532)**	(1,034,380)
Total equity	**26,257,333**	24,969,466
Gearing ratio	**(6.3%)**	(4.1%)

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

Total equity grew by 5.2% in 2016 as a result of improved 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 higher dividend payments and payment of notes payable.

Trade and other receivables

Receivables decreased as a result of resolute collection activities this year resulting to improved DSO.

Other current assets

Decrease was mainly attributable to decrease in advances to suppliers and amortization of prepaid expenses.

Investments

Increase was mainly due to additional investment from transfer of Mineral Production Sharing Agreements (MPSAs) and share from unrealized income from HMDC.

Property, Plant and Equipment

Increase was mainly from additional capital expenditures, net of transfers of MPSA's to HMDC.

Other Non-Current Assets

Increase was mainly due to re-class from short to long-term financial receivable from a related party and increase in guarantee deposits to suppliers/third parties.

Intangibles assets – net

Decrease was mainly due to amortization recognized for the year.

Notes Payable

Decrease was mainly due to the full payment of third party bank loan.

Trade and Other Payables

Decrease in trade and other payables was mainly driven by lower trade payables and lower DAP.

Income Tax Payable

Decrease was due to lower taxable income for the year ended December 2016 as compared to year ended December 2015.

Retirement Benefit Liabilities

Increase was mainly due to impact of benefits paid from organizational efficiency and actuarial losses.

Provisions

Decrease in provisions was mainly due to transfer of site restoration provisions consequent to the transfer of mineral rights to HMDC.

Deferred tax liabilities

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

Reserves

Decrease is mainly due to accrual of share-based remuneration for the year.

Re-measurement loss on retirement benefits – net

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

Retained Earnings

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

Non-controlling interests

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

Material Changes in Income Statement Accounts

Revenues

Higher revenue mainly driven by higher volume sold brought about by strong demand and higher average selling price.

Cost of Sales

Increase was mainly due to higher volume sold supported by usage of imported clinker and cement, implemented operational efficiencies and margin optimization initiatives.

General and administrative expenses

Decrease was mainly due to lower depreciation and amortization expense.

Selling Expenses

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

Interest and Financing Charges

The decrease was due to full payment of third party bank loan. Short term financing loan was availed and was settled in full by end of 2016.

Foreign Exchange Gains (Losses) – net

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

Gain on re-measurement of retained equity in a subsidiary

This pertains to the one time recognition of unrealized gain on the retained equity in HMDC in 2015.

Provision for Income Tax

The increase was mainly due to the decrease in deferred tax benefit relating to provisions, which was transferred to HMDC in 2016 and 2015 and amortization of capitalized costs.

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 or 9.6% higher against that of last year. Net income on the other hand, amounted to ₱8.1 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 Philippines*

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
Profitability			
Return on Assets (ROA)	Net Income / Ave. Total Assets	25.1%	17.4%
Return on Equity (ROE)	Net Income / Ave. Total Equity	34.6%	23.6%
Operating EBITDA Margin	Operating EBITDA / Net Sales	25.3%	26.5%
Liquidity			
Gearing Ratio	Net Financial Debt / Total Equity	-4.1%	-0.6%
EBITDA Net Interest Cover (times)	Operating EBITDA / Net Interest	161.4	282.1

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.

Notes to Financial Statements

Accounting Policies and Principles

The consolidated financial statements of the Company, which comprise the consolidated balance sheets as of 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 cyclicality. During the months starting December to May, demand for cement is greater than in the rainy months from June to November.

Financial Risk Management Objectives and Policies

General Risk Management Approach

The Company is exposed to various financial risks, which include the effect of changes in debt structure, equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential and adverse effects on the financial performance of the Company. The Company 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 Php 1.0 billion loan from Union Cement Holdings Corporation.

Trade and Other Payables

Trade and other payables increased by Php0.8 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.

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:

2016	₱9.0M
2015	₱11.4M

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 2016 and 2015.

Tax Fees & All Other Fees

The Company engaged SGV for tax services, due diligence audit and advisory services with fees of ₱3.7 million and ₱13.1 million in 2016 and 2015, 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

V. 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 cementitious products.

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.

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 6.1 million metric tons per year (MTPY) and cement production capacity of 11.5 million MTPY.

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

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

(1) History and Business Development

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

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

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

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

Pursuant to the Securities Regulation Code (SRC) and its implementing rules and regulations, HPI undertook a tender offer in favor of the remaining 12% non-controlling shareholders of ACC to exchange their holdings in ACC for new shares of UCC at the same exchange ratio, with the option to accept cash at a price of Php0.28 per ACC share, in lieu of HPI shares. The foregoing transactions were approved by shareholders of UCC on September 4, 2002. The Company acquired additional ACC shares representing 0.02% equity interest in ACC after the end of the tender offer period.

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

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

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

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

As of December 31, 2016, HPI is 60.55% owned by Union Cement Holdings Corporation (UCHC), 18.11% owned by Holderfin B.V. (Holderfin), and 7.08% owned by Cemco while the remainder of its shares is owned by the public. HPI common shares are listed in the PSE.

<u>The Company's Subsidiaries</u>

Holcim Philippines Manufacturing Corporation (HPMC)

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

HPMC has 1.5 million MTPY line that was successfully commissioned in 1998 and started commercial operation in January 1999. HPMC's terminal located in Calaca, Batangas, which had been idle for several years, was rehabilitated in 2010 and resumed operations 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 year until December 31, 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. ALCHEM filed an affidavit of non-operation with the SEC.

Excel Concrete Logistics, Inc. (ECLI)

Excel Concrete Logistics, Inc. was incorporated and registered with the SEC on August 9, 2012. On January 1, 2013, ECLI started its full operation servicing the distribution, transport and placing of concrete, as well as transport of cement and specialty products.

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

The Company is not a party to any merger or consolidation for the period ending December 31, 2016. Neither is the Company a party to any significant purchase of assets.

(2) General Business Description

HPI is engaged in the manufacture, importation, sale and distribution of cement, dry mix mortar products, ready mix products, clinker, and has an interest in the aggregates business of LafargeHolcim Aggregates, Inc. (formerly Lafarge Republic Aggregates, Inc.). It also has offered other construction-related trainings, consultancies & testing services to its customers. The Company's product quality and operational capability are geared toward meeting the customers' needs here and abroad.

(a) Product Lines

HPI manufactures four (4) 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 mostly in bags except for Holcim 4X (mainly bulk).

Other packaging formats include tonner, jumbo bags and bulk. Moreover, it is involved in the ready-mix concrete business and is engaged in the aggregates business, selling aggregates sourced from LafargeHolcim Aggregates, Inc. (LHAI). It has extended its portfolio by manufacturing and selling dry mix mortar products: Holcim Tile Adhesive, Holcim Skim Coat and Holcim Cementitious Waterproofing.

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

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

Holcim 4X

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

Holcim Premium

Holcim Premium is an ASTM Type 1 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^{o}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 Excel

Holcim Excel Cement is an ASTM Type 1P 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, bitumous concrete, precast concrete, mortar, plaster and other concrete and asphalt applications. It can be used alone for road bases, structural beddings, railroad ballast, filter beds, backfills, etc. The grading and quality conforms to the ASTM C33 Standard Specifications for coarse and fine aggregates.

Holcim Tile Adhesive

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

Holcim Skim Coat

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

Holcim 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. This product is currently being sold on a per request basis.

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

(In Thousand Pesos)	Calendar Year Ended December 31, 2016	Calendar Year Ended December 31, 2015	Calendar Year Ended December 31, 2014
Cement and cementitious materials	₱38,364,642	₱35,562,583	₱31,774,849
Others	1,971,166	1,963,472	873,810
Total	₱40,335,808	₱37,526,055	₱32,648,659

(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, 2016, 2015 and 2014 are as follows:

Table 2 – Export Revenue

(In Thousand Pesos)	Calendar Year Ended December 31, 2016	Calendar Year Ended December 31, 2015	Calendar Year Ended December 31, 2014
Total Export Revenues	**₱34,423**	NIL	₱25,052
% to Total Revenues	**0.09%**	NIL	0.08%
Breakdown of Export Revenues per Region (in %)			
Southeast Asia			
Eastern Asia			
Oceania	**0.09%**	NIL	0.08%
North America			
Western Europe			
Middle East			
Total % to Total Revenues	**0.09%**	NIL	0.08%

(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.

(d) New Product

The Company has developed a new product called the SuperFast-Crete (SF-Crete) in 2016. SF-Crete is a DPWH-accredited road solutions technology that cuts the concrete hardening time from three days to even less than one day. It is a major solution for faster road repairs and construction in highly urban areas to lessen inconvenience to motorists and commuters. The product was not yet commercially sold in 2016 but is set to be launched in the market in 2017.

(e) Competition

There are eight cement manufacturers in the Philippines, including: Holcim, Republic, Cemex, Taiheiyo, Northern, Eagle, Goodfound and Mabuhay. According to data from the Cement Manufacturers Association of the Philippines (CeMAP), these manufacturers operate a total of 18 plants all over the country. In addition, the Company is also confronted with a swelling presence of imported cement making inroads into Philippine 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, solution and service offerings, as well as ensuring supply reliability nationwide by way of a wide distribution network.

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*

Raw Materials

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

Energy Supply

Cement production requires a reliable and competitively priced power supply for uninterrupted and cost-effective production.

Bulacan and La Union plants' power supply is assured over a long-term period by way of a 15-year electricity supply agreement with Phinma Energy Corporation (PEC). PEC also supplies electricity to the Mabini grinding plant under a 10-year power supply agreement.

Davao plant's power supply is being provided by Davao Light and Power Company, the Distribution Utility (DU) which holds the franchise for power distribution in the area.

Similarly, Misamis I Oriental Electric Cooperative (Moresco I), the (DU) which holds the franchise for power distribution in Lugait, supplies the Lugait plant's power supply.

In the early part of 2016, severe grid supply deficiency was experienced in Mindanao with the reduced hydrothermal capacities resulting from El Nino. Back-up power supply from private generators for Davao and Lugait Plants were put in place to augment power supply during curtailment periods. The electricity supply situation improved towards the second half of the year when a number of new coal power plants in Mindanao came on line.

Coal and Fuel Supply

HPI uses coal for heating the cement plant kilns.

HPI's imported Indonesian coal requirements are covered with yearly supply contracts. These contracts form part of the Asia-Pacific (APAC) volume pooling led by the LafargeHolcim Energy Solutions, a company established to leverage the purchasing power of LafargeHolcim operating companies in APAC to obtain better pricing conditions for its coal needs. The said strategy helped APAC OpCos to leverage in both product and freight resulting in more competitive prices. Spot purchases shall remain as an option to have a healthy balance of supply reliability and market competitive pricing.

The Company sources its local coal requirements from Semirara Mining and Power Corporation.

HPI has an existing supply contract with Petron Corporation and SL Harbour for its Diesel and Bunker fuel needs.

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

In addition, Geocycle, the waste management arm of the Company, sources Alternative Fuels and Resources (AFR) to support fuel requirements of the Company. AFR materials pass thru stringent pre-qualification process to ensure no significant impact to plant operation, cement quality, environmental footprint and safety to people. Industrial wastes from manufacturing companies are pre-processed to turn into suitable AFR for cement kiln co-processing. Likewise, biomass such as rice husk, waste carbon and saw dust are accepted as AFR.

(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 24 – Related Party Transactions to the Consolidated Financial Statements for details.

(i) Trademarks, Licenses, Concessions, Labor Contracts

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

The Philippine Intellectual Property Office issued Certificates of Registration to HSSI for the following trademarks: (1) “HuBB” logo; and (2) “HUB Builders Center”.

(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. 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 ₱91.0 million research and development costs in last three years as follows:

Table 3 – Research and Development Costs

Period Covered	**Amount (‘000 Pesos)**	**Percentage to Revenues**
CY ended December 31, 2016	₱34,431	0.09%
CY ended December 31, 2015	27,578	0.07%
CY ended December 31, 2014	29,023	0.09%
Total	₱91,032	

(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.

The Company maintains and operates electrostatic precipitators, bag houses, multi-cyclone and bag filters to mitigate dust emissions. With these dust control systems in place, HPI's cement plants and terminals keep dust emission levels below the prescribed government standards.

The operating Continuous Emission Monitoring System (CEMS) in all four plants ensures real time monitoring of the overall performance of the plants. Information provided by this system which includes monitoring of NOx and SO2 emissions confirms that all HPI plants are compliant with the existing government standards.

The Company also 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.

With HPI's emission monitoring system 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, 2016, HPI and subsidiaries had a total of 1,340 officers and regular employees broken down as follows:

Table 4 – Officers and Employees

Location	HPI	Subsidiaries	TOTAL
Head Office*	403	38	441
Bulacan Plant	219	4	223
La Union Plant	180	6	186
Davao Plant	197	8	205
Lugait Plant	83	147	230
Calumpit	45		45
Calaca	10		10
Total	1,137	203	1,340

** 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 supervisory and rank and file 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 conduct of productive Labor Management Councils (LMC).

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 UCC Bulacan Supervisory Employees Union (UBSEU)	December 31, 2018 February 28, 2019
Bacnotan, La Union	La Union Cement Workers Union Holcim La Union Supervisory Employees Union	March 31, 2017 March 31, 2019
Davao City	Davao Holcim Employees Workers Union Holcim Davao Supervisory Independent Union	March 31, 2018 March 31, 2020
Lugait, Misamis Oriental	Holcim Lugait Employees Labor Union Holcim Lugait Supervisors Independent Union	July 31, 2016 (pending negotiation given new set of officers due to new federation) March 31, 2019
Calumpit, Bulacan	Holcim Paper Bag Plant Employees Association – FFW Chapter	December 31, 2018
Quezon City	Excel Concrete Logistics, Incorporated Workers Union – National Union of Building and Construction Workers	March 31, 2018

The UCC Bulacan Supervisory Union Employees Union staged a peaceful strike from November 18, 2016 to December 5, 2016, citing impasse in the collective bargaining negotiations. During such period, the Bulacan Plant continued its normal operations. The strike ended upon finalization of the collective bargaining agreement with the union.

(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

Adequate power is vital for HPI's continuous operations. Curtailment of power supply will materially affect the operation of HPI plant operations.

As discussed in Item (1) (f), power supply for the Company's Bulacan and La Union Plants is assured over a long-term period by way of a 15-year energy supply agreement with PEC. This contract also provides for island mode backup power to said plants during grid failures. To the extent such contract allows, the Company takes advantage of the Wholesale Electricity Spot Market (WESM) when power prices are lower than the contracted rates.

Lugait and Davao Plants' power supply are being provided by distribution utility which holds the Franchise Fee power distribution in these areas. The energy surplus in Mindanao resulted from new coal power plants starting commercial operation in mid-2016. More plants are under construction and are expected to become online in 2017 to 2018. It is projected that the additional capacities will provide Mindanao with surplus power supply in the medium-term. The WESM is not yet available in Mindanao. Lugait and Davao Plant will remain captive customers of Distribution Utility – Moresco I and Davao Light & Power Company (DLPC) respectively.

Dependence on Key Facilities

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

Impact of the Exchange Rate Fluctuations

From the exchange rate of ₱47.17 against the US Dollar as of December 31, 2015, it closed at ₱49.81 as of December 31, 2016. The depreciation of the peso increases cost of production inputs such as imported fuel and supplies.

Environmental and Regulatory Matters

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

In a group-wide program, the Company decided to reduce dust emissions below the prescribed 150 mg/ Nm3 level that the government allows cement plants to emit under the Philippine Clean Air Act. The Company maintains and operates modern electrostatic precipitators, bag houses, multi-cyclone and bag filters for mitigating the dust coming from its plants' pre-heater towers, kilns and cement mill grinding systems. With these modern dust control systems in place, HPI's cement plants kept dust emission levels below the prescribed government standard. The Company has in place 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.

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

The status of compliance on the conditions stated in the Environmental Compliance Certificate is regularly reported to DENR through the submission of Self-Monitoring Reports (SMR), Compliance Monitoring Reports (CMR), and Compliance Monitoring and Verification Reports (CMVR).

Lastly, HPI's four plants are also granted with Treatment, Storage and Disposal (TSD) Certificate as attestation to Geocycle's responsible handling and management of hazardous industrial wastes.

Item 2 Properties

The Company's major items of property, plant and equipment are located in Norzagaray, Bulacan; Bacnotan, La Union; Bo. Ilang, Davao City; Lugait, Misamis Oriental; Mabini, Batangas; Calaca, Batangas; Iloilo; and Manila. The table shows the consolidated properties of HPI as of December 31, 2016 compared to December 31, 2015.

Table 6 – Plant, Property and Equipment (Consolidated)

(In Thousand Pesos)	December 31, 2016	December 31, 2015
Land and land improvements	₱58,298	₱469,007
Machinery and equipment	23,555,892	22,636,586
Buildings and installations	12,907,565	12,321,982
Furniture, vehicles and tools	1,025,833	1,060,142
Construction in progress	2,416,553	2,499,329
	39,964,141	38,987,046
Less: Accumulated depreciation, depletion		
and allowance for impairment loss	23,507,115	22,968,398
Total	₱16,457,026	₱16,018,648

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	2016 Lease Payments (in '000)	Renewal Options
Plants, Terminals, Ports	01.01.2016	31.12.2040	₱164,774	The contracts may be renewed or extended upon the mutual agreement of the Parties.

Description	Start Date	Expiration Date	2016 Lease Payments (in '000)	Renewal Options
HO Office	01.12.2014	30.11.2018	84,588	The lease may be renewed upon the written agreement and under such terms and conditions as maybe acceptable to both parties.
RMX lot	27.08.2008	26.08.2018	17,202	Renewable as may be mutually agreed by the parties
Industrial Warehouse	16.01.2013	15.01.2018	12,752	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.

VI. 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.

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

(1) Market Information

HPI common shares are listed in the PSE. The high and low market prices of HPI shares for each quarter of calendar year 2016, 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 2016		CY 2015		CY 2014	
	High	Low	High	Low	High	Low
January – March	13.80	13.78	14.50	14.50	13.24	12.80
April – June	15.10	15.00	13.88	13.02	13.30	13.26
July – September	16.42	16.32	13.74	12.90	14.10	14.00
October – December	16.50	16.50	14.24	14.24	14.98	14.82

Source: Philippine Stock Exchange, Inc.

As of April 25, 2017, the closing price of the Company's common shares at the PSE is ₱15.70 per share.

(2) Stockholders

As of April 26, 2017, HPI has 6,452,099,144 shares outstanding held by 5,410 stockholders. The list of the top twenty stockholders of the Company as recorded by Stock Transfer Service, Inc., the Company's stock transfer agent, is as follows:

Table 8 – Top Twenty (20) Stockholders

Rank	Name	Citizenship	Shares (Sum)	%
1	UNION CEMENT HOLDINGS CORPORATION	FILIPINO	3,906,425,509	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	179,366,842	2.78%
6	PCD NOMINEE CORP. (FILIPINO)	FILIPINO	114,569,425	1.78%
7	ANTONIO M. DUMALIANG &/OR ROSALINDA S. DUMALIANG	FILIPINO	922,363	0.01%
8	LEONCIO TIU	FILIPINO	705,000	0.01%
9	KAKUGARA AKIHIKO	JAPANESE	559,580	0.01%
10	LUIS CO CHI KIAT	FILIPINO	511,242	0.01%
11	JOAQUIN Q. TAN	FILIPINO	380,000	0.01%
12	LUIS ROLANDO GARCIA FADRIGO	FILIPINO	294,065	0.00%
13	AMERICAN WIRE & CABLE CO., INC.	FILIPINO	290,933	0.00%
14	UNIVERSITY OF SANTO TOMAS	FILIPINO	190,750	0.00%
15	RAMON C. CHAN	FILIPINO	189,189	0.00%
16	FRANCIS L. ESCALER	FILIPINO	186,935	0.00%
17	ISABELA CULTURAL CORPORATION	FILIPINO	156,439	0.00%
18	LILIA V. QUITO	FILIPINO	150,000	0.00%
19	ROSALIA M. AMANDO	FILIPINO	141,069	0.00%
20	BENITO G. OBLENA	FILIPINO	137,337	0.00%
		Total	**6,425,270,020**	**99.58%**

(3) Dividends

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

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

Cash dividends were declared in for the years ended December 31, 2016, 2015 and 2014 as follows:

	2016	2015	2014
Cash Dividend Per Share (PhP)	₱0.87	₱0.82	₱0.70
Amount Declared (PhP)	₱5.6 billion	₱5.3 billion	₱4.5 billion
Declaration Date	18-May-16	18-May-15	16-May-14
Record Date	15-June-16	15-June-15	13-June-14

(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 2016 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, 2016 (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

MATERIAL LEGAL PROCEEDINGS

In the Matter of an Arbitration under the UNCITRAL Rules between 1. PT Asia Pacific Mining Resources (Indonesia), 2. Madison Energy PTE Ltd (Singapore) and Holcim Philippines, Inc.
Singapore International Arbitration Center

PT Asia Pacific Mining Resources and Madison Energy PTE Ltd submitted for arbitration Holcim's cancellation of their coal supply agreement. The arbitration tribunal decided in favor of one of the claimants and the case was declared closed and terminated in 2015.

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 Mio, 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 Mio, 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 Mio for the period Q4 2013 until Q4 2014; and machines and equipment found at the same plant in the amount of Php108 Mio 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 Mio. 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 Mio 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.

7. In March 2016, the Company was assessed for deficiency real property taxes due on its machineries at its Bulacan Plant in the total amount of Php103 Mio ("First Assessment"). The Company paid the said amount under protest and filed the corresponding formal protest with the Provincial Treasurer in April 2016. In May 2016, the Company received a second assessment in the total amount of Php46 Mio ("Second Assessment"), which excluded the eleven tax declarations included in the First Assessment. As the Second Assessment superseded the First Assessment, the Company filed a supplement to its April 2016 protest. Thereafter, in August 2016, the Company filed an appeal with the LBAA, following the inaction of the Provincial Treasurer on the Company's protest. The Company's appeal is pending resolution.

<u>Tax Cases (Subsidiaries)</u>

8. 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.

9. 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.

ANNEX "B"

AUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED ON DECEMBER 31, 2016

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for **HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES** for the period ending **December 31, 2016**.

In discharging this responsibility, I hereby declare that (check one **(1)**):

______ I, am the (position) of (name of organization/person).

__✔__ I, am the Consolidation and Reporting Specialist of Holcim East Asia Business Service Centre B.V. – Philippine ROHQ and was contracted to perform this service.

Furthermore, in my compilation services for the preparation of the Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of **SyCip Gorres Velayo & Co.** who/which is the external auditor who rendered the audit opinion for the said Financial Statements and Notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

SIGNATURE OVER PRINTED NAME: Kamile Alyssa S. Pineda

PROFESSIONAL IDENTIFICATION CARD NO. 148706
VALID UNTIL: April 18, 2018

ACCREDITATION NUMBER: In process
VALID UNTIL: ________________

NOTARY PUBLIC
JONATHAN G. FERNANDEZ
NOTARY PUBLIC
APPOINTMENT NO. 9 (2017-2018) TAGUIG
UNTIL DECEMBER 31, 2018
PTR NO. 2947394; 01-04-2017; BAGUIO CITY
LIFETIME IBP NO. 08909; Bag-Beng Chapter
ROLL NO. 52589
MCLE COMPLIANCE NO. VI-0001319
5/F One Campus Place Building, Tower B
1050 Campus Avenue, McKinley Town Center
Fort Bonifacio, Taguig City

Doc. No. 278
Page No. 57
Book No. VI
Series of 2017

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

March 1, 2017

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Metro Manila

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 including the schedules attached therein, for the years ended December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

SyCip Gorres Velayo & Co., the independent auditor, appointed by the Stockholders has audited 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 audit.

Tomas I. Alcantara
Chairman

Eduardo A. Sahagun
President

Jesusa Natividad L. Rojas
Chief Financial Officer

Holcim

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

SUBSCRIBED AND SWORN to before me this MAY 0 2 2017 with the presentation of the following:

Name	Passport No.	Place Issued	Date Issued
Tomas I. Alcantara	EB8610644	Manila	July 9, 2013
Eduardo A. Sahagun	EC3944235	Manila	April 15, 2015
Jesusa Natividad L. Rojas	ECO971234	Manila	April 29, 2014

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Book No. I
Series of 2017.

ARLEO ANTONIO R. MAGTIBAY JR.
Appointment No. 162 (2016-2017)
Notary Public for Pasig, Pateros, San Juan
Until December 31, 2017
Attorney's Roll No. 61659
33rd Floor The Orient Square Bldg.
F Ortigas Jr. Road Ortigas Center Pasig City
PTR No. 2514671; 01.04.17· Pasig City
IBP No. 1057589; 01.05.17; RSM
MCLE Compliance No. V-0008985 Valid Until 04/14/19

Professional Regulation Commission
APPLICATION FORM
ACCREDITATION AS CPA IN COMMERCE AND INDUSTRY

Date Filed: ____________
Reference No: ____________

[x] Initial [ ] Renewal

Part I Personal Information:

Name of Applicant:
KAMILE ALYSA S. PINEDA - 148906 - 2018

Name of Employer or Company (where the applicant is currently employed or contracted):
HOLCIM EAST ASIA BUSINESS SERVICE CENTRE B.V. - PHILIPPINE ROHQ

Complete Address of the Office:
7th AND 8th FLOOR TWO WORLD SQUARE, MCKINLEY HILL, FORT BONIFACIO, TAGUIG CITY

Certificate of Accreditation No. for Public Practice, if any:

Position in the Company or Organization:	E-Mail Address:	
CONSOLIDATION AND REPORTING SPECIALIST	kamilealysa.pineda@lafargeholcim.com	
Tel. No.	Cell No. 09167030418	Fax No.

Part II Acknowledgement:

I HEREBY CERTIFY that the above information written by me are true and correct to the best of my knowledge and belief. I further authorize PRC and other agencies to investigate the authenticity of all the documents presented.

Signature of Applicant ____________ Date: 12/20/2016

SUBCRIBED AND SWORN to before me this DEC 21 2016 day of ______ at ______, affiant Applicant exhibited to me his/her valid government issued ID ______ issued at ATTY. TIBERIO II. PRADO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2016
PTR No. ...9/19843/1.4.16/Q.C.
Attorney's Roll No. 23819
MCLE Compl. IV No. 003397
(Notary Public) Q.C.

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Part III Action Taken:

CRISPIN B. RODRIGUEZ
LEGAL DIVISION

12/28/16

Registration Division:
(Verification of License)

Legal Division:
(Clearance of no derogatory record)

Cash Division:
Amount: 150
O.R. No.
Date
Issued by: 1124370 12/28/16

Standards & Inspection Division:
Process by:
Date: 12/28/16

Reviewed by:

ATTY. MARIA LIZA M. HERNANDEZ
OIC, Standards & Inspection Division

ACTION BY THE BOARD OF ACCOUNTANCY

[ ] Approved [ ] Disapproved

PROFESSIONAL REGULATION COMMISSION
RECEIVED
1/10/17

Chairman ____________ Vice Chairman ____________

Member ____________ Member ____________

Tel # 310/048

Member ____________ Member ____________

Member ____________ Member ____________

Date: ____________ Assigned Certificate No.: ____________

SGV
Building a better 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 AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Holcim Philippines, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as at December 31, 2016 and 2015, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of goodwill

Under PFRS, the Company is required to annually test the amount of goodwill for impairment. As of December 31, 2016, the Company's goodwill attributable to the cement operations of one of the Company's plants amounted to ₱2.6 billion, which is considered significant to the consolidated financial statements. In addition, management's assessment process is complex and highly judgmental and is based on assumptions, specifically the discount rate and the long-term Gross Domestic Product (GDP) growth rate, which are affected by the country's expected future market or economic indicators. The Company's disclosures about goodwill are included in Note 10.

Audit response
Our audit procedures included, among others, obtaining an understanding of the Company's impairment assessment process, the related controls, the valuation model and assumptions applied. These assumptions include revenue and margin growth rates, earnings before interest, taxes and depreciation and amortization (EBITDA) and weighted cost of capital. We compared the growth rates and weighted cost of capital with the relevant external data. We also compared the revenue and margin growth rates and EBITDA to the historical performance of the cash-generating unit (CGU), management plans and analysts' reports on market outlook. We also focused on the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2016, which are expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Roel E. Lucas.

SYCIP GORRES VELAYO & CO.

Roel E. Lucas

Roel E. Lucas
Partner
CPA Certificate No. 98200
SEC Accreditation No. 1079-AR-1 (Company A),
March 4, 2014, valid until April 30, 2017
Tax Identification No. 191-180-015
BIR Accreditation No. 08-001998-95-2016,
January 3, 2017, valid until January 2, 2020
PTR No. 5908714, January 3, 2017, Makati City

March 1, 2017

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2016	2015
	(In Thousands)	
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱2,125,116**	₱2,540,198
Trade and other receivables - net (Notes 5 and 24)	**3,297,523**	3,418,211
Inventories (Note 6)	**3,450,727**	3,942,552
Other current assets (Note 7)	**598,896**	644,576
Total Current Assets	**9,472,262**	10,545,537
Noncurrent Assets		
Investments (Note 8)	**4,392,066**	4,195,154
Property, plant and equipment - net (Note 9)	**16,457,026**	16,018,648
Goodwill (Note 10)	**2,635,738**	2,635,738
Intangible assets - net (Note 10)	**40,806**	55,965
Deferred income tax assets - net (Note 25)	**350,878**	365,113
Other noncurrent assets (Notes 11 and 27)	**416,428**	263,616
Total Noncurrent Assets	**24,292,942**	23,534,234
TOTAL ASSETS	**₱33,765,204**	₱34,079,771
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 12 and 24)	**₱–**	₱999,831
Trade and other payables (Notes 13 and 24)	**6,357,487**	6,545,982
Income tax payable (Note 25)	**520,411**	824,141
Total Current Liabilities	**6,877,898**	8,369,954
Noncurrent Liabilities		
Retirement benefit liability (Note 26)	**501,944**	553,437
Provisions (Note 16)	**126,654**	183,282
Deferred income tax liabilities (Note 25)	**1,375**	3,632
Total Noncurrent Liabilities	**629,973**	740,351
Total Liabilities	**7,507,871**	9,110,305
Equity		
Capital stock (Note 17)	**6,452,099**	6,452,099
Additional paid-in capital	**8,476,002**	8,476,002
Other reserves (Note 17)	**(5,832)**	(9,606)
Remeasurement loss on retirement benefits - net (Note 26)	**(79,978)**	(135,840)
Retained earnings (Note 17)	**11,409,043**	10,178,725
Equity Attributable to Equity Holders of the Parent Company	**26,251,334**	24,961,380
Noncontrolling Interest	**5,999**	8,086
Total Equity	**26,257,333**	24,969,466
TOTAL LIABILITIES AND EQUITY	**₱33,765,204**	₱34,079,771

See accompanying Notes to Consolidated Financial Statements.

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2016	2015	2014
	(In Thousands, Except Per Share Amounts)		
REVENUES (Notes 24 and 27)	**₱40,335,808**	₱37,526,055	₱32,648,659
COST OF SALES (Note 18)	**28,504,537**	27,248,041	23,597,880
GROSS PROFIT	**11,831,271**	10,278,014	9,050,779
General and administrative expenses (Note 19)	**(1,753,095)**	(2,105,567)	(1,326,503)
Selling expenses (Note 20)	**(591,496)**	(583,740)	(501,542)
Interest and financing charges (Notes 12, 23 and 24)	**(41,754)**	(78,752)	(43,670)
Foreign exchange gains (Notes 14 and 15)	**744**	45,333	1,964
Interest and other financial income (Notes 4 and 11)	**19,529**	20,013	13,029
Gain on remeasurement of retained equity in a former subsidiary (Note 8)	**–**	2,635,755	–
Others - net (Note 23)	**161,746**	154,629	105,169
INCOME BEFORE INCOME TAX	**9,626,945**	10,365,685	7,299,226
PROVISION FOR INCOME TAX (Note 25)			
Current	**2,791,810**	3,016,500	2,163,334
Deferred	**(11,978)**	(800,383)	(10,611)
	2,779,832	2,216,117	2,152,723
NET INCOME	**₱6,847,113**	₱8,149,568	₱5,146,503
Attributable to:			
Equity holders of the Parent Company	**₱6,845,856**	₱8,148,071	₱5,145,178
Noncontrolling interest	**1,257**	1,497	1,325
	₱6,847,113	₱8,149,568	₱5,146,503
Basic/Diluted Earnings Per Common Share of Net Income Attributable to Equity Holders of the Parent Company (Note 28)	**₱1.06**	₱1.26	₱0.80

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2016	2015	2014
		(In Thousands)	
NET INCOME	**₱6,847,113**	₱8,149,568	₱5,146,503
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on retirement benefits (Note 26)	**79,852**	56,300	(19,396)
Income tax effect	**(23,956)**	(16,890)	5,819
	55,896	39,410	(13,577)
Other reserves	**3,774**	(13,380)	3,774
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	**59,670**	26,030	(9,803)
	59,670	26,030	(9,803)
TOTAL COMPREHENSIVE INCOME	**₱6,906,783**	₱8,175,598	₱5,136,700
Attributable to:			
Equity holders of the Parent Company	**₱6,905,492**	₱8,173,837	₱5,135,317
Noncontrolling interest	**1,291**	1,761	1,383
	₱6,906,783	₱8,175,598	₱5,136,700

See accompanying Notes to Consolidated Financial Statements.

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Equity Attributable to Equity Holders of the Parent Company							
	Capital Stock (Note 17)	Additional Paid-In Capital	Other Reserves (Note 17)	Remeasurement Gain (Loss) on Retirement Benefits - net (Note 26)	Retained Earnings (Note 17)	Total	Noncontrolling Interest	Total Equity
				(In Thousands, Except Per Share Amounts)				
BALANCES AT DECEMBER 31, 2013	**₱6,452,099**	**₱8,476,002**	**₱–**	**(₱161,351)**	**₱6,697,884**	**₱21,464,634**	**₱11,693**	**₱21,476,327**
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 17)	–	–	–	–	(4,516,470)	(4,516,470)	(3,681)	(4,520,151)
BALANCES AT DECEMBER 31, 2014	**6,452,099**	**8,476,002**	**3,774**	**(174,986)**	**7,326,592**	**22,083,481**	**9,395**	**22,092,876**
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 17)	–	–	–	–	(5,295,938)	(5,295,938)	(3,070)	(5,299,008)
BALANCES AT DECEMBER 31, 2015	**6,452,099**	**8,476,002**	**(9,606)**	**(135,840)**	**10,178,725**	**24,961,380**	**8,086**	**24,969,466**
Net income for the year	–	–	–	–	6,845,856	6,845,856	1,257	6,847,113
Other comprehensive income for the year	–	–	3,774	55,862	–	59,636	34	59,670
Total comprehensive income for the year	–	–	3,774	55,862	6,845,856	6,905,492	1,291	6,906,783
Cash dividends - ₱0.87 per share (Note 17)	–	–	–	–	(5,615,538)	(5,615,538)	(3,378)	(5,618,916)
BALANCES AT DECEMBER 31, 2016	**₱6,452,099**	**₱8,476,002**	**(₱5,832)**	**(₱79,978)**	**₱11,409,043**	**₱26,251,334**	**₱5,999**	**₱26,257,333**

See accompanying Notes to Consolidated Financial Statements.

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2016	2015	2014
	Years Ended December 31 (In Thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱9,626,945**	₱10,365,685	₱7,299,226
Adjustments for:			
Depreciation, amortization, depletion and impairment (Notes 9, 10 and 22)	**1,326,175**	1,890,611	1,422,604
Share in undistributed earnings of an associate (Note 8)	**(86,761)**	–	–
Interest and financing charges (Note 23)	**41,754**	78,752	43,670
Interest and other financial income (Notes 4 and 11)	**(19,529)**	(20,013)	(13,029)
Loss (gain) on sale of property, plant and equipment (Note 23)	**5,130**	(107,810)	(12,305)
Unrealized foreign exchange gains - net	**(8,104)**	(32,735)	(5,260)
Increase in retirement benefit liability	**5,106**	40,877	66,155
Provision for probable losses (Note 16)	–	73,386	43,632
Gain on remeasurement of retained equity in a former subsidiary (Note 8)	–	(2,635,755)	–
Provisions for site restoration costs (Note 16)	–	11,607	11,754
Income before working capital changes	**10,890,716**	9,664,605	8,856,447
Decrease (increase) in:			
Trade and other receivables	**64,114**	(1,045,915)	(479,938)
Inventories	**505,295**	(193,163)	(770,302)
Other current assets	**45,681**	270,374	120,274
Increase (decrease) in:			
Trade and other payables	**(177,699)**	1,516,225	653,613
Other provisions (Note 16)	–	–	(49,172)
Net cash generated from operations	**11,328,107**	10,212,126	8,330,922
Cash generated from operations of a former subsidiary (Note 8)	–	143,929	–
Income taxes paid	**(3,095,540)**	(2,531,374)	(2,036,896)
Net cash provided by operating activities	**8,232,567**	7,824,681	6,294,026
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment (Note 9)	**(1,979,751)**	(2,440,515)	(1,894,139)
Decrease (increase) in other noncurrent assets	**(147,945)**	(4,205)	15,793
Proceeds from sale of property, plant and equipment	**101,606**	81,359	22,435
Interest received	**19,529**	20,013	13,029
Additions to intangible assets (Note 10)	–	(11,329)	(544,902)
Additional investments (Note 8)	–	(242,931)	–
Cash used in investing activities of a former subsidiary (Note 8)	–	(3,612,264)	–
Net cash used in investing activities	**(2,006,561)**	(6,209,872)	(2,387,784)

(Forward)

	Years Ended December 31		
	2016	2015	2014
		(In Thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Note 17)	**(₱5,618,916)**	(₱5,299,008)	(₱4,520,151)
Notes payable (Notes 12 and 24)	**(2,999,831)**	(1,490,473)	(3,992,895)
Interest and financing charges	**(17,447)**	(78,752)	(43,670)
Proceeds from availment of loans (Notes 12 and 23)	**2,000,000**	1,625,000	5,200,000
Cash generated from financing activities of a former subsidiary (Note 8)	**–**	3,471,125	–
Net cash used in financing activities	**(6,636,194)**	(1,772,108)	(3,356,716)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(4,894)**	(710)	(423)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(415,082)**	(158,009)	549,103
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,540,198**	2,698,207	2,149,104
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱2,125,116**	₱2,540,198	₱2,698,207

See accompanying 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, sale and distribution of cement and cementitious products. Following are the subsidiaries and the respective percentages of ownership as at December 31, 2016 and 2015:

		Effective Percentage of Ownership	
	Principal Activities	**2016**	2015
Held by HPI			
WEB [(a)]	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)	Business process outsourcing and other information technology enabled services	**100.00**	100.00
Hubb Stores and Services, Inc. (HSSI)	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
Held by WEB			
Mabini Grinding Mill Corporation (Mabini)	Manufacture and distribution of cement products domestically and also for export	**100.00**	100.00
Held by HPMC			
Alsons Construction Chemicals, Inc. (Alchem) [(b)]	Manufacture, use and sale of all kinds of admixtures	**99.62**	99.62
Bulkcem Philippines, Inc. (Bulkcem)	Sale, lease and purchase of equipment and machinery	**99.62**	99.62
Calamba Aggregates Co., Inc. (CACI) [(c)]	Mining, processing and sale of quarry resources	**99.62**	99.62

(a) A company incorporated in British Virgin Islands
(b) Ceased commercial operations since 2004
(c) In the process of liquidation

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 7th 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 20, 2017. The same were approved for issuance by the Board of Directors (BOD) on March 1, 2017.

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.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

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

The 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. Assets, liabilities, 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, 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 applied prospectively and do not have any impact to the Company, given that the Company is not using a revenue-based method to depreciate its property, plant and equipment and intangible assets.

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

  The amendments 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 their separate financial statements will have to apply that change retrospectively. The amendments do not have any impact on the Company's consolidated financial statements.

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

  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined in PFRS 3), to 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 if 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 applied prospectively. These amendments do not have any impact to the Company as there has been no interest acquired in a joint operation during the period.

- 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. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items in the consolidated statement of comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. This standard does not apply since the Company is not a first-time adopter of PFRS.

- 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 balance sheet 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.

  These amendments do not have any impact on the Company.

- 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, when it measures all of its subsidiaries at fair value. They also clarify 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) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method. These amendments are not applicable to the consolidated financial statements.

- Annual Improvements to PFRSs (2012-2014 cycle)

  - 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. This amendment is not applicable to the Company.

  - 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 statements 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 interim financial report (e.g., in the management commentary or risk report).

The above improvements do not have any impact on the Company.

New Accounting Standards, Amendments to Existing Standards
and Interpretations Effective Subsequent to December 31, 2016
The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2016 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 its financial position or performance.

Deferred

- 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 International Accounting Standards Board (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 2017

- PAS 7, "Statement of Cash Flows – Disclosure Initiative" (Amendments)

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2017 consolidated financial statements.

- PAS 12, "Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses" (Amendments)

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments are not expected to have any impact on the Company.

- PFRS 12, "Disclosure of Interests in Other Entities – Clarification of the Scope of the Disclosure Requirements in PFRS 12" (Part of Annual Improvements on PFRS 2014 – 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments will not have any impact on the consolidated financial statements.

Effective in 2018

- PAS 40, "Investment Property – Transfers of Investment Property" (Amendments)

  The amendments clarify when an entity should transfer property, including property under construction or development, into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if that is possible without the use of hindsight. The amendments are not expected to have any impact on the Company.

- Philippine IFRIC Interpretation 22, "Foreign Currency Transactions and Advance Consideration"

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the interpretation on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  The Company does not expect the adoption of this interpretation to have any significant impact on the consolidated financial statements.

- PFRS 2, "Share-based Payments – Classification and Measurement of Share-based Payment Transactions" (Amendments) .

  The amendments address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application of the amendment is permitted. The Company plans to adopt the new standard on the required effective date.

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

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard, before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  The amendments are not applicable to the Company since none of the entities within the Company have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 9, "Financial Instruments"

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, "Financial Instruments: Recognition and Measurement", 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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Company plans to adopt the new standard on the required effective date. Based on the following preliminary assessment, the Company expects no significant impact to its consolidated balance sheet.

  (a) Classification and Measurement

  The Company does not expect a significant impact on its consolidated balance sheet or equity upon application of the classification and measurement requirements of PFRS 9 as its current financial assets carried at fair value are not significant.

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

(b) Impairment

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

(c) Hedge accounting

The Company does not expect any impact as a result of applying this phase of PFRS 9 as it does not apply hedge accounting on any existing hedge relationships.

- PFRS 15, "Revenue from Contracts with Customers"

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

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

(a) Sale of goods

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

(b) Variable consideration

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

(c) Disclosure requirements

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

- PAS 28, "Investments in Associates and Joint Ventures – Measurement of Investees at Fair Value through Profit or Loss (FVPL) on an Investment-by-Investment Basis" (Part of *Annual Improvements to PFRSs* 2014 – 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. The amendments are not expected to have any impact on the consolidated financial statements as these are not applicable to the Company.

Effective in 2019

- PFRS 16, "Leases"

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, "Leases". Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Company is currently assessing the impact of adopting PFRS 16.

Current versus noncurrent classification
The Company presents assets and liabilities in the consolidated balance sheet based on current or noncurrent classification. An asset is current if:

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement
The Company measures financial instruments such as derivatives and AFS financial assets at fair value at each balance sheet date.

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 by 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.

Fair-value related disclosures for financial instruments that are measured at fair value are summarized in Notes 8 (Investments) and 13 (Trade and other payables).

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.

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. This category is the most relevant to the Company. 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 or 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.

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 long-term financial receivables, 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.

The Company has no investments classified as HTM investments as at December 31, 2016 and 2015.

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.

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, also in other operating income.

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.

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.

<u>Derecognition of Financial Assets and Liabilities</u>
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. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

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.

As of December 31, 2016, the Company's investments in associates are the following:

	Effective Percentage of Ownership			
	2016	2015	Place of Incorporation	Principal Activities
Associates				
Asia Coal Corporation (Asia Coal)[a]	**28.18**	28.18	Philippines	Trading of coal products
Holcim Mining Development Corporation (HMDC)[b]	**40.00**	40.00	Philippines	Mining, processing and sale of quarry resources

(a) Ceased commercial operations since 2004.
(b) HMDC became the Company's associate in December 2015.

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.

The financial statements of the associates are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

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 "Share in undistributed earnings of an associate" under "Others – net" 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 are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and depletion and 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 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:

	Estimated Useful Lives in Years
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 mineral 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.

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 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.

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, 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 cash generating unit (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.

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 and presented as "Cost of treasury shares held" in the consolidated balance sheet, are deducted from equity. 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.

Sale of Services. Service income is recognized based on the stipulations stated in the agreement, which coincide with the performance of services. Service income is included under the "Revenues" account in the consolidated statement of income.

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" and "Other noncurrent 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 determined using the projected unit credit method.

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

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

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

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

The 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.

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.

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

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

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

Leases
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, or contains, a lease if 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 asset is (or assets are) not explicitly specified in an arrangement.

Company as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

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

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

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, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of 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 deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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.

Deferred income tax relating to items recognized outside profit or loss is recognized outside the consolidated statement of income. Deferred income tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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.

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:

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, lease term is not for the majority of the economic life of the asset and the amount of the present value of the minimum lease payments is not substantially the same as the fair value of the leased asset). Accordingly, the Company accounts these leases as operating leases (see Note 27).

Arrangements containing a lease
The Company has various supply agreements where it purchases raw and other materials. The Company has determined that these supply agreements do not contain a lease as the seller is not required to sell all of its output to the Company and the arrangement does not convey the right to use the asset (see Note 24).

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 2016 and 2015.

The Company recognized depreciation expense related to property, plant and equipment amounting to ₱1.3 billion, ₱1.8 billion and ₱1.4 billion in 2016, 2015 and 2014, respectively (see Notes 9 and 22). The carrying value of depreciable property, plant and equipment amounted to ₱14.0 billion and ₱13.5 billion as at December 31, 2016 and 2015, respectively (see Note 9).

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 2016 and 2014. In 2015, the Company recognized impairment loss on certain idle plant facility and cancelled projects (see Note 9).

The allowance for impairment losses on nonfinancial assets totaled ₱376.7 million as at December 31, 2016 and 2015. The carrying values of investments in associates, property, plant and equipment, and intangible assets are disclosed in Notes 8, 9 and 10, 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. 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, 2016 and 2015 (see Note 10).

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 ₱205.7 million and ₱201.5 million as at December 31, 2016 and 2015, respectively. Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱3.3 billion and ₱3.4 billion as at December 31, 2016 and 2015, 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 26.

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 ₱501.9 million and ₱553.4 million as at December 31, 2016 and 2015, respectively (see Note 26).

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 several of its 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 ₱523.8 million and ₱595.7 million as at December 31, 2016 and 2015, 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, 2016 and 2015 are recognized, are disclosed in Note 25.

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 ₱3.5 billion and ₱3.9 billion as at December 31, 2016 and 2015, 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, 2016 and 2015, the Company's provisions for claims and litigations amounted to ₱117.0 million (see Note 16).

4. Cash and Cash Equivalents

	2016	2015
	(In Thousands)	
Cash on hand and in banks	**₱1,715,700**	₱1,850,752
Short-term deposits	**409,416**	689,446
	₱2,125,116	₱2,540,198

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 ₱18.3 million, ₱18.9 million and ₱10.7 million in 2016, 2015 and 2014, respectively.

5. Trade and Other Receivables - net

	2016	2015
	(In Thousands)	
Trade		
Dealers	**₱804,509**	₱1,296,171
Retailers	**636,958**	65,893
Institutional	**447,691**	882,509
Alternative fuel and raw materials (AFR)/ready mix (RMX)/others	**663,284**	479,806
Due from related parties (Note 24)	**805,028**	831,488
Others	**145,738**	63,838
	3,503,208	3,619,705
Less allowance for doubtful accounts	**205,685**	201,494
	₱3,297,523	₱3,418,211

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 at December 31, 2016 and 2015 amounted to ₱1.1 billion and ₱1.3 billion, respectively.

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

	2016					
	Dealers	**Retailers**	**Institutional**	**AFR/RMX/ Others**	**Others**	**Total**
	(In Thousands)					
Beginning of year	**₱31,353**	**₱31,026**	**₱71,704**	**₱63,787**	**₱3,624**	**₱201,494**
Provisions (reversals) (Note 20)	**(4,669)**	**33,512**	**(59,844)**	**35,192**	**–**	**4,191**
End of year	**₱26,684**	**₱64,538**	**₱11,860**	**₱98,979**	**₱3,624**	**₱205,685**
Individually impaired	**₱20,540**	**₱28,948**	**₱4,945**	**₱47,280**	**₱3,624**	**₱105,337**
Collectively impaired	**₱6,144**	**₱35,590**	**₱6,915**	**₱51,699**	**₱–**	**₱100,348**

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

In 2016, the Company made certain changes in the classification of trade receivables, resulting to the transfers in the allowance for doubtful accounts from one classification to another.

6. Inventories

	2016	2015
	(In Thousands)	
At cost:		
Finished goods	**₱800,175**	₱801,454
Goods in process	**732,380**	1,089,133
Raw materials	**396,847**	621,945
Fuel	**708,278**	385,421
Spare parts and others	**691,067**	918,864
At net realizable value -		
Finished goods, spare parts and others	**121,980**	125,735
	₱3,450,727	₱3,942,552

The costs of spare parts and other inventories at net realizable value amounted to ₱303.7 million and ₱325.4 million as at December 31, 2016 and 2015, respectively. Finished goods inventories with total cost of ₱114.9 million were fully provided for with allowance for inventory obsolescence in 2015. The Company reversed the allowance in 2016.

The following table shows the movement of allowance for inventory obsolescence as at December 31, 2016 and 2015:

	2016	2015
	(In Thousands)	
Balance at beginning of year	**₱314,595**	₱196,403
Additional (reversal of) provisions (Note 18)	**(132,833)**	118,192
Balance at end of year	**₱181,762**	₱314,595

Total inventories charged to cost of sales amounted to ₱15.1 billion, ₱11.9 billion and ₱11.5 billion in 2016, 2015 and 2014, respectively (see Note 18).

7. Other Current Assets

	2016	2015
	(In Thousands)	
Advances to suppliers (Note 27)	**₱272,043**	₱302,160
Prepaid expenses	**125,519**	250,643
Input value-added taxes	**100,998**	37,898
Advances to employees	**12,254**	41,129
Creditable withholding taxes	**1,776**	5,148
Others	**86,306**	7,598
	₱598,896	₱644,576

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.

8. Investments

Investments as at December 31, 2016 and 2015 consist of the following:

	2016	2015
	(In Thousands)	
Investments in associates	**₱4,388,126**	₱4,191,214
AFS financial assets (Notes 14 and 15)	**3,940**	3,940
	₱4,392,066	₱4,195,154

The details of investment in associates as at December 31, 2016 and 2015 are as follows:

	2016	2015
	(In Thousands)	
HMDC	**₱4,387,507**	₱4,190,595
Asia Coal		
Acquisition cost	**29,162**	29,162
Accumulated equity in net losses	**(28,543)**	(28,543)
	619	619
	₱4,388,126	₱4,191,214

HMDC
Prior to December 31, 2015, HMDC was a subsidiary of the Company. On August 3, 2015, 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

HMDC also entered into Deeds of Absolute Sale for purchase of parcels of land and a terminal facility.

The total consideration for the aforementioned acquisitions amounted to ₱3.1 billion.

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

Assets	₱1,833,145
Liabilities	560,290
Total identifiable net assets at fair value	1,272,855
Goodwill arising on acquisition	1,799,040
Purchase consideration	₱3,071,895

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 ₱11.4 billion and ₱8.9 billion, respectively.

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.

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. HMDC's application for increase in capital stock was approved by the SEC on March 18, 2016.

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 at December 31, 2016 and 2015 (in thousands):

	2016	2015
Current assets	**₱2,267,396**	₱1,476,682
Noncurrent assets	**5,813,698**	6,106,363
Current liabilities	**1,720,503**	1,168,812
Noncurrent liabilities	**5,039,435**	4,893,384

Following are the summarized consolidated statement of income financial information of HMDC for the year ended December 31, 2016 (in thousands):

	2016
Revenues	₱2,186,378
Gross profit	717,347
Other income	1,105
Operating expenses	316,268
Income before income tax	253,596
Benefit from income tax	(52,320)
Net income	201,276

Movement of the investment in HMDC in 2016 and 2015 follows:

	2016	2015
Cost:		
Balance beginning of year	**₱4,190,595**	₱–
Share in net assets after deconsolidation	–	1,554,840
Gain on remeasurement of retained equity	–	2,635,755
Additional investment	**110,151**	–
Balance, end of year	**4,300,746**	4,190,595
Accumulated share in undistributed earnings:		
Balance beginning of year	–	–
Share in undistributed earnings (Note 23)	**86,761**	–
Balance, end of year	**86,761**	–
Investment in HMDC	**₱4,387,507**	₱4,190,595

Share in undistributed earnings of HMDC includes the share in net income for the cumulative preferred shares held by the Company and excludes the Company's share in any unrealized gross profit from HMDC's sales to the Company (see Note 24).

Long-term debt of HMDC and its subsidiaries amounted to ₱4.8 billion as at December 31, 2016 and 2015. Notes payable of ₱0.2 billion as at December 31, 2015 was fully paid in 2016.

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.

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 ₱3.6 billion, which include, among others, acquisition of Lafarge entities and properties amounting to ₱2.8 billion, net of cash acquired, purchases of property and equipment amounting to ₱0.1 billion and total cash of HMDC and its subsidiaries as at deconsolidation date amounting to ₱0.8 billion.

<u>Asia Coal Corporation (Asia Coal)</u>
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. On March 1, 2017 the BOD unanimously approved the write-off of investment to Asia Coal.

9. Property, Plant and Equipment

	December 31, 2015	Additions/ Depreciation/ Impairment[(a)]	Disposals/ Retirements	Transfers/ Reclassification	December 31, 2016
			(In Thousands)		
Cost:					
Land improvements	₱469,007	₱–	(₱411,425)	₱716	₱58,298
Buildings and installations	12,321,982	–	(6,716)	592,299	12,907,565
Machinery and equipment	22,636,586	25,346	(402,858)	1,296,818	23,555,892
Furniture, vehicles and tools	1,060,142	–	(121,045)	86,736	1,025,833
Construction in-progress	2,499,329	1,954,405	(19,767)	(2,017,414)	2,416,553
	38,987,046	1,979,751	(961,811)	(40,845)	39,964,141
Less accumulated depreciation, depletion and impairment losses:					
Land improvements	254,635	2,752	(212,040)	–	45,347
Buildings and installations	7,092,068	397,988	(6,716)	(18,678)	7,464,662
Machinery and equipment	14,864,944	828,585	(398,097)	(49)	15,295,383
Furniture, vehicles and tools	756,751	81,691	(128,071)	(8,648)	701,723
	22,968,398	1,311,016	(744,924)	(27,375)	23,507,115
Net book value	₱16,018,648	₱668,735	(₱216,887)	(₱13,470)	₱16,457,026

	December 31, 2014	Additions/ Depreciation/ Impairment[(a)]	Disposals/ Retirements	Transfers/ Reclassification[(a)]	Effect of deconsolidation[(a)] (Note 8)	December 31, 2015
				(In Thousands)		
Cost:						
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
Total	39,110,823	2,440,515	(395,956)	8,132	(2,176,468)	38,987,046
Less accumulated depreciation, depletion and impairment losses :						
Land improvements	298,149	47,896	(76,156)	–	(15,254)	254,635
Buildings and installations	6,500,238	652,188	(44,899)	–	(15,459)	7,092,068
Machinery and equipment	13,871,063	1,031,803	(9,508)	–	(28,414)	14,864,944
Furniture, vehicles and tools	836,937	103,394	(154,747)	–	(28,833)	756,751
	21,506,387	1,835,281	(285,310)	–	(87,960)	22,968,398
Net book value	₱17,604,436	₱605,234	(₱110,646)	₱8,132	(₱2,088,508)	₱16,018,648

(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.

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

In 2015, the Company recognized impairment loss of ₱321.0 million 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 consolidated statement of income (see Note 19).

10. Goodwill and Intangible Assets

The movements of goodwill and intangible assets are as follows:

	December 31, 2015	Additions/ Amortization/ Transfers	Retirements	December 31, 2016
		(In Thousands)		
Goodwill	₱2,635,738	₱–	₱–	₱2,635,738
Intangible assets:				
Cost:				
Software costs	122,384	–	–	122,384
Project development costs and others	38,256	–	–	38,256
Total (Carried Forward)	160,640	–	–	160,640

	December 31, 2015	Additions/ Amortization/ Transfers	Retirements	December 31, 2016
Total (Brought Forward)	₱160,640	₱–	₱–	₱160,640
Less accumulated amortization:				
Software costs	92,853	11,320	–	104,173
Project development costs and others	11,822	3,839	–	15,661
	104,675	15,159	–	119,834
	55,965	15,159	–	40,806
Balance	₱2,691,703	₱15,159	–	₱2,676,544

	December 31, 2014	Additions/ Amortization/ Transfers[(a)]	Effect of de-consolidation[(a)] (Note 8)	December 31, 2015
		(In Thousands)		
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.

Goodwill

Goodwill amounting to ₱2.6 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 2016, 2015 and 2014 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 percentage point would not cause the carrying value of goodwill to exceed its recoverable amount.

Key Assumptions

	Discount Rate	Long-term GDP Growth Rate
2016	**8.3%**	**6.5%**
2015	8.3%	5.0%
2014	7.9%	5.0%

Mining Rights
Mining rights pertain to HMDC's Mineral Production Sharing Agreement (MPSA) No. 108-98 IV for an aggregate quarry. This MPSA was part of the deconsolidated net assets of HMDC and its subsidiaries before end of 2015 (see Note 8).

Foreshore Lease
Foreshore lease amounting to ₱544.9 million relates to Lucky One Realty Ventures, Inc.'s (LORVI) 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 15 years as at December 31, 2016, renewable for another 25 years thereafter.

This foreshore lease was part of the deconsolidated net assets of HMDC and its subsidiaries before end of 2015 (see Note 8).

11. Other Noncurrent Assets

	2016	2015
	(In Thousands)	
Restricted cash	**₱81,830**	₱86,185
Guarantee deposits (Note 27)	**105,892**	62,788
Long-term financial receivable (Note 24)	**97,606**	8,566
Deferred input value-added taxes	**80,059**	57,054
Refundable deposit	**48,466**	48,466
Others	**2,575**	557
	₱416,428	₱263,616

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

Refundable deposit represents the cash bond deposited with the Bureau of Customs (BOC) in May 2001, representing the safeguard duty of 20.6 per bag of gray Portland cement imposed by the Department of Trade and Industry (DTI). In November 2001, the Philippine Tariff Commission (PTC) subsequently ruled that no safeguard duties are required for the importation of gray Portland cement. In 2005, the Supreme Court ruled that PTC's finding is binding on the DTI. In March 2006, the DTI issued an order nullifying the said safeguard duties. On October 12, 2007, the Company filed an application with the Batangas Collection District No. IV in view of the BOC's failure to release the cash bonds despite the DTI's 2006 order. On October 22, 2012, the Company's application was favorably endorsed to the Legal Division of the BOC's Revenue and Collection Monitoring Group. In August 2015 and as required by BOC's Legal Division, the Company filed a position paper with supporting documents, including the DTI's letter stating that there is sufficient basis for the release of the cash bonds. On October 21, 2015, the Company wrote a letter to the office of the BOC commissioner on the Legal Division's refusal to rule on the application. In

November 2015, the office of the BOC commissioner endorsed the Company's application to the BOC's Revenue and Collection Monitoring Group and Director of Legal Services for appropriate action. As of December 31, 2016, the Company's application is pending resolution by the BOC.

Guarantee deposits represent cash deposits made to suppliers for raw material supply agreement and various security deposits for rentals (see Note 27).

Long-term financial receivables represent the outstanding receivable from Holcim East Asia Business Service Centre B.V. (HEABS) relating to the "Assignment of Know-How" contract. The Company has entered into a long-term financing agreement with HEABS to amortize the unpaid balance of the latter as of December 31, 2016 amounting to ₱96.3 million or $1.9 million plus any revaluation, over 3 years. In 2015, the financial receivable was classified as current asset and included under "Due from related parties".

Long-term financial receivable also represent the receivable from the Company's third party service provider for sale of certain heavy equipment in 2008, which will be settled on or before 2019. Interest income earned from long-term financial receivable at an annual interest rate of 4.5% to 7.0% amounted to ₱0.7 million, ₱1.1 million and ₱2.3 million in 2016, 2015 and 2014 respectively.

12. Notes Payable

The Company availed of various short-term loans from a bank in 2015 totaling ₱1.6 billion, bearing interest ranging from 1.5% to 3.0%. The outstanding balance of these loans as of December 31, 2015 totaled ₱1.0 billion. These loans were paid in 2016.

In 2016, the Company also availed of short-term loans from a bank amounting to ₱2.0 billion, bearing interest of 2%. The loan was fully paid in 2016.

Total interest expense from notes payable charged to profit or loss amounted to ₱17.4 million, ₱8.4 million and ₱20.3 million in 2016, 2015 and 2014, respectively (see Notes 23 and 24).

13. Trade and Other Payables

	2016	2015
	(In Thousands)	
Trade	**₱2,255,450**	₱2,668,662
Accrued expenses:		
Employee related	**354,491**	115,767
Power	**263,239**	387,602
Outside services	**258,271**	280,387
Project expenses	**112,343**	96,840
Maintenance	**22,403**	272,224
Others	**274,072**	52,370
Advances and deposits from customers	**1,035,244**	867,910
Due to related parties (Note 24)	**1,231,607**	867,108
Output VAT	**161,697**	216,854
Other taxes payable	**187,679**	211,035
Nontrade	**6,786**	193,510
Other payables	**194,205**	315,713
	₱6,357,487	₱6,545,982

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

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.

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.

Total amount of intercompany payables eliminated as at December 31, 2016 and 2015 amounted to ₱1.1 billion and ₱1.3 billion, respectively.

14. 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 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, long-term financial receivable, 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.

<u>Market Risks</u>
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.

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

The Company has foreign exchange exposures, arising primarily from purchases of goods and services and debt servicing requirements in currencies other than the Peso that leads to currency translation effects. Of the Company's revenues, approximately 0.1% in 2016 and 2014 (nil in 2015) is denominated in currencies other than the Peso.

Due to the local nature of the cement business, transaction risk is limited. However, income may primarily be in local currency whereas debt servicing and significant amount of capital expenditures may be in foreign currencies. As a consequence thereof, the 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			
	2016		2015	
	In USD	**In PHP**	In USD	In PHP
		(In Thousands)		
Assets:				
Cash and cash equivalents	**$2,436**	**₱121,353**	$3,079	₱145,237
Trade and other receivables	**73**	**3,620**	4,918	231,982
	2,509	**124,973**	7,997	377,219
Liabilities:				
Trade and other payables	**9,007**	**448,639**	6,058	285,756
Net exposure	**($6,498)**	**(₱323,666)**	$1,939	₱91,463

Converted to Philippine peso at US$1.00:₱49.81 as at December 31, 2016 and US$1.00:₱47.17 as at December 31, 2015.

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
		(In Thousands)
December 31, 2016		
Sensitivity 1	**10%**	**(₱32,367)**
Sensitivity 2	**(5%)**	**16,183**
December 31, 2015		
Sensitivity 1	10%	₱9,146
Sensitivity 2	(5%)	(4,573)

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, 2016 and 2015, 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[(a)]		**Net Maximum Exposure[(b)]**	
	December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
	(In Thousands)			
Loans and receivables:				
Cash and cash equivalents*	**₱2,124,033**	₱2,539,624	**₱2,110,220**	₱2,516,602
Trade and other receivables:				
Trade:				
Dealers	**777,825**	1,264,818	**494,216**	838,233
Retailers	**572,420**	34,867	**27,621**	15,549
Institutional	**435,831**	810,805	**180,559**	750,721
Restricted cash**	**81,830**	86,185	**80,379**	85,685
Total	**₱3,991,939**	₱4,736,299	**₱2,892,995**	₱4,206,790

[(a)] *Gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangements.*
[(b)] *Gross financial assets after taking into account any collateral or other credit enhancements or offsetting arrangements or deposit insurance.*
* *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 minimum.

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, 2016 and 2015:

	December 31, 2016					
	Neither Past due nor Impaired			Past Due but not Impaired	Past Due and Impaired	Total
	Class A	Class B	Class C			
	(In Thousands)					
AFS financial assets						
Quoted shares	₱176	₱–	₱–	₱–	₱–	₱176
Unquoted shares	3,764	–	–	–	–	3,764
Loans and receivables:						
Cash and cash equivalents						
Cash in banks	1,714,617	–	–	–	–	1,714,617
Short-term deposits	409,416	–	–	–	–	409,416
Trade and other receivables						
Trade						
Dealers	–	672,664	33,854	71,307	26,684	804,509
Retailers	–	47,610	25,882	498,928	64,538	636,958
Institutional	–	428,162	7,669	–	11,860	447,691
AFR/RMX/others	–	110,651	114,279	339,375	98,979	663,284
Due from related parties	805,028	–	–	–	–	805,028
Other receivables	–	–	142,114	–	3,624	145,738
Advances to employees*	–	–	12,254	–	–	12,254
Restricted cash**	81,830	–	–	–	–	81,830
Guarantee deposits**	–	–	105,892	–	–	105,892
Long-term financial receivable**	96,336	–	1,270	–	–	97,606
Total	₱3,111,167	₱1,259,087	₱443,214	₱909,610	₱205,685	₱5,928,763

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

	December 31, 2015					
	Neither Past due nor Impaired			Past Due but not Impaired	Past Due and Impaired	Total
	Class A	Class B	Class C			
	(In Thousands)					
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
Long-term financial receivable**	–	–	8,566	–	–	8,566
Total	₱3,476,899	₱1,820,185	₱290,699	₱572,660	₱201,494	₱6,361,937

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

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, 2016 and 2015:

	December 31, 2016						
		Neither Past Due	Past Due but not Impaired				Past
	Total	nor Impaired	<30 Days	30–60 Days	61–90 Days	91–120 Days	Due and Impaired
				(In Thousands)			
AFS financial assets:							
Quoted shares	₱176	₱176	₱–	₱–	₱–	₱–	₱–
Unquoted shares	3,764	3,764	–	–	–	–	–
Cash and cash equivalents:							
Cash in banks	1,714,617	1,714,617	–	–	–	–	–
Short-term deposits	409,416	409,416	–	–	–	–	–
Trade and other receivables:							
Trade receivables from:							
Dealers	804,509	706,518	–	–	–	71,307	26,684
Retailers	636,958	73,492	478,090	–	–	20,838	64,538
Institutional	447,691	435,831	–	–	–	–	11,860
AFR/RMX/others	663,284	224,930	95,200	32,730	58,615	152,830	98,979
Due from related parties	805,028	805,028	–	–	–	–	–
Others	145,738	142,114	–	–	–	–	3,624
Advances to employees*	12,254	12,254	–	–	–	–	–
Restricted cash**	81,830	81,830	–	–	–	–	–
Guarantee deposits**	105,892	105,892	–	–	–	–	–
Long-term financial receivable**	97,606	97,606	–	–	–	–	–
Total	₱5,928,763	₱4,813,468	₱573,290	₱32,730	₱58,615	₱244,975	₱205,685

	December 31, 2015						
		Neither Past Due	Past Due but not Impaired				Past
	Total	nor Impaired	<30 Days	30–60 Days	61–90 Days	91–120 Days	Due and Impaired
				(In Thousands)			
AFS financial assets:							
Quoted shares	₱176	₱176	₱–	₱–	₱–	₱–	₱–
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
Advances to employees*	41,129	41,129	–	–	–	–	–
Restricted cash**	86,185	86,185	–	–	–	–	–
Guarantee deposits**	62,788	62,788	–	–	–	–	–
Long-term financial receivable**	8,566	8,566	–	–	–	–	–
Total	₱6,361,937	₱5,587,783	₱197,048	₱76,277	₱47,472	₱251,863	₱201,494

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

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

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, 2016 and 2015, the Company has unutilized credit facilities of ₱9.4 billion and ₱8.1 billion, respectively.

The tables below summarize the maturity profile of the Company's financial assets used for liquidity management as at December 31, 2016 and 2015:

	December 31, 2016				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**>1 to 5 Years**	**Total**
			(In Thousands)		
Financial asset at FVPL					
Derivative asset*	**₱–**	**₱–**	**₱3,986**	**₱–**	**₱3,986**
AFS financial assets:					
Quoted shares	**–**	**–**	**176**	**–**	**176**
Unquoted shares	**–**	**–**	**3,764**	**–**	**3,764**
Loans and receivables:					
Cash and cash equivalents:					
Cash in banks	**1,714,617**	**–**	**–**	**–**	**1,714,617**
Short-term deposits	**–**	**409,416**	**–**	**–**	**409,416**
Trade receivables from:					
Dealers	**26,684**	**71,307**	**706,518**	**–**	**804,509**
Retailers	**64,538**	**498,928**	**73,492**	**–**	**636,958**
Institutional	**11,860**	**–**	**435,831**	**–**	**447,691**
AFR/RMX/others	**98,979**	**345,152**	**219,153**	**–**	**663,284**
Due from related parties	**–**	**–**	**805,028**	**–**	**805,028**
Other receivables	**3,624**	**–**	**142,114**	**–**	**145,738**
Advances to employees*	**–**	**–**	**12,254**	**–**	**12,254**
Restricted cash**	**–**	**–**	**–**	**81,830**	**81,830**
Guarantee deposits**	**–**	**–**	**–**	**105,892**	**105,892**
Long-term financial receivable**	**–**	**–**	**–**	**97,606**	**97,606**
Total	**₱1,920,302**	**₱1,324,803**	**₱2,402,316**	**₱285,328**	**₱5,932,749**

	December 31, 2015				
	On Demand	Less than 3 Months	3 to 12 Months	>1 to 5 Years	Total
			(In Thousands)		
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

(Forward)

	December 31, 2015				
	On Demand	Less than 3 Months	3 to 12 Months	>1 to 5 Years	Total
			(In Thousands)		
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
Long-term financial receivable**	–	–	–	8,566	8,566
Total	₱2,051,672	₱1,262,106	₱2,890,620	₱157,539	₱6,361,937

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

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2016 and 2015 based on contractual undiscounted payments:

	December 31, 2016				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**>1 to 5 Years**	**Total**
			(In Thousands)		
Other financial liabilities:					
Trade and other payables:					
Trade	**₱2,255,450**	**₱–**	**₱–**	**₱–**	**₱2,255,450**
Accrued expenses and nontrade payables	**1,291,605**	**–**	**–**	**–**	**1,291,605**
Due to related parties	**1,231,607**	**–**	**–**	**–**	**1,231,607**
Advances from customers	**551,660**	**–**	**–**	**–**	**551,660**
Other payables	**194,204**	**–**	**–**	**–**	**194,204**
Total	**₱5,524,526**	**₱–**	**₱–**	**₱–**	**₱5,524,526**

	December 31, 2015				
	On Demand	Less than 3 Months	3 to 12 Months	>1 to 5 Years	Total
			(In Thousands)		
Financial liability at FVPL:					
Derivative liability*	₱–	₱–	₱882	₱–	₱882
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
Total	₱5,611,224	₱999,831	₱882	₱–	₱6,611,937

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

Capital Management Policy

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

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

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

	2016	2015
	(In Thousands)	
Notes payable	**₱–**	₱999,831
Customers' deposits*	**483,584**	505,987
Financial debt	**483,584**	1,505,818
Less cash and cash equivalents	**2,125,116**	2,540,198
Net financial asset	**(1,641,532)**	(1,034,380)
Total equity	**26,257,333**	24,969,466
Gearing ratio	**(6.3%)**	(4.1%)

* *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 5% in 2016 and 13% in 2015 as a result of improvement in operating results for these years.

15. 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, 2016 and 2015. The following methods and assumptions are used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Trade and Other Receivables, Advances to Employees, Restricted Cash, 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 at end of each reporting period.

Derivative Assets. The fair values of the embedded currency forwards with notional amount of US$80,018 are calculated by reference to current forward exchange.

AFS Financial Assets. The fair values of publicly traded instruments are determined by reference to quoted market prices as at the end of each reporting period. Investments in unquoted equity securities are carried at cost, net of any impairment in value.

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

Fair Value Hierarchy
As at December 31, 2016 and 2015, 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, 2016 and 2015, 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 2016 and 2015.

16. Provisions

	2016	2015
	(In Thousands)	
Provision for site restoration costs	**₱9,636**	₱66,264
Other provisions	**117,018**	117,018
	₱126,654	₱183,282

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, 2016 and 2015 are as follows:

	2016	2015
	(In Thousands)	
Balance at beginning of year	**₱66,264**	₱136,974
Additions (Note 19)	–	11,607
Accretion and other adjustments	**(516)**	2,570
Transfer of obligation to HMDC	**(56,112)**	(84,887)
Balance at end of year	**₱9,636**	₱66,264

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 2016 and 2015 (see Note 24).

The accretion is presented as part of "Interest and financing charges" in the consolidated statements of income (see Note 23).

Other Provisions
Other provisions pertain to provisions for probable claims arising from 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 (see Note 27).

17. **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	10,000,000,000

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, 2016 and 2015.

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 5,441 and 5,527 stockholders as at December 31, 2016 and 2015, 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 LafargeHolcim Group.

c. Retained Earnings

The Parent Company's retained earnings available for dividend declaration as at December 31, 2016 amounted to ₱7.4 billion based on the guidelines set in the Securities Regulation Code Rule 68, As Amended (2011).

Cash dividends declared are as follows:

	2016	2015	2014
Cash dividend per share	**₱0.87**	₱0.82	₱0.70
Amount declared	**₱5.6 billion**	₱5.3 billion	₱4.5 billion
Declaration date	**May 18, 2016**	May 18, 2015	May 16, 2014
Record date	**June 15, 2016**	June 15, 2015	June 13, 2014

On May 18, 2016, the BOD of HPMC declared cash dividends totaling ₱865.6 million (₱375 per share) for stockholders on record as at June 15, 2016. The dividends were subsequently paid last July 4, 2016.

On May 18, 2015, the BOD of HPMC declared cash dividends totaling ₱808.1 million (₱350.0 per share) for stockholders on record as at June 24, 2015.

18. Cost of Sales

	2016	2015	2014
		(In Thousands)	
Raw, packaging and production materials (Notes 6, 24 and 27)	**₱12,623,587**	₱10,252,616	₱7,432,111
Power and fuel (Notes 6 and 27)	**5,994,267**	6,878,557	6,774,355
Transportation and communications	**2,540,851**	2,316,751	2,376,697
Outside services (Notes 24 and 27)	**2,538,500**	2,467,342	1,946,516
Personnel (Notes 21 and 26)	**1,521,162**	1,632,931	1,473,826
Repairs and maintenance	**1,373,369**	1,327,844	1,424,525
Depreciation, amortization and depletion (Note 22)	**1,252,284**	1,483,290	1,351,723
Taxes and licenses	**271,920**	279,221	255,958
Insurance	**119,936**	137,682	154,844
Rent (Note 27)	**115,829**	78,890	49,998
Others (Note 6)	**152,832**	392,917	357,327
	₱28,504,537	₱27,248,041	₱23,597,880

19. General and Administrative Expenses

	2016	2015	2014
		(In Thousands)	
Outside services (Note 24)	**₱744,934**	₱724,312	₱207,178
Personnel (Notes 21 and 26)	**484,111**	460,662	517,866
Software implementation costs (Note 24)	**204,792**	151,320	204,475
Office expenses	**89,427**	98,874	155,308
Depreciation and impairment (Notes 9 and 22)	**66,588**	396,653	59,336
Taxes and licenses	**55,651**	32,639	61,707
Transportation and communications	**22,134**	44,999	23,292
Entertainment, amusement and recreation	**786**	1,745	1,227
Directors' fees	**–**	19,100	19,100
Others (Notes 16, 24 and 27)	**84,672**	175,263	77,014
	₱1,753,095	₱2,105,567	₱1,326,503

Others include training expenses, community services and expenses related to the Company's ongoing internal projects.

20. Selling Expenses

	2016	2015	2014
		(In Thousands)	
Personnel (Notes 21 and 26)	**₱240,215**	₱239,016	₱184,944
Advertising	**165,498**	123,891	116,117
Outside services	**76,154**	68,294	47,685
Transportation and communication	**42,483**	28,998	43,385
Office expenses	**34,560**	38,954	35,773
Depreciation (Note 22)	**7,303**	10,668	11,545
Taxes and licenses	**8,658**	10,260	9,185
Provision for doubtful accounts (Note 5)	**4,191**	50,217	26,363
Others	**12,434**	13,442	26,545
	₱591,496	₱583,740	₱501,542

Others include insurance, utilities and expenses related to the Company's ongoing internal projects.

21. Personnel Expenses

	2016	2015	2014
		(In Thousands)	
Salaries, wages and employee benefits	**₱1,514,222**	₱1,550,380	₱1,493,290
Retirement benefit costs (Note 26)	**130,783**	130,597	160,657
Training	**45,441**	69,914	56,701
Others	**555,042**	581,718	465,988
	₱2,245,488	₱2,332,609	₱2,176,636

22. Depreciation, Amortization, Depletion and Impairment

	2016	2015	2014
		(In Thousands)	
Property, plant and equipment (Note 9):			
Cost of sales (Note 18)	**₱1,237,125**	₱1,427,960	₱1,333,520
General and administrative expenses (Note 19)	**66,588**	396,653	59,336
Selling expenses (Note 20)	**7,303**	10,668	11,545
	1,311,016	1,835,281	1,404,401
Intangible assets (Note 10):			
Cost of sales (Note 18)	**15,159**	55,330	18,203
	₱1,326,175	₱1,890,611	₱1,422,604

23. Interest and Financing Charges and Others - Net

Details of interest and financing charges are as follows:

	2016	2015	2014
		(In Thousands)	
Interest and amortization of debt issue costs on:			
Notes payable (Notes 12 and 24)	**₱17,447**	₱8,368	₱20,374
Long-term debt	**–**	42,092	–
Net interest cost on defined benefit obligation (see Note 26)	**23,253**	25,724	21,555
Accretion of provision for site restoration cost and others (Note 16)	**1,054**	2,568	1,741
	₱41,754	₱78,752	₱43,670

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 8).

Details of Others - net are as follows:

	2016	2015	2014
		(In Thousands)	
Share in undistributed earnings of an associate (Note 8)	**₱86,761**	₱–	₱–
Gain (loss) on sale of properties - net	**(5,130)**	107,810	12,305
By products and other revenue (Note 24)	**78,580**	57,778	89,378
Others	**1,535**	(10,959)	3,486
	₱161,746	₱154,629	₱105,169

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 ₱171.6 million (see Note 24). Gain on such sale amounted to ₱137.1 million, presented as part of "Gain (loss) on sale of properties - net".

24. 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 – Philippine ROHQ (HEAB)
- Other Holcim Group affiliates

Associate of HPI and its subsidiaries as at December 31, 2016:
- HMDC
- Holcim Resources and Development Corporation (HRDC)
- LHAI
- SCMC
- APC
- QLI
- LORVI

The following table summarizes the related party transactions and outstanding balances as at and for the years ended December 31, 2016 and 2015:

Related Parties	Nature	2016 Transactions during the Year	2016 Outstanding Receivable (Payable)	2015 Transactions during the Year	2015 Outstanding Receivable (Payable)	Terms and Conditions
			(In Thousands)			
Parent						
UCHC	Payment of expenses	**₱226**	**(₱5,190)**	₱–	(₱5,413)	Noninterest- bearing, unsecured
Cemco	Payment of expenses	**5**	**(5,130)**	254	(5,392)	Noninterest- bearing, unsecured
Clinco	Payment of expenses	**4**	**33**	1	28	Noninterest- bearing, unsecured, not impaired
Under common shareholder						
HSEA	Purchases and/or expense	**–**	**–**	98	–	Noninterest- bearing, unsecured
HTSX	Purchases and/or expense	**1,897,844**	**(363,921)**	2,047,621	(425,242)	Noninterest- bearing, unsecured
Holcim Trading	Purchases and/or expense	**168,064**	**(205,173)**	458,612	(328,324)	Noninterest- bearing, unsecured
HTPL	Purchases and/or expense	**108,909**	**(5,852)**	36,376	(8,271)	Noninterest-bearing, unsecured
	Advances	**21,689**	**21,335**	–	–	Noninterest-bearing, unsecured, not impaired
HEAB	Service contract	**600,616**	**(54,197)**	537,056	(110,739)	Noninterest-bearing, unsecured
	Sale of assets	**87,221**	**41,230**	188,682	213,862	Noninterest-bearing, unsecured, not impaired
	Transfer of liability	**–**	**(2,683)**	2,683	(2,683)	Noninterest-bearing, unsecured
	Advances	**12,518**	**25,454**	–	–	Noninterest-bearing, unsecured, not impaired
	Purchases and/or expense	**–**	**(12,088)**	68	125	Noninterest-bearing, unsecured
Other Holcim Group Affiliates	Purchases and/or expense	**23,839**	**(411)**	(41,700)	702	Noninterest-bearing, unsecured
	Advances	**25,698**	**27,272**	–	–	Noninterest-bearing, unsecured, not impaired
Associates						
HMDC	Short-term loans	**–**	**–**	280,000	–	Interest-bearing, unsecured
	Interest on loan	**299**	**499**	5,809	797	Unsecured, not impaired
	Sale and transfer of assets	**89,568**	**323,322**	475,752	322,366	Noninterest-bearing, unsecured, not impaired
	Purchase and/or expense	**601,193**	**(11,907)**	–	–	Noninterest-bearing, unsecured
	Expenses for various charges	**3,901**	**(16,817)**	3,727	(2,393)	Noninterest-bearing, unsecured
	Service contract	**34,819**	**(39,922)**	42,082	(42,082)	Noninterest-bearing, unsecured
	Lease of land	**126,931**	**–**	51,486	(51,486)	Noninterest-bearing, unsecured
	Additional investment	**110,150**	**–**	203,750	–	Noninterest-bearing, unsecured
	Dividends	**–**	**–**	267,813	267,813	Noninterest-bearing, unsecured
HRDC	Expenses from various charges	**386,987**	**(71,646)**	8	12,891	Noninterest-bearing, unsecured
	Service Contract	**77,086**	**92,918**	–	–	Noninterest-bearing, unsecured, not impaired
	Advances	**16,679**	**77,660**	–	–	Noninterest-bearing, unsecured, not impaired
	Asset lease	**16,105**	**(15,897)**	2,498	(208)	Noninterest-bearing, unsecured
LHAI	Purchase and/or expense	**1,350**	**116,361**	12,257	12,257	Noninterest-bearing, unsecured, not impaired
	Sales	**82,672**	**(452,188)**	–	–	Noninterest-bearing, unsecured
APC	Expenses from various charges	**–**	**780**	780	780	Noninterest-bearing, unsecured, not impaired
	Various reimbursements	**721**	**(721)**	–	–	Noninterest-bearing, unsecured
	Short-term loan	**–**	**52,204**	52,204	52,204	Noninterest-bearing, unsecured, not impaired

Related Parties	Nature	2016 Transactions during the Year	2016 Outstanding Receivable (Payable)	2015 Transactions during the Year	2015 Outstanding Receivable (Payable)	Terms and Conditions
QLI	Expenses from various charges	₱39	₱1,945	₱207	₱207	Noninterest-bearing, unsecured, not impaired
	Various reimbursements	1,907	(1,907)	–	–	Noninterest-bearing, unsecured
	Short-term loan	2,127	77,314	77,314	77,314	Noninterest-bearing, unsecured, not impaired
SCMC	Expenses from various charges	–	201	201	201	Noninterest-bearing, unsecured, not impaired
	Short-term loan	–	666	666	666	Noninterest-bearing, unsecured, not impaired
LORVI	Expenses from various charges	256	13	13	13	Noninterest-bearing, unsecured, not impaired
	Foreshore lease	36,584	(20,154)	20,400	(20,400)	Noninterest-bearing, unsecured
Others	Expenses from various charges	18	18	–	–	Noninterest- bearing, unsecured, not impaired

Parent
The Company grants non-interest bearing advances to Cemco and Clinco for working capital requirements.

Entities under Common Shareholder

a. *HEAB*. The Company sold its leasehold improvements to HEAB as part of building the regional shared service center for Asia Pacific region for a lump sum of ₱39.7 million, all of which are still outstanding as of December 31, 2016.

   In 2015, the Company entered into a service contract with HEAB for business process outsourcing and other information technology enabled services.

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.

   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 2016, 2015 and 2014 amounted to ₱1.9 billion, ₱2.0 billion and ₱1.4 billion, respectively (see Note 18).

c. *Holcim Trading*. The Company imports clinker, cement 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. Total expenses incurred in 2016 and 2015 amounted to ₱108.9 million and ₱36.4 million, respectively.

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 19). Other income amounting to ₱12.2 million in 2014, represent manpower services provided by the Company to HSEA (see Note 23).

   As of January 1, 2015, HEAB 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. In January 2016, the Company has entered into various lease agreements with HMDC and its subsidiaries APC, HRDC, QLI and LORVI for certain plant sites and terminals from various locations. The term of the leases is for a period of 25 years.

b. For 2016 and 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.

c. Various land assets with total book value of ₱475.8 million was sold to HMDC in 2015.

d. In 2015, 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.

e. The Company grants non-interest bearing advances to HMDC, HRDC, LORVI and LHAI for working capital requirements.

f. In 2016, the Company recognized additional investment amounting to ₱110.2 upon transfer of all its remaining mining rights and the related provision for site restoration costs to HMDC, with carrying values of ₱144.6 million and ₱39.8 million, respectively (see Notes 8 and 9).

   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 ₱203.7 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 relevant regulatory agency. The mining rights were part of the assets assigned by the Company in 2013 for the Company's subscription in the 2013 increase in capital stock of HMDC.

g. 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 was fully settled as of December 31, 2016.

Retirement Benefit Funds

a. As of December 31, 2016 and 2015, the Company's defined benefit retirement fund has investments in the Company's shares with a cost of ₱2.0 million and ₱3.4 million, respectively. The retirement benefit fund's total gain arising from the changes in market prices amounted to ₱8.0 million in 2016 and ₱1.2 million in 2015.

b. As at December 31, 2016, HPI's defined benefit retirement fund has investments in HMDC's shares with a fair value of ₱596.3 million representing 60% of the total ownership (see Note 8).

All of the funds' investing decisions are made by the Retirement Committee, the composition of which includes certain officers of HPI. The power to exercise the voting rights rests with the Retirement Committee.

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, 2016 and 2015, 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:

	2016	2015	2014
		(In Thousands)	
Short-term employee benefits	**₱184,753**	₱179,455	₱184,083
Retirement benefits cost	**12,148**	21,312	41,533
	₱196,901	₱200,767	₱225,616

25. Income Tax

The provision for current income tax in 2016 and 2015 follows:

	2016		2015		2014	
	RCIT	**MCIT**	RCIT	MCIT	RCIT	MCIT
		(In Thousands)				
Parent Company	**₱2,688,612**	**₱–**	₱2,733,360	₱–	₱2,036,680	₱–
HPMC	**74,886**	**–**	158,358	–	95,127	–
Mabini	**25,243**	**–**	25,250	–	25,203	–
HPBSCI	**1,540**	**–**	24,677	–	4,916	–
Bulkcem	**764**	**–**	7,088	–	1,031	–
ECLI	**–**	**765**	–	–	–	–
HMDC and subsidiaries	**–**	**–**	–	67,767	–	377
	₱2,791,045	**₱765**	₱2,948,733	₱67,767	₱2,162,957	₱377

The reconciliation between the statutory and effective income tax of the Company is as follows:

	2016	2015	2014
		(In Thousands)	
Income before income tax	**₱9,626,945**	₱10,365,685	₱7,299,226
Income tax at statutory income tax rate	**₱2,888,083**	₱3,109,705	₱2,189,768
Change in unrecognized deferred income tax assets	**(802)**	(14,514)	(1,371)
Income tax effects of:			
Use of OSD vs. itemized deductions	**(48,353)**	(103,066)	(50,171)
Deferred income taxes reversed after sale of land	**(32,467)**	–	–
Interest and other income subjected to lower tax rates	**(5,661)**	(4,479)	(4,025)
Nondeductible expenses	**4,927**	26,029	17,802
Nontaxable gain on remeasurement of retained equity in HMDC	–	(790,265)	–
Difference between tax base and book value of deconsolidated subsidiaries	–	(672,841)	–
Excess of fair market value over selling price of land	–	663,940	–
Others	**(25,895)**	1,608	720
Income tax at effective tax rate	**₱2,779,832**	₱2,216,117	₱2,152,723

The components of the Company's net deferred income tax assets as at December 31, 2016 and 2015 are as follows:

	2016	2015
	(In Thousands)	
Deferred income tax assets		
Retirement benefit liability	**₱154,359**	₱165,611
Allowances for:		
Impairment losses on property, plant and equipment	**113,886**	111,016
Decline in value of inventories	**54,529**	94,379
Doubtful accounts	**73,932**	74,408
Provision for bonus accrual	**54,951**	47,122
Accrued expenses	**29,649**	29,641
Unamortized past service costs	**16,544**	19,419
Provision for site restoration costs	**1,734**	16,700
Unamortized deferred charges	–	4,737
NOLCO, excess MCIT and others	**24,223**	32,678
	523,807	595,711
Deferred income tax liabilities		
Capitalized cost of property, plant and equipment from insurance proceeds	**162,052**	177,661
Unrealized foreign exchange gain	**4,310**	6,490
Unamortized amount of capitalized land site restoration costs	**2,331**	44,923
Undepreciated capitalized borrowings	**483**	–
Others	**3,753**	1,524
	172,929	230,598
Net deferred income tax assets	**₱350,878**	₱365,113

The deferred income tax liabilities of ₱1.4 million and ₱3.6 million as at December 31, 2016 and 2015, 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:

	2016	2015
	(In Thousands)	
Carryforward benefit of NOLCO	**₱307**	₱32,685
Allowances for doubtful accounts	–	472
Unrecognized deferred income tax assets	**₱92**	₱9,947

The following NOLCO can be claimed as deduction against future taxable income:

Date Incurred	Expiry Date	NOLCO
		(In Thousands)
December 31, 2016	December 31, 2019	₱11,698
December 31, 2015	December 31, 2018	43,154
December 31, 2014	December 31, 2017	18,875
		₱73,727

NOLCO incurred by ECLI in 2013 amounting to ₱1.3 million and NOLCO and MCIT of CACI amounting to ₱30 million expired in 2016.

26. 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.

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:

	2016	2015	2014
		(In Thousands)	
Current service cost	**₱87,730**	₱104,989	₱93,506
Net interest cost (Note 23)	**23,253**	25,724	21,555
Curtailment gain	**(2,423)**	(8,071)	–
Retirement benefit costs recognized in profit or loss	**108,560**	122,642	115,061
Remeasurements recognized in OCI	**(79,852)**	(56,300)	19,396
Retirement benefit costs	**₱28,708**	₱66,342	₱134,457

Remeasurement gain (loss) on retirement benefits consists of:

	2016	2015	2014
		(In Thousands)	
Actuarial gain (loss) arising from:			
Changes in assumptions	**₱26,649**	₱59,736	(₱26,120)
Experience adjustments	**(50,325)**	51,244	12,764
	(23,676)	110,980	(13,356)
Gain (loss) on plan assets*	**103,528**	(54,680)	(6,040)
	₱79,852	₱56,300	(₱19,396)

* *Excluding amounts recognized in net interest cost.*

The reconciliation of benefit liability recognized in the balance sheets follows:

	2016	2015
	(In Thousands)	
Present value of benefit obligation	**₱1,096,281**	₱1,119,561
Fair value of plan assets	**(594,337)**	(566,124)
Balance at end of year	**₱501,944**	₱553,437

The breakdown of the retirement plan liability per entity follows:

	2016	2015
	(In Thousands)	
HPI	**₱372,329**	₱414,016
HPMC	**126,189**	137,063
ECLI	**2,793**	2,178
HSSI	**633**	180
	₱501,944	₱553,437

Movements in the retirement benefits liability are as follows:

	2016	2015
	(In Thousands)	
Balance at beginning of year	**₱553,437**	₱582,924
Retirement benefit costs	**108,560**	122,642
Contributions	**(80,201)**	(121,440)
Remeasurement gain recognized in OCI	**(79,852)**	(56,300)
Transfer	**–**	(2,682)
Effect of deconsolidation (Note 8)	**–**	28,293
Balance at end of year	**₱501,944**	₱553,437

The changes in the present value of defined benefit obligation are as follows:

	2016	2015
	(In Thousands)	
Balance at beginning of year	**₱1,119,561**	₱1,297,527
Actuarial losses (gains)	**23,676**	(110,980)
Interest cost	**47,090**	58,354
Current service cost	**87,730**	104,989
Transfer	**–**	(2,682)
Curtailment gain	**(2,423)**	(8,071)
Benefits paid	**(103,401)**	(54,522)
Settlements	**(75,952)**	(155,175)
Effect of deconsolidation (Note 8)	**–**	(9,879)
Balance at end of year	**₱1,096,281**	₱1,119,561

The changes in the fair value of plan assets are as follows:

	2016	2015
	(In Thousands)	
Balance at beginning of year	**₱566,124**	₱714,603
Contributions	**80,201**	121,440
Gain (loss) on plan assets*	**103,528**	(54,680)
Interest income on plan assets	**23,837**	32,630
Benefits paid	**(103,401)**	(54,522)
Settlements	**(75,952)**	(155,175)
Effect of deconsolidation (Note 8)	**–**	(38,172)
Balance at end of year	**₱594,337**	₱566,124
Actual return (loss) on plan assets	**₱127,365**	(₱22,050)

**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.

The percentages of fair value of total plan assets are as follows:

	2016		2015	
	HPI	**HPMC**	HPI	HPMC
Cash and receivables	**0.1%**	**0.0%**	4.2%	0.0%
Investments in debt securities:				
Government securities	**11.4%**	**41.1%**	4.0%	43.8%
Corporate debt securities	**17.7%**	**24.6%**	21.0%	20.8%
	29.1%	**65.7%**	25.0%	64.6%
Investment in equity securities				
Construction, infrastructure, property and mining	**43.6%**	**6.2%**	34.4%	12.5%
Holding firms	**3.6%**	**16.6%**	10.6%	7.9%
Power and utilities	**6.3%**	**2.3%**	13.8%	3.8%
Banks	**1.4%**	**2.5%**	4.4%	2.3%
Telecommunications	**0.0%**	**1.5%**	1.5%	2.4%
Others	**15.9%**	**5.2%**	6.1%	6.5%
	70.8%	**34.3%**	70.8%	35.4%
	100.0%	**100.0%**	100.0%	100.0%

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Discount rate is determined by calculating the single effective discount rate determined by discounting the projected benefit payments using different term-dependent zero-coupon rates at the end of the reporting period.

The principal assumptions used in determining the retirement benefit liability of the Company as at December 31 are as follows:

	2016	2015	2014
Discount rates	**4.5% -4.8%**	4.4% - 5.0%	4.5% - 5.0%
Future salary rate increases	**5.0%**	4.8%	5.6%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2016 Effect on defined benefit obligation			
		HPI	HPMC	ECLI	HSSI
		(In Thousands)			
Discount rate					
Sensitivity 1	**1%**	**(₱70,257)**	**(₱22,450)**	**(₱403)**	**(₱122)**
Sensitivity 2	**(1%)**	**82,500**	**25,875**	**499**	**156**
Future salary rate increases					
Sensitivity 1	**1%**	**81,432**	**25,460**	**492**	**154**
Sensitivity 1	**(1%)**	**(70,750)**	**(22,613)**	**(405)**	**(123)**

	Increase (decrease)	Effect on defined benefit obligation			
		HPI	HPMC	ECLI	HSSI
		(In Thousands)			
Discount rate					
Sensitivity 1	1%	(₱71,104)	(₱11,691)	(₱330)	(₱37)
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)

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 at December 31:

	2016			
	HPI	**HPMC**	**ECLI**	**HSSI**
		(In Thousands)		
Within one year	**₱109,888**	**₱6,667**	**₱–**	**₱–**
More than one year to five years	**205,613**	**84,382**	**427**	**–**
More than five years	**372,202**	**149,257**	**3,047**	**–**

	2015			
	HPI	HPMC	ECLI	HSSI
		(In Thousands)		
Within one year	₱58,635	₱14,113	₱–	₱180
More than one year to five years	258,429	75,770	170	–
More than five years	389,202	175,085	1,437	–

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 ₱45.5 million, ₱33.7 million and ₱67.2 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Total consolidated retirement benefit costs recognized in the consolidated statements of income are as follows:

	2016	2015	2014
		(In Thousands)	
Expense recognized for:			
Defined benefit plans	**₱108,560**	₱122,642	₱115,061
Defined contribution plan	**45,476**	33,679	67,151
Retirement benefit costs	**₱154,036**	₱156,321	₱182,212

27. Commitments and Contingencies

a. Leases

Other than those disclosed in Note 24, the Company also has a number of lease agreements covering plant sites, 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 11). Operating lease expense recognized in the consolidated statements of income amounted to ₱132.2 million, ₱99.9 million and ₱108.9 million in 2016, 2015 and 2014, respectively (see Notes 18, 19 and 20).

Future minimum lease payable under non-cancellable operating leases as at December 31, 2016 and 2015 are as follows:

	2016	2015
	(In Thousands)	
Within one year	**₱82,264**	₱60,942
After one year but not more than five years	**149,688**	125,341
More than five years	**405,123**	–
	₱637,075	₱186,283

b. Supply Agreement with Republic Cement & Building Materials, Inc.

On April 11, 2014, the Company entered into a four-year cement supply agreement with Republic Cement 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 2016 and 2015.

c. Lawsuits

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

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.

d. 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 at 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). The amount was fully applied in 2016.

e. 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. 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 18).

f. Electricity Supply Agreement (ESA)

Bulacan and La Union plants entered into a 15-year electricity supply agreement with Phinma Energy Corporation (PEC). PEC also supplies electricity to the Mabini grinding plant under a 10-year power supply agreement. The related expense under this contract is recognized as part of "Power and Fuel" account in the Cost of Sales (see Note 18).

g. Sales Agreement with Petron Corporation (Petron) and SL Harbor

HPI has an existing supply contract with Petron Corporation and SL Harbour for its Diesel and Bunker fuel needs. Contract is 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 18).

h. Coal Supply Contracts

The Company also entered into a contract with Semirara Mining Corporation, effective January 1, 2010.

As at December 31, 2016 and 2015, 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 18).

i. 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.

28. Earnings Per Common Share (EPS)

Basic/diluted EPS is computed as follows:

	2016	2015	2014
	(In Thousands, Except Per Share Amounts)		
Consolidated net income for the year attributable to common equity holders of the Parent Company	**₱6,845,856**	₱8,148,071	₱5,145,178
Weighted average number of common shares - Issued and outstanding	**6,452,099**	6,452,099	6,452,099
Basic/diluted EPS of net income attributable to equity holders of the Parent Company	**₱1.06**	₱1.26	₱0.80

Basic EPS is computed based on weighted average number of issued and outstanding common shares during each year. Diluted EPS is computed as if the potential common share or instrument that may entitle the holder to common share were exercised as at the beginning of the year. Where the Parent Company does not have any potential common share or other instruments that may entitle the holder to common shares, diluted EPS is the same as basic EPS.

The increase in the EPS in 2015 is due to the gain on remeasurement for the retained equity in HMDC (see Note 8). Without the gain, basic/diluted EPS of net income attributable to equity holders of the Parent Company in 2015 would amount to ₱0.85.

There are no dilutive financial instruments in 2016, 2015 and 2014, hence, diluted EPS is the same as basic EPS.

29. Environmental and Regulatory Matters

a. 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.

b. Clean Water Act

On February 4, 2004, the Senate and House of Representatives passed The Clean Water Act and the related IRR which contain provisions that have an impact on the industry as a whole, and to the Company in particular. Based on the assessment made on the Company's existing facilities, management believes it complies with the provisions of the Clean Water Act and the related IRR.

c. Ecological Solid Waste Management Act

On December 12, 2000, the Senate and House of Representatives passed The Ecological Solid Waste Management Act which contains provisions that have an impact to the Company. As an attestation to Geocycle's responsible handling and management of hazardous industrial waste, the Company has Treatment, Storage and Disposal (TSD) Certificate.

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

30. 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-Better (HUBB) and aggregates trading.

Management monitors the operating results of its business segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is based on operating EBITDA and is measured consistently with consolidated net income in the consolidated 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, 2016 and 2015 and for each of the three years ended December 31, 2016, 2015 and 2014 are presented below:

	2016				
	Clinker and Cement	**Others**	**Total**	**Adjustments and Eliminations**	**Consolidated**
			(In Thousands)		
Revenue:					
External customers	**₱38,364,642**	**₱1,971,166**	**₱40,335,808**	**₱–**	**₱40,335,808**
Inter-segment	**962,683**	**28,779**	**991,462**	**(991,462)**	**–**
	₱39,327,325	**₱1,999,945**	**₱41,327,270**	**(₱991,462)**	**₱40,335,808**
Operating EBITDA	**₱12,646,891**	**(₱1,834,036)**	**₱10,812,855**	**₱–**	**₱10,812,855**
Segment assets	**26,099,980**	**797,108**	**26,897,088**	**6,868,060**	**33,765,148**
Segment liabilities	**6,025,027**	**449,236**	**6,474,263**	**1,033,552**	**7,507,815**
Results -					
Depreciation, amortization and depletion	**1,285,060**	**41,115**	**1,326,175**	**–**	**1,326,175**
Other disclosures -					
Construction in-progress	**2,393,050**	**23,503**	**2,416,553**	**–**	**2,416,553**

	2015				
	Clinker and Cement	Others	Total	Adjustments and Eliminations	Consolidated
			(In Thousands)		
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
Operating EBITDA	₱9,228,190	₱251,128	₱9,479,318	₱–	₱9,479,318
Segment assets	25,811,461	1,167,845	26,979,306	7,100,465	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	2,499,329	–	2,499,329	–	2,499,329

	2014				
	Clinker and Cement	Others	Total	Adjustments and Eliminations	Consolidated
			(In Thousands)		
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

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.

Following is the reconciliation of segment operating profit to consolidated income before income tax:

	2016	2015	2014
		(In Thousands)	
Operating EBITDA	**₱10,812,855**	₱9,479,318	₱8,645,338
Depreciation, amortization and depletion	**(1,326,175)**	(1,890,611)	(1,422,604)
Interest and financing charges	**(41,754)**	(78,752)	(43,670)
Interest and other financial income	**19,529**	20,013	13,029
Foreign exchange gains - net	**744**	45,333	1,964
Gain on deconsolidation	**–**	2,635,755	–
Others - net	**161,746**	154,629	105,169
Income before income tax	**₱9,626,945**	₱10,365,685	₱7,299,226

	December 31, 2016	December 31, 2015
	(In Thousands)	
Segment assets	**₱26,897,088**	₱26,979,306
Cash and cash equivalents	**2,125,116**	2,540,198
Investments	**4,392,066**	4,195,154
Deferred income tax assets – net	**350,878**	365,113
Consolidated assets	**₱33,765,148**	₱34,079,771
Segment liabilities	**₱6,474,263**	₱5,283,583
Notes payable	**–**	999,831
Trade and other payables	**511,766**	1,999,118
Income tax payable	**520,411**	824,141
Deferred income tax liabilities	**1,375**	3,632
Consolidated liabilities	**₱7,507,815**	₱9,110,305

Geographic Information

	2016	2015	2014
		(In Thousands)	
Revenues from external customers			
Local	**₱40,301,385**	₱37,526,055	₱32,623,607
Export	**34,423**	–	25,052
Total revenues	**₱40,335,808**	₱37,526,055	₱32,648,659

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.

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

INDEX TO SUPPLEMENTARY SCHEDULES

FORM 17-A

Supplementary Schedules

SGV
Building a better
working world

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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 AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the 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, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in this Form 17-A, and have issued our report thereon dated March 1, 2017. 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.

Roel E. Lucas

Roel E. Lucas
Partner
CPA Certificate No. 98200
SEC Accreditation No. 1079-AR-1 (Company A),
March 4, 2014, valid until April 30, 2017
Tax Identification No. 191-180-015
BIR Accreditation No. 08-001998-95-2016,
January 3, 2017, valid until January 2, 2020
PTR No. 5908714, January 3, 2017, Makati City

March 1, 2017

HOLCIM PHILIPPINES, INC.

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2016

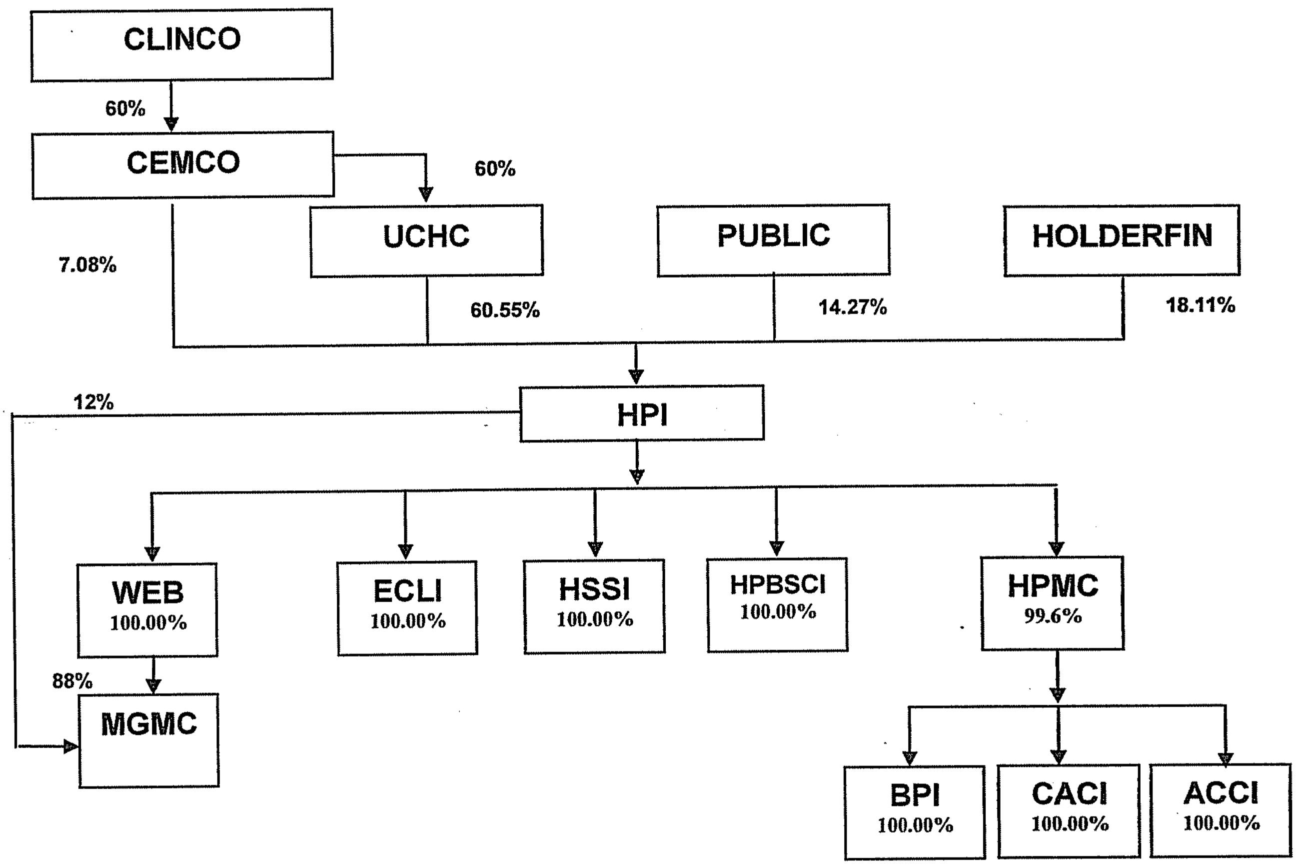
(In Thousands)

Unappropriated retained earnings, beginning	₱6,087,489
Adjustment for deferred income tax assets (excluding amounts recognized in OCI)	(245,440)
Unappropriated retained earnings, as adjusted, beginning	5,842,049
Net income based on the face of audited financial statements	7,216,629
Unrealized foreign exchange gain (other than cash and cash equivalents)	(10,923)
Increase in deferred income tax assets (excluding amounts recognized in OCI)	(1)
Net income actual/realized	7,205,705
Less dividend declaration during the year	(5,613,326)
Unappropriated retained earnings, as adjusted, ending	₱7,434,428

Company: Holcim Philippines Inc. (HPI)

Illustration of relationships between the company and its ultimate parent company, middle parent, and it's subsidiaries

As of December 31, 2016



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, 2016

	Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✔		
Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				✔
Philippine Financial Reporting Standards				
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	✔		
	Amedment 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	
Philippine Accounting Standards (PASs)				
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	✔		
	Amedments 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	✔		
	Amedments 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	
Philippine Interpretation				
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	
		2016	**2015**
Current/Liquidity ratios			
Current Ratio	Current Assets / Current Liabilities	138%	126%
Quick Ratio	Current Assets – Inventory – Prepayments / Current Liabilities	86%	79%
Solvency ratio/Debt-to-equity ratio			
Debt to Equity Ratio	Total Liabilities / Equity	29%	36%
Asset to Equity Ratios			
Asset to Equity Ratio/ Equity Multiplier	Total Assets / Equity	129%	136%
Interest Rate Coverage Ratio			
Interest Coverage Ratio/EBITDA Net Interest Cover	Operating EBITDA / Net Interest	486.5	161.4
Profitability Ratios			
Return on Assets	Net Income / Average Total Assets	20.2%	25.1%
Return on Equity	Net Income / Average Total Equity	26.7%	34.6%
Operating EBITDA Margin	Operating EBITDA / Net Sales	26.8%	25.3%

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
Schedule A. Financial Assets
For the Year Ended December 31, 2016
(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, 2016
(Amounts in Thousands)

Name and Designation of Debtor		Beginning Balance	Additions	Deductions: Amount Collected	Deductions: Amount Written-Off	Current	Non Current	Ending Balance
Directors, Officers and Employees								
BALO JR., ELPEDIO C.	Employee	₱ 1,352	₱ 1,086	₱ (1,149)	₱ ₱	₱ 1,289		₱ 1,289
MELENDREZ, ROLLY JR T.	Employee	57	1,984	(1,264)		776		776
CURIBA, NANETTE B.	Employee	937	1,252	(1,437)		752		752
CATANGHAL, PEPITO E.	Employee	687	16	(15)		689		689
GATMAITAN, ERNESTO A.	Employee	640	522	(516)		646		646
SAHAGUN, EDUARDO A.	Employee	701	3,830	(3,903)		629		629
MARSAMOLO, LEONILYN B.	Employee	453	2,450	(2,310)		593		593
SOMERA, MARY ANN ROSE C.	Employee	91	1,386	(893)		585		585
BERNARDO, MA. PAZ ELEANOR S	Employee	37	2,313	(1,831)		518		518
CAMEROS, JOEL	Employee	457	3,344	(3,298)		504		504
CORONEL, GENNELEE A.	Employee	505	144	(164)		485		485
GILERA, ROBERT	Employee	467	224	(271)		420		420
BAGUIO, ROSEMARIE Y.	Employee	294	2,396	(2,281)		408		408
GALANG, MARIA LIANDA C.	Employee	394	355	(380)		369		369
OBUSAN, RAFAEL II R.	Employee	184	3,805	(3,661)		328		328
SASIS, RIGEL	Employee	988	14,413	(15,075)		326		326
OMBAO, ROEL L.	Employee	350	763	(853)		260		260
PONCE, GIZELLE M.	Employee	279	2,483	(2,528)		234		234
DE LARA, JEZZEL	Employee	901	5,018	(5,707)		211		211
LIANG, MAYTHEL M.	Employee	291	1,874	(1,955)		210		210
MORADILLA, MANOLITO	Employee	426	4,408	(4,625)		209		209
TORCUATOR, LILIBETH T.	Employee	104	3,328	(3,234)		198		198
JOSE, EMMANUEL G.	Employee	176	53	(41)		188		188
TORRES, MARK ANTHONY C.	Employee	102	2,564	(2,480)		186		186
SEGUERRA, JOE ARTHUR S.	Employee	161	363	(338)		186		186
VISMANOS, MELVIN C.	Employee	83	1,326	(1,238)		171		171
SUMALINOG, WILLIAM C.	Employee	398	2,593	(2,824)		167		167
MRS SOOD, SAPNA RANI	Employee	-	161	-		161		161
ESCALICAS, RENIDA MAY	Employee	157	5,076	(5,076)		158		158
AMPO, LEAH D.	Employee	123	865	(834)		153		153
GALARPE, MICHELLE ANGELIE B.	Employee	13	1,411	(1,281)		143		143
SEDENIO, JOEY G.	Employee	12	369	(237)		143		143
AFALLA, RYAN JAY	Employee	139	396	(392)		143		143
DEMANO, GERSON M.	Employee	255	1,871	(1,990)		135		135
MR HE, MINGHUI	Employee	-	131	-		131		131
DEL ROSARIO, MARY CHRISTIAN (	Employee	317	4,877	(5,066)		128		128
BAUTISTA, GERALD PHILIP P.	Employee	(1)	1,609	(1,486)		121		121
MANALO, ROLDAN G.	Employee	127	47	(54)		120		120
GARZA, BOBBY R.	Employee	(36)	1,560	(1,406)		117		117
DUMLAO, DESIREE	Employee	156	419	(460)		115		115
Advances to Directors, Officers and Employees		12,776	83,083	(82,555)		13,305		13,305
Holcim East Asia Business Service Centre, B.V. - Philippine ROHQ		₱ 42,392		(2,669)		39,723		39,723
Clinco Corporation		28	5			33		33
Associates		649,154	261,503	(264,116)		646,541		646,541
Other Holcim Group Affiliates		1,496	19,839			21,335		21,335
Related Parties		693,070	281,347	(266,785)	-	707,632	-	707,632

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, 2016
(Amounts in Thousands)

Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written Off/Impaired	Reclassification to Investments	Reclassification to Receivable from Associate	Current	Non Current	Balance at the End of Period
Holcim Philippines Manufacturing Corporation									
Due from:									
Bulkcem Philippines, Inc.	42,206	603		(10,638)	(32,170)		-		-
Calamba Aggregates Co., Inc.	26,306			(26,306)			-		-
Excel Concrete Logistics Inc.	1,785						1,785		1,785
	70,297	603	-	(36,944)	(32,170)	-	1,785	-	1,785
Holcim Philippines, Inc.									
Due from:									
Bulkcem Philippines, Inc.	2	4					6		6
Holcim Philippines Manufacturing Corp.	121,772	567,292					689,064		689,064
Excel Concrete Logistics, Inc.	128,770	11,281	(90,248)				49,803		49,803
Calamba Aggregates Co., Inc.	44,727		-				44,727		44,727
Hubb Stores and Services, Inc.	340,516	27,282	(34,082)			(27,282)	306,434		306,434
Mabini Grinding Milling Corp.	536,570		-		(536,570)		-		-
Holcim Philippines Business Services Center, Inc.	78,908	-	(78,908)				-		-
	1,251,266	605,859	(203,238)	-	-	-	1,090,033	-	1,090,033
Excel Concrete Logistics Inc.									
Due from:									
Hubb Stores and Services, Inc.	-	7,655	-	-	-	-	7,655		7,655
	-	7,655	-	-	-	-	7,655	-	7,655

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
Schedule D. Intangible Assets
For the Year Ended December 31, 2016
(Amounts in Thousands)

Description	Beginning Balance	Additions At Cost	Deductions: Charged to Cost and Expenses	Deductions: Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Project Development Cost and Others	₱ 26,434	₱ -	₱ (11,320)	₱ -	₱ -	₱ 15,114
Software Cost	29,531	-		-	-	29,531
Goodwill	2,635,738	-	-	-	-	2,635,738
	2,691,703	-	(11,320)	-	-	2,680,383

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
Schedule E. Long-Term Debt
For the Year Ended December 31, 2016
(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. Indetebtedness to Related Parties (Long-term Loans from Related Companies)
For the Year Ended December 31, 2016
(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, 2016
(Amounts in Thousands)

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which Statement is Filed	Nature of Guarantee
	₱ NIL	₱ NIL	₱ NIL	₱ NIL
	-	-	-	-

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
Schedule H. Capital Stock
For the Year Ended December 31, 2016

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Affiliates	Number of Shares Held by Directors, Officers and Employees	Others
Preferred Shares	20,000,000					
Common Shares	9,980,000,000	6,452,099,144		5,531,566,066	148,869	920,384,209
	10,000,000,000	6,452,099,144	-	5,531,566,066	148,869	920,384,209

ANNEX "C"

QUARTERLY REPORT FOR THE PERIOD ENDED MARCH 31, 2017

COVER SHEET

2	6	1	2	6

SEC Registration Number

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

(Company's Full Name)

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

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

Alexander V. Taar
(Contact Person)

(1^{rd} Quarter 2017)

459-3333
(Company Telephone Number)

0	3		3	1

Month *Day*
(Fiscal Year)

SEC FORM 17-Q
For the quarter ended March 31, 2017
(Form Type)

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

CFD
Dept. Requiring this Doc.

–
Amended Articles Number/Section

Total Amount of Borrowings

5,441
Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

FORM 17-Q

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

1. For the quarterly period ended March 31, 2017

2. Commission identification number 026126 3. BIR Tax Identification No 000-121-507-000

4. Exact name of issuer as specified in its charter HOLCIM PHILIPPINES, INC.

5. Province, country or other jurisdiction of incorporation or organization Republic of the Philippines
6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code

7th Floor Two World Square, McKinley Hill, Fort Bonifacio, Taguig City 1634
8. Issuer's telephone number, including area code (632) 459-3333
9. Former name, former address and former fiscal year, if changed since last report N. A.

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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

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

Yes [x] No [ ]

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

Philippine Stock Exchange, Inc. Common Shares

12. Indicate by check mark whether the registrant:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

PART I- FINANCIAL INFORMATION

Item 1. Financial Statements.

Exhibit I – Consolidated Balance Sheets as of March 31, 2017 and December 31, 2016
Exhibit II – Consolidated Statements of Income for the quarters ended March 31, 2017 and 2016
Exhibit III – Consolidated Statements of Comprehensive Income for the quarters ended March 31, 2017
Exhibit IV – Consolidated Statements of Changes in Stockholders' Equity for the quarters ended March 31, 2017 and 2016
Exhibit V – Consolidated Statements of Cash Flows for the quarters ended March 31, 2017 and 2016
Exhibit VI – Aging of Trade and Other Receivables as of March 31, 2017

Exhibit I

HOLCIM PHILIPPINES, INC.
CONSOLIDATED BALANCE SHEETS
As of March 31, 2017 and December 31, 2016
(In Thousands)

	31 Mar 2017	31 Dec 2016
ASSETS		
Current Assets		
Cash and cash equivalents	₱2,414,598	₱2,125,116
Trade and other receivables – net	3,681,793	3,297,523
Inventories	3,286,525	3,450,727
Other current assets	1,213,850	598,896
Total Current Assets	**10,596,766**	**9,472,262**
Noncurrent Assets		
Investments	4,384,916	4,392,066
Property, plant and equipment – net	16,264,488	16,457,026
Goodwill	2,635,738	2,635,738
Intangibles – net	37,825	40,806
Deferred tax assets	367,772	350,878
Other noncurrent assets	405,434	416,428
Total Noncurrent Assets	**24,096,173**	**24,292,942**
	34,692,939	**33,765,204**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables	6,120,797	6,357,487
Income tax payable	756,619	520,411
Total Current Liabilities	**6,877,416**	**6,877,898**
Noncurrent Liabilities		
Retirement benefits liabilities	487,069	501,944
Provisions	127,279	126,654
Deferred tax liabilities	2,115	1,375
Total Noncurrent Liabilities	**616,463**	**629,973**
Equity Attributable to Equity Holders of Parent		
Capital stock	6,452,099	6,452,099
Additional paid-in capital	8,476,002	8,476,002
Remeasurement loss on retirement benefits - net	(79,978)	(79,978)
Other reserves	(4,889)	(5,832)
Retained earnings	12,348,405	11,409,043
	27,191,639	**26,251,334**
Noncontrolling Interest	**7,421**	**5,999**
Total Stockholders' Equity	**27,199,060**	**26,257,333**
	₱34,692,939	**₱33,765,204**

Exhibit II

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF INCOME
For the quarters ended March 31, 2017 and 2016
(In Thousands, Except Per Share Data)

	Quarter Ended	
	Jan-Mar 2017	**Jan-Mar 2016**
Net Sales	**₱8,808,251**	**₱10,063,126**
Cost of sales	6,566,244	7,059,341
Gross Profit	**2,242,007**	**3,003,785**
Operating expenses	510,784	531,745
Operating EBITDA	**1,731,223**	**2,472,040**
Depreciation and amortization	328,804	320,652
Income from Operations	**1,402,419**	**2,151,388**
Other income (expenses)		
Net financial income (expense)	3,414	(26,173)
Other income (expense)	(7,352)	6,041
Total	(3,938)	(20,132)
Income before Income Tax	**1,398,481**	**2,131,256**
Provision for income tax		
Current	475,580	606,284
Deferred	(16,676)	22,541
	458,904	628,825
Income Before Minority Interest	**939,577**	**1,502,431**
Noncontrolling interest	(215)	(289)
Net Income	**₱939,362**	**₱1,502,142**
Basic/Diluted Earnings Per Share (EPS)		
Computation of EPS:		
(a) Net income applicable to common shareholders	**₱939,362**	**₱1,502,142**
(b) Common shares issued and outstanding	6,452,099	6,452,099
EPS [(a)/(b)]	**₱0.146**	**₱0.233**

Exhibit III

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the quarters ended March 31, 2017 and 2016
(In Thousands)

	Quarter Ended	
	Jan-Mar 2017	**Jan-Mar 2016**
Net Income	**₱939,362**	**₱1,502,431**
Other Comprehensive Income (Loss)	**(79,978)**	**-**
Total Comprehensive Income	**₱859,384**	**₱1,502,431**
Attributable to:		
Equity holders of Parent Company	**₱939,362**	₱1,502,142
Noncontrolling interest	215	289
	₱939,577	**₱1,502,431**

Exhibit IV

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the three (3) months ended March 31, 2017 and 2016
(In Thousands)

	Jan-Mar 2017	Jan-Mar 2016
Capital Stock		
Common Stock		
Balance at beginning of period	₱6,452,099	₱6,452,099
Issuances (Retirement)	-	-
Balance at end of period	**6,452,099**	**6,452,099**
Additional Paid-in Capital		
Balance at beginning of period	8,476,002	8,476,002
Issuances (Retirement)	-	-
Balance at end of period	**8,476,002**	**8,476,002**
Other comprehensive loss	**(79,978)**	**(135,840)**
Other reserves	**(4,889)**	**(8,663)**
Retained Earnings		
Balance at beginning of period	11,409,043	10,178,725
Net income	939,362	1,502,142
Balance at end of period	**12,348,405**	**11,680,867**
Noncontrolling Interest	**7,421**	**9,493**
	27,199,060	**₱26,473,958**

Exhibit V

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three (3) months ended March 31, 2017 and 2016
(In Thousands)

	Jan-Mar 2017	Jan-Mar 2016
Operating Activities		
Income before income tax for the period	**₱1,398,481**	**₱2,131,256**
Adjustments to reconcile net income to cash		
Depreciation and amortization	328,804	320,652
Other items (net)	(176,519)	223,512
Changes in current assets and liabilities	(1,147,740)	(252,087)
Cash provided by operating activities	**403,026**	**2,423,333**
Investing Activities		
Additions to plant, property and equipment	(141,631)	(296,490)
Decrease in other investing activities	6,485	2,302
Cash used in investing activities	**(135,146)**	**(294,188)**
Financing Activities		
Dividends	10,803	-
Proceeds (payment) from short-term loan/financial liab.	8,777	(695,579)
Cash provided by (used) in financing activities	**19,580**	(695,579)
Net increase in cash and cash equivalents	**287,460**	**1,433,566**
Cash and cash equivalents, beginning	**2,125,116**	**2,540,198**
Effect of exchange rate changes on cash and cash equivalents	**2,022**	**(2,727)**
Cash and cash equivalents, end	**₱2,414,598**	**₱3,971,037**

Exhibit VI

HOLCIM PHILIPPINES, INC
Aging of Trade and Other Receivables
As of March 31, 2017
(In Thousands)

	Total	Current	1-30 days	31-60 days	Over 60 days
Trade Receivables	**₱3,749,838**	₱2,837,929	₱55,714	₱10,362	₱845,833
Other Receivables	**148,435**	24,210	-	4,154	120,071
Total	**3,898,273**	₱2,862,139	₱55,714	₱14,516	₱965,904
Allowance for Doubtful Accounts	**(216,480)**				
Net Receivables	**₱3,681,793**				

Certified correct:

Jena L. Rojas
Chief Financial Officer

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

Results of Operations

Based on internal estimates, local cement industry demand in the first quarter of 2017 contracted by 2% compared to the same period of last year. Industry demand was slow which was expected based on the historical government spending pattern following an election period. At the end of first quarter, the Company posted total net sales of ₱8.8 billion, lower by 12% as compared to ₱10.1 billion reported in the same period last year from the combined effect of lower volume and price. Margins were likewise depressed mainly by rising cost of production inputs. The Company achieved a total operating EBITDA of ₱1.7 billion for the three-month period compared to the ₱2.5 billion reported with the same period last year. Net income after tax stood at ₱0.9 billion giving earnings per share of ₱ 0.15.

Financial Position

The Company's financial position has remained healthy with very liquid cash position and strong asset utilization ratio as it continues to generate high revenues. Total assets stood at ₱34.7 billion, 3% higher from end of 2016.

Cash Flow Generation

The Company's cash requirements have been mainly sourced through cash flow from operations. Please refer to the attached statement of cash flow for more details.

Key Performance Indicators

The comparative financial KPI's of the Company for the periods ended March 31, 2017 and 2016 were as follows:

Financial KPI	Definition	For the period ended March 31	
		2017	**2016**
Profitability			
Return on Equity (ROE)	Net Income / Ave. Total Shareholders' Equity	3.5%	5.8%
Return on Asset (ROA)	Net Income / Average Total Assets	2.7%	4.3%
Efficiency			
EBITDA Margin	Operating EBITDA / Net Sales	19.7%	24.6%
Liquidity			
Gearing	Net Financial Debt (Asset) / Stockholders' Equity	(7.1%)	(11.9 %)
EBITDA Net Interest Cover	Operating EBITDA / Net Interest	460 times	247 times

Profitability and Efficiency

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

Liquidity

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

Notes to Financial Statements

1. *Summary of Significant Accounting Policies*

These condensed consolidated interim financial statements have been prepared in accordance with PAS 34 *Interim Financial Reporting* and do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2016.

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, 2017:

- PAS 7, "Statement of Cash Flows – Disclosure Initiative" (Amendments)

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2017 consolidated financial statements.

- PAS 12, "Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses" (Amendments)

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments are not expected to have any impact on the Company.

- PFRS 12, "Disclosure of Interests in Other Entities – Clarification of the Scope of the Disclosure Requirements in PFRS 12" (Part of Annual Improvements on PFRS 2014 – 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments will not have any impact on the consolidated financial statements.

Effective in 2018

- PAS 40, "Investment Property – Transfers of Investment Property" (Amendments)

  The amendments clarify when an entity should transfer property, including property under construction or development, into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if that is possible without the use of hindsight. The amendments are not expected to have any impact on the Company.

- Philippine IFRIC Interpretation 22, "Foreign Currency Transactions and Advance Consideration"

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the interpretation on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  The Company does not expect the adoption of this interpretation to have any significant impact on the consolidated financial statements.

- PFRS 2, "Share-based Payments – Classification and Measurement of Share-based Payment Transactions" (Amendments)

  The amendments address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application of the amendment is permitted. The Company plans to adopt the new standard on the required effective date.

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

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard, before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Company since none of the entities within the Company have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 9, "Financial Instruments"

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, "Financial Instruments: Recognition and Measurement", 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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Company plans to adopt the new standard on the required effective date. Based on the following preliminary assessment, the Company expects no significant impact to its consolidated balance sheet.

  (a) Classification and Measurement

  The Company does not expect a significant impact on its consolidated balance sheet or equity upon application of the classification and measurement requirements of PFRS 9 as its current financial assets carried at fair value are not significant.

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

  (b) Impairment

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

  (c) Hedge accounting

  The Company does not expect any impact as a result of applying this phase of PFRS 9 as it does not apply hedge accounting on any existing hedge relationships.

- PFRS 15, "Revenue from Contracts with Customers"

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

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

  (a) Sale of goods

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

(b) Variable consideration

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

(c) Disclosure requirements

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

- PAS 28, "Investments in Associates and Joint Ventures – Measurement of Investees at Fair Value through Profit or Loss (FVPL) on an Investment-by-Investment Basis" (Part of *Annual Improvements to PFRSs* 2014 – 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. The amendments are not expected to have any impact on the consolidated financial statements as these are not applicable to the Company.

Effective in 2019

- PFRS 16, "Leases"

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, "Leases". Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Company is currently assessing the impact of adopting PFRS 16.

2. *Seasonality Aspects of the Business*

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

3. *Financial Risk Management Objectives and Policies*

General Risk Management Approach

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

Financial risk management of the Company is governed by policies approved by management. It provides principles for overall risk management, as well as policies covering specific risk areas such as interest rate risk, foreign exchange risk, counterparty risk, 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 purchases of goods and services and debt servicing requirements in currencies other than the Philippine Peso that leads to currency translation effects. Approximately 0.1% of the Company's revenues were denominated in currencies other than the Philippine Peso in 2017.

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

As of March 31, 2017, the Company had minimal assets and liabilities exposed to foreign currency risks.

Interest Rate Risk

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

The Company is exposed to fluctuations in financing costs and market value movements of its debt portfolio related to changes in market interest rates. The Company's interest rate exposure is mainly addressed through the steering of the fixed/floating ratio of net debt. To manage this mix, the Company may enter into derivative transactions, as appropriate. As at March 31, 2017 and 2016, the Company had minimal exposure to interest rate risk.

Credit Risk

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

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

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

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

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

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 March 31, 2017, the Company has unutilized credit facilities of ₱9.4 billion.

Capital Management Policy

The Company considers equity attributable to the equity holders of the Parent Company as its capital. The Company's objectives when managing capital are to secure the Company's ongoing financial needs to continue as a going concern as well as to cater 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.

4. *Financial Assets and Liabilities*

Fair Value of Financial Instruments

The estimated fair value of each class of the Company's financial instruments is equal to their carrying amount as at March 31, 2017 and December 31, 2016. 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, and Trade and Other Payables: Due to the short-term nature of the transactions, the fair values of these instruments approximate the corresponding carrying values as of end of each reporting period.

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

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

Fair Value Hierarchy

Below are the list of financial assets and liabilities carried at fair value that are classified using a fair value hierarchy as at March 31, 2017 and December 31, 2016:

	March 31, 2017			December 31, 2016		
	Level 1(1)	**Level 2**(2)	**Total**	Level 1(1)	Level 2(2)	Total
AFS financial assets -						
Quoted equity securities	**₱176**	**-**	**₱176**	₱176	-	₱176

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

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

5. *Segment Reporting*

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

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

- clinker and cement segment, which manufactures and sells clinker and cement for both domestic and export customers; and

- Other construction materials and services segment, which includes operations from the RMX business, Helps-U-Build and aggregates trading.

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

Segment revenues, EBITDA, assets and liabilities as at March 31, 2017 and 2016 are presented below:

	2017				
	Clinker and cement	**Others**	**Total**	**Adjustments and eliminations**	**Consolidated**
			(In Thousands)		
Revenue:					
External customers	**₱8,242,264**	**₱565,987**	**₱8,808,251**	**₱-**	**₱8,808,251**
Inter-segment	**227,776**	**-**	**227,776**	**(227,776)**	**-**
	₱8,470,040	**₱565,987**	**₱9,036,027**	**(₱225,759)**	**₱8,808,251**
Operating EBITDA	**₱2,316,273**	**₱48,777**	**₱2,365,050**	**(₱633,804)**	**₱1,731,223**
Segment assets	**26,494,516**	**800,526**	**27,295,041**	**7,397,898**	**34,692,939**
Segment liabilities	**5,846,705**	**442,171**	**6,288,877**	**1,205,002**	**7,493,879**

	2016				
	Clinker and cement	Others	Total	Adjustments and eliminations	Consolidated
			(In Thousands)		
Revenue:					
External customers	₱9,501,684	₱560,469	₱10,062,153	₱973	₱10,063,126
Inter-segment	262,209	5,825	268,034	(268,034)	-
	₱9,763,893	₱566,294	₱10,330,187	(₱267,061)	₱10,063,126
Operating EBITDA	₱2,691,937	₱95,189	₱2,787,126	(₱315,086)	₱2,472,040
Segment assets	23,475,568	926,733	24,402,301	11,679,748	36,082,049
Segment liabilities	6,525,348	388,783	8,914,131	2,693,960	9,608,091

[*] Chief operating decision maker is composed of the Company's Executive Committee

6. ***Retained Earnings***

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

Interim Disclosures

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

1. Unusual items that materially affect the Company's consolidated assets, liabilities, equity, net income or cash flows because of their nature, size or incidents.

2. Changes in estimates of amounts reported in prior financial years that have a material effect in the current period.

3. Issuances and repurchases of equity securities.

4. Material changes in contingent liabilities or contingent assets since the last annual balance sheet date.

5. Existence of material contingencies and other events of transactions that are material to an understanding of the current interim period.

6. Known trends, demands, commitments, events and uncertainties that will result in or likely to decrease its liquidity in any material way. The Company does not anticipate having within the next twelve (12) months any cash flow or liquidity problems nor does it anticipate any default or breach of any of its existing notes, loans, leases, other indebtedness or financing arrangements requiring it to make payments.

7. Events that will trigger direct or contingent material financial obligations to the Company.

8. Material off-balance sheet transactions, arrangements, obligations (direct or contingent), and other relationships of the Company with unconsolidated entities or other persons created during the year.

9. Material commitments for capital expenditures.

10. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales/revenues/income from continuing operations.

11. Significant elements of income or loss that did not arise from the Company's continuing operations.

12. Material events subsequent to end of the reporting period that have not been reflected in this report.

13. Material changes in the composition of the Company, including any business combination, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

14. Any seasonal aspect that had a material effect on the financial condition or results of operation.

Material Changes in Balance Sheet Accounts

14% increase in Cash and cash equivalents
Mainly due to lower expenditures on capital expenditure and absence of third party loan payment.

12% increase in Trade and other receivables - net
Primarily due to revenues which were outstanding at the end of quarter.

5% decrease in Inventories
Mainly due to absence of scheduled plant shutdowns for the quarter that will require inventory build-up to support continued operations coupled with lower production requirement brought about by decrease in demand.

103% increase in Other current assets
Mainly due to increase in prepaid expenses for charter services, real property and business taxes, insurance, and creditable taxes.

5% increase in Deferred tax assets
Mainly due to the increase of allowance for doubtful accounts and additional NOLCO recognized during the period.

7% decrease in Intangibles - net
Due to amortization recognized for the period.

45% increase in Income tax payable
Mainly due to additional taxable income for the period and outstanding tax payable from previous year net income.

54% increase in Deferred tax liabilities
Mainly attributable to the non-deductible depreciation expense and unrealized forex gain/loss.

16% decrease in Other reserves
Due to accrual of share-based remuneration for the period.

8% increase in Retained earnings
Due to net income recognized for the period.

Material Changes in Income Statement Accounts

12% decrease in Net sales
Mainly driven by soft demand for the quarter as compared to same period of last year.

7% decrease in Cost of sales
Due to lower volume sold and lower imported cement and clinker cost.

113% decrease in Net financial expense
Mainly due to lower unrealized foreign exchange losses and interest expenses recognized for the period.

22% decrease in Provision for current income tax
Due to lower taxable income for the period.

174% decrease in Provision for deferred income tax
Due to the increase of net deferred tax assets for the period.

26% decrease in Noncontrolling interest in net income
Decrease was mainly due to lower net income of subsidiaries compared to same period last year.

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

Financial KPI	Definition	For the three (3) Months Ended March 31	
		2017	2016
Current/Liquidity ratio Current Ratio	Current Assets / Current Liabilities	154.1%	142.6%
Solvency ratio/Debt-to-equity ratio Gearing	Net Financial Debt (Asset) / Stockholder's Equity	(7.1%)	(11.9 %)
Asset to Equity Ratios Asset to Equity Ratio/ Equity Multiplier	Total Assets / Stockholder's Equity	127.6%	138.3%
Interest Rate Coverage Ratio Interest Rate Coverage	Income before Tax / Net Interest	410 times	213 times
Profitability Ratios Return on Assets	Net Income / Average Total Assets	2.7%	4.3%
Return on Equity	Net Income / Average Total Equity	3.5%	5.8%

SIGNATURES

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

HOLCIM PHILIPPINES, INC.

Shirley S. Go
Treasurer
Date:

Jena L. Rojas
Chief Financial Officer
Date:

ANNEX "D"

MINUTES OF THE STOCKHOLDERS' MEETING HELD ON MAY 18, 2016

MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS

OF

HOLCIM PHILIPPINES, INC.

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

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 6,183,119,725 shares representing 95.83% 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 6,182,979,614 shares representing 95.83% 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 18, 2015 were unanimously approved.

IV. APPROVAL OF ANNUAL REPORT AND THE AUDITED FINANCIAL STATEMENTS OF THE CORPORATION AS OF DECEMBER 31, 2015

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 2015.

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, 2015.

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. Simeon V. Marcelo – Independent Director
6. Yasuo Kitamoto – 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 BY-LAWS

On February 23, 2016, the Board of Directors 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 ten percent (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. Thus, upon motion duly made and seconded, the stockholders unanimously approved the amendment to Article III, Section 8 of the Company's By-laws to reflect the change in the authority to fix the remuneration of the Company's directors and officers. The approval of the amendment 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