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 3444

www.holcim.com/ph

16 April 2013

DISCLOSURE DEPARTMENT
3/F Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Re: Holcim Philippines, Inc.
Amended SEC Form 17-A

Gentlemen:

Attached is the Amended SEC Form17-A of Holcim Philippines, Inc. (HLCM) filed with the Securities and Exchange Commission today.

Very truly yours,

KRISTINE N. L. EVANGELISTA
Corporate Information Officer

COVER SHEET

0 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)

Glenn A. Agustin

(Contact Person)

459-3333

(Company Telephone Number)

1 2 **3 1**

Month *Day*

(Fiscal Year)

AMENDED SEC FORM 17-A

For the year ended December 31, 2012

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

5,818

Total No. of Stockholders

₱ –

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

Holcim

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SEC
HRAD
APR 16 2013

April 16, 2013

MS. JUSTINA F. CALLANGAN
Acting Director
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills,
Mandaluyong City

Dear Ms. Callangan,

In response to your letter dated March 6, 2013, which specifies your review comments on Holcim Philippines, Inc.'s 2012 SEC 17A Report filed with your office last February 26, 2013, we are submitting the following:

a. List of SEC comments on the report with management's response
b. Amended 2012 SEC 17A Report

We trust you will find everything in order.

Very truly yours,

Glenn A. Agustin
Book-to-Report Service Delivery Head

List of Comments Raised by SEC
2012 SEC 17-A Report - HPI

Item No.	PARTICULARS	Page No. (Original Report)	SEC Remarks	Management Response
	PART I - BUSINESS AND GENERAL INFORMATION *The Company's Subsidiaries*			
1	Form and date of registration	4	Date of Registration of HPMC	The date of HPMC SEC registration was specified under "The Company's Subsidiaries" section, paragraph 1, on page 4 of the original report, which states "HPMC was registered with the SEC on February 7, 1968 under the name of Victory Cement Corporation".
2	Competition. Describe the industry in which the registrant is selling or expects to sell its products or services, and where applicable, any recognized trends within that industry. Describe the part of the industry and the geographic area in which the business competes or will compete. **Identify the principal methods of competition (price, service, warranty or product performance).** Name the principal competitors that the registrant has or expects to have in its area of competitors. State why the registrant believes that it can effectively compete with other companies in its area of competition.	8	Incomplete.	Please refer to Item I (2) (e) Competition, paragraph 2, on page 8 of the amended report, which specifies that "The Company's principal methods of competition include price, service and product performance.

Item No.	PARTICULARS	Page No. (Original Report)	SEC Remarks	Management Response
3	State the number of the registrant's present employees and number of employees it anticipates to have within the ensuing twelve(12) months. Indicate the no. by type of employee (i.e. clerical, operations, administrative, etc.) whether or not any of them are subject to Collective Bargaining Agreements (CBA) and the expiration dates of any CBA. **If the registrant's employees are on strike, or have been in the past three (3) years, or are threatening to strike, describe the dispute.** Indicate any supplemental benefits or incentive arrangements the registrant has or will have its employees.	14	Incomplete.	To comply with the requirement, please refer to the paragraph following Table 5 - Labor Unions under Item 1 (2) (m) Employees, shown on page 14 of the amended report.
	Item 2. Properties			
4	Give the location and describe the condition of the principal properties (such as real estate, plant and equipment, mines, patents, etc.) that the registrant and its subsidiaries own. Disclose and mortgage, lien or encumbrance over the property and describe the limitations on ownership or usage over the same. Indicate also what properties it leases, the amount of lease payments, expiration dates and the terms of renewal options. **Indicate what properties the registrant intend to acquire in the next twelve (12) months, the cost of such acquisitions, the mode of acquisition (i.e., by purchase, lease or otherwise) and the sources of financing it expects to use**;	18	Incomplete	To comply with the requirement, please refer to Item 2 "Properties", paragraph 3 on page 18 of the amended report.

Item No.	PARTICULARS	Page No. (Original Report)	SEC Remarks	Management Response
5	**PART III – CONTROL AND COMPENSATION INFORMATION** *Item 12. Certain Relationships and Related Transactions*			
	1. In addition to the disclosures in the financial statements which are required under SFAS/IAS No. 24 on the Related Party Disclosures, registrant shall describe under this item the elements of the transactions that are necessary for an understanding of the transactions' business purpose and economic substance, their effect on the financial statements, and the special risks or contingencies arising from these transaction.	45	Correlate information on this item with the pertinent Notes to Financial Statements	Management believes that no changes are required. The original report contained a clear correlation between the information provided for in the report under Item 12 "Certain Relationships and Related Transactions" and Note 26 – Related Party Transaction of the Consolidated Financial Statements.
	PART V. EXHIBITS AND SCHEDULES Signature Page			
6	Duly signed by the following (1) Principal Executive Officer; (2) Principal Operating Officer; (3) Principal Financial Officer; (4) Comptroller; (5) Principal Acctg. Officer; (6) Corporate Secretary	49	Incomplete	Management believes that no changes are required as far as the report signatories are concerned. The Company has used new position titles in accordance with the new organizational structure of its support functions (which includes Finance). These, in substance, are equivalent to SEC requirements, to wit:

Per SEC	Equivalent Position	Signatory
Principal Executive Officer Principal Operating Officer	President and Chief Executive Officer	Eduardo S. Sahagun
Principal Financial Officer	Treasurer	Rowena C. Aspan
Comptroller	Book to Report Service Delivery Head/	Glenn A. Agustin
Principal Accounting Officer	Consolidation and Reporting Lead	Lyndson Jon E. Testor
Corporate Secretary	Corporate Secretary	Ma. Allen M. Arbis

SECURITIES AND EXCHANGE COMMISSION

AMENDED SEC FORM 17-A

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

1. For the calendar year ended December 31, 2012

2. SEC Identification Number 026126 3. BIR Tax Identification No. 000-121-507-000

4. Exact name of issuer as specified in its charter Holcim Philippines, Inc.

5. Republic of the Philippines
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. 7th Floor, Two World Square, McKinley Hill, Fort Bonifacio, Taguig City 1634
Address of principal office Postal Code

8. (632) 459-3333
Issuer's telephone number, including area code

9. Not applicable
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P1 par value	6,452,099,144

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

Yes [X] No [ ]

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

Philippine Stock Exchange, Inc. Common Shares

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [X] No [ ]

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

Yes [X] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

Php13,163,612,434 (940,258,031 common shares @ PhP14.00 per share, the closing price at which stock was sold on December 28, 2012)

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

Not Applicable

Yes [ ]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. The following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Audited Consolidated Financial Statements as of December 31, 2012 and 2011 and January 1, 2011 and for the three years in the period ended December 31, 2012 - Exhibit 1
(b) Statement of Management's Responsibility for Consolidated Financial Statements as of December 31, 2012 and 2011 and January 1, 2011 and for the three years in the period ended December 31, 2012 – part of Exhibit 1
(c) Supplementary Schedules to the Audited Consolidated Financial Statements – Exhibit 2
(d) SEC Form 17-Q – Exhibit 3
(e) Legal Proceedings and Pending Legal Cases – Exhibit 4
(f) SEC Form 17-C – Exhibit 5
(g) Corporate Governance Scorecard– Exhibit 6

PART I - BUSINESS AND GENERAL INFORMATION

Item 1 Business

Holcim Philippines, Inc. (HPI or the "Company"), is the leading cement manufacturer in the Philippines and a member of the Holcim Group, one of the world's leading suppliers of cement, as well as aggregates, concrete and construction-related services. HPI is involved in the manufacture, sale and distribution of cement and clinker.

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

The consolidated operations of the four cement production facilities have fortified HPI's premier position in the Philippine cement industry with a total installed clinker production capacity of 6.5 million metric tons per year (MTPY) and cement production capacity of 7.7 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 in the Philippines and registered with the Philippines Securities and Exchange Commission (SEC) on November 12, 1964 under the name Hi-Cement Corporation (HCC).

On February 8, 2000, the SEC approved the merger of HCC, Davao Union Cement Corporation (DUCC), and Bacnotan Cement Corporation (BCC), with HCC as the surviving entity. The merger was an all-stock transaction at a pre-agreed share swap ratio, with HPI issuing 2,004,899,311 and 819,652,750 common shares to the existing shareholders of DUCC and BCC, respectively, in exchange for the latter's assets, liabilities, and obligations, inclusive of the respective Convertible Notes issued in 1999 and preferred shares as of January 2000. 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 also approved the merger of Atlas Cement Marketing Corporation (ACMC), Davao Union Marketing Corporation (DUMC) and Bacnotan Marketing Corporation (BMC) into HPI.

On July 17, 2002, the Board of Directors of HPI approved the acquisition of 4,062,304,026 shares of Alsons Cement Corporation (ACC) from Cemco Holdings, Inc. (Cemco) constituting approximately 88% of ACC's issued and outstanding common shares. In consideration of such shares, 1,097,920,009 new shares of HPI were issued to Cemco from its authorized and unissued shares, at the exchange ratio of one (1) HPI share for every 3.7 ACC shares owned by Cemco, thus making ACC a subsidiary of HPI.

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 HPI at the same exchange ratio, with the option to accept cash at a price of Php0.28 per ACC shares, in lieu of HPI shares. The foregoing transactions were approved by shareholders of HPI in a special stockholders' meeting held on September 4, 2002 with a Deed of Assignment executed between HPI and Cemco on October 1, 2002. Thereafter, the tender offer on the 12% shareholdings was conducted until November 12, 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 PSE immediately after the closing of the acquisition by the Company of approximately 88% of the issued and outstanding capital stock of ACC from Cemco, subject to compliance with the requirement of the appropriate regulatory agency. 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. Shareholders of the fractional shares were given the option to either be paid at PhP0.40 per share, the then fair market value of ACC shares, or subscribe to one full share by paying ACC the difference between the new and former par values. As a result of additional purchases from the remaining non-controlling shareholders of ACC in 2004 and the effect of the reverse stock split, HPI equity interest in ACC increased from 98.74% to 99.6%.

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

On June 30, 2006, the SEC likewise approved the merger of HPMC with its wholly-owned subsidiary, Northern Mindanao Transport Co., Inc. (NMTC).

As of December 31, 2012, HPI is 60.55% owned by Union Cement Holdings Corporation (UCHC), 17.80% owned by Holderfin B.V. (Holderfin), and 7.08 % owned by Cemco while the remainder of its shares is owned by the public. HPI common shares are listed in the Philippine Stock Exchange (PSE).

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

Holcim Philippines Manufacturing Corporation (HPMC)

HPMC is a fully integrated cement manufacturer. HPMC's integrated operations cover the manufacturing, transportation and sale of cement and construction-related products. It was incorporated in the Philippines and registered with the SEC on February 7, 1968 under the name of Victory Cement Corporation.

HPMC has two dry process lines in Northern Mindanao, giving HPMC a combined rated clinker capacity of 1.8 million MTPY. Of these two, the larger 1.2 million MTPY line was successfully commissioned in 1998 and started commercial operation in January 1999.

In 2004, HPMC stockholders approved the lease contract with HPI covering substantially all of HPMC's cement manufacturing assets for and in consideration of P2 billion and for a period of two (2) years expiring on June 30, 2006. The lease contract was extended up to December 31, 2013.

HPMC is also engaged in the production of aggregates through its wholly owned subsidiary, Calamba Aggregates Company, Inc. (CACI). CACI, incorporated in the Philippines and registered with the SEC on October 15, 1992, operated a 1.6 million MTPY aggregates plant in Laguna. The company ceased operations beginning October 15, 2004. In 2009, the company started to engage in the business of trading aggregates, mainly with related companies. This however was discontinued in 2011 as a result of the change in business plan. In July 2012, CACI sold its fully-depreciated equipment for a total consideration of Php5.4 million.

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

HPMC rents two bulk cement terminals in Iloilo City and Bacolod City from its wholly-owned subsidiary Bulkcem Philippines, Inc. (BPI), a company incorporated in the Philippines and registered with the SEC on April 5, 1995. Operation of BPI's bulk terminal in Bacolod City was temporarily discontinued starting 2003. In 2007, the bulk terminal in Bacolod City was sold to HPI, and was eventually demolished in 2010. A third terminal located in Calaca, Batangas, which had been idle for several years, was rehabilitated in 2010. It has resumed operations beginning January 2011. The terminals allow HPMC to access markets outside its natural ones in Northern Mindanao.

Alsons Construction Chemicals, Inc. (ALCHEM), another subsidiary, owns cement and mineral admixture plant in Lugait, Misamis Oriental, was incorporated in the Philippines and registered with the SEC on December 23, 1996. The operation of ALCHEM was discontinued since July 1999.

Trans-Asia Power Generation Corporation

Trans-Asia Power Generation Corporation (TA Power) is a joint venture between Trans-Asia Oil and Energy Development Corporation (TA Oil) and the Company to operate and maintain a power generation plant based in Bulacan. It was incorporated and registered with the SEC on March 14, 1996.

Holcim Mining and Development Corporation

On August 21, 2008, all of the shareholders of Sulu Resources entered into a Share Purchase Agreement with HPI for the sale of all their holdings in Sulu Resources for P174.7 million including incidental cost related to the acquisition.

Sulu Resources owns a Mineral Production Sharing Agreement (MPSA) No. 108-98 IV covering certain mining area in Rizal. On March 15, 2010, the SEC approved the request for change in name of Sulu Resources to Holcim Aggregates Corporation (HAC). On June 6, 2011, the stockholders approved the amendment in Articles of Incorporation changing the name of the Company from HAC to Holcim Mining and Development Corporation (HMDC). The amendment was approved by the SEC on July 14, 2011.

In 2011, the Company started to engage in the business of trading aggregates but temporarily ceased operations effective July 31, 2012.

Bankruptcy Proceedings

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

Material Reclassification, Merger, Consolidation

The Company reclassified its investment in TA Power as “Asset held for sale” after it has been authorized on November 16, 2012 by the BOD to negotiate for the sale of its interest in TA Power, subject to the terms and conditions as may be deemed to be in the best interest of the Company. The amount reclassified was ₱338.7 million measured at its carrying value at the date of reclassification, which was assessed to be lower than its fair value less costs to sell.

Other than the above-mentioned reclassification, the Company is not a party to any merger or consolidation for the period ending December 31, 2012. Neither the Company is a party to any significant purchase or sale of significant amount of assets.

(2) General Business Description

HPI is involved in the manufacture, sale and distribution of cement and clinker. With the company's production facilities, ports, storage and distribution terminals, sales offices and channel partners, HPI has the most extensive sales and distribution network in the Philippine cement industry. The Company's product quality and operational capability are geared towards meeting the customers' needs here and abroad.

(a) Product Lines

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

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

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

Holcim Premium

Holcim Premium is an ASTM Type I Portland Cement. It is used for general concrete construction. To make Portland cement, powdered limestone, silica and iron-rich materials are homogenized and burnt at 1500^{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 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 Excel

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

Holcim WallRight Cement

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

Clinker

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

Read 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.

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

Table 1 – Revenue by Product Line

	Calendar Year	Calendar Year	Calendar Year
	Ended	Ended	Ended
(In Thousand Pesos)	December 31, 2012	December 31, 2011	December 31, 2010
Cement and cementitious materials	₱26,509,506	₱21,151,816	₱23,414,414
Others	649,491	469,680	259,936
Total	₱27,158,997	₱21,621,496	₱23,674,350

(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, 2012, 2011 and 2010 are as follows:

Table 2 – Export Revenue

	Calendar Year	Calendar Year	Calendar Year
	Ended	Ended	Ended
(In Thousand Pesos)	December 31, 2012	December 31, 2011	December 31, 2010
Total Export Revenues	₱42,977	₱89,386	₱105,251
% to Total Revenues	0.16%	0.41%	0.44%
Breakdown of Export Revenues per Region (in %)			
Southeast Asia	-	0.27%	0.35%
Eastern Asia	0.02%	0.05%	0.02%
Oceania	0.14%	0.08%	0.07%
North America	-	0.01%	-
Western Europe	-	-	-
Middle East	-	-	-
Total % to Total Revenues	0.16%	0.41%	0.44%

(c) Marketing and Distribution

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

HPI has remained active in the export market over the last three years. But with increasing domestic demand and HPIs customer base, export sales accounted for only 0.2% of total sales volume in 2012.

(d) New Product

No new product was launched in 2012.

(e) Competition

There are 8 cement manufacturers in the Philippines, including: Holcim, Lafarge, Cemex, Taheiyo, Northern, Eagle, Pacific, and Goodfound. These cement manufacturers operate a total of 16 plants all over the country.

Among the local players, HPI has the widest market reach spanning the three main islands of the country with 2 cement manufacturing plants in Luzon, and 2 in Mindanao. HPI also operates cement terminals in Iloilo and Batangas as well as warehouses in the different geographic markets. The Company's principal methods of competition include price, service and product performance.

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

(f) Sources and Availability of Raw Materials and Supplies

Below is a summary of the existing mining contracts entered into by HPI and its subsidiaries with the Republic of the Philippines represented by the Department of Environment and Natural Resources (DENR) allowing the Company to quarry raw materials needed in cement production.

La Union Plant

The source of both limestone and silica materials in the provinces of La Union and Pangasinan are covered by approved Mineral Production Sharing Agreement (MPSA) issued by the DENR. MPSA-238-2007-I, which expires in 2032, is the plant's main source of both high and low grade limestone and possibly pozzolan. In addition, directly north of it is a site with limestone resource covered by approved MPSA 236-2007-I and MPSA 043-1995-I, which expire in 2032 and 2020 respectively.

MPSA 236-2007-I is currently the subject of mine feasibility determination by a national government agency.

The plant's silica requirement is sourced from third party suppliers with operations located at Burgos, Pangasinan. The plant's approved silica mineral claims covered by MPSA 042-1995-I and MPSA 295-2009-I located in Agno, Pangasinan are currently the subject of detailed geological and quality assessment to determine the usefulness of the materials therefrom as cement raw material. MPSA 042-1995-I and MPSA 295-2009-I will expire in 2020 and 2034 respectively.

Bulacan Plant

Bulacan plant's active limestone quarries are located in Norzagaray and Doña Remedios Trinidad, Bulacan covered by MPSA 140-1999-III and MPSA 027-1994-III, the former being the main source of limestone raw material. MPSA 140-1999-III and MPSA 027-1994-III will expire in 2024 and 2019 respectively.

MPSA 294-2009-III, the plant's recently approved mining permit which will expire in 2034 is the subject of a detailed geological assessment to confirm the quality and quantity of the silica, limestone and shale resources. In the meantime, silica requirement continues to be sourced from the third party suppliers with permits issued by the local government of Bulacan.

A part of MPSA-298-2009-III covering 288 hectares acquired from Teresa Marble Corporation via a mineral area swap is also the subject of detailed geological and quality assessment for pozzolan and shale resources. MPSA -298-2009-III will also expire in 2034.

Davao Plant

Davao plant's limestone requirement is sourced internally from the mineral claims owned by the Company. The limestone deposit is covered by three mineral agreements, namely: MPSA-080-97-XI for limestone quarry in Bunawan, Davao City, MPSA-274-2008-XI, and MPSA 187-2002-XI, which strengthened the Company's limestone resource position.

MPSA-080-97-XI will expire in 2022 while MPSA-274-2008-XI, and MPSA-187-2002-XI will expire in 2033 and 2027 respectively.

MPSA-082-97-XI located in Ilang, Davao City and where the shale requirement was sourced is subject of final rehabilitation. Said MPSA will expire in 2022. The plant's approved silica mineral claims covered by MPSA-079-1997-XI and MPSA-293-2009-XI are located in San Isidro and Mati, Davao Oriental. MPSA-079-1997 serves to be the source of silica for the plant but with the increasing need for a higher grade of silica, the plant has to find other sources. MPSA-293-2009-XI on the other hand is subject for detailed geological and quality assessment to determine the usefulness of its raw materials for cement manufacturing. Silica requirement is currently being sourced from a third party supplier with permits issued by the local government of Compostella Valley. MPSA 079-1997-XI will expire in 2022 whereas MPSA-293-2009-XI will expire by year 2034.

Lugait Plant

The existing quarries of shale and limestone mineral properties of Lugait plant are covered by the various MPSAs. Shale is found within MPSA 039-96-X located in Sitio Salimbal, Barangay Poblacion, Lugait, Misamis Oriental, whereas limestone is extracted from the claim under MPSA No. 047-96-X. The latter is located in Barangay Lower Talacogon, Lugait, Misamis Oriental and portions of Dalipuga, Iligan City. MPSA 039-96-X and MPSA No. 047-96-X will both expire in year 2021.

Low-alkali shale and pozzolan of suitable quality is covered by MPSA 281-2009-X located in Barangay Poblacion, Lugait and Barangay Dalipuga, Iligan City. Said MPSA will expire in 2034. Likewise found in considerable quantities are pozzolanic materials covered by MRD 481, which is situated within Barangays Kalangahan and Biga, Lugait. This will expire in 2013. Conversion of this claim to MPSA is targeted on 2014.

Placer Lease Contract denominated as PLC-V69, another major source of high quality limestone resource and contract period of which has expired, is currently undergoing conversion to a MPSA and denominated as APSA 140-X.

Silica requirement of the plant is sourced from operations located at Ayungon, Negros Oriental. Said operation is covered by MPSA 218-2005-VII where the plant has a valid and subsisting DENR approved operating agreement with the MPSA Holder. The MPSA will expire in 2030.

Others

HMDC is the current holder of MPSA No. 108-98 IV located at Antipolo, Rizal, with known aggregates resources, as a result of the acquisition of Sulu Resources Development Corporation, the previous MPSA holder. The MPSA will expire in 2022.

Energy Requirement

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

The Bulacan plant's peak demand is currently at 35 megawatts ("MW"). To ensure availability of power at cost-effective rates, the Company, in a joint venture with Trans-Asia Oil and Energy Development Corporation (TA Oil), a PHINMA-managed company, has invested in TA Power, the owner and operator of an independent 52 MW power plant built to supply power to the Bulacan plant. TA Power and the Company entered into an Electricity Supply Agreement (ESA) dated May 29, 1998 for the supply of electricity to the Bulacan plant. This was modified by a memorandum of agreement (MOA) dated December 14, 2007 for the supply of electricity to the Bulacan plant as well as the La Union plant. Subsequently, amendments to the MOA were signed to set the rates for the remaining term of the ESA (2010-2013). Moving forward, a 15-year ESA was signed with TA Oil on August 12, 2011 to supply both Bulacan Line 2 and La Union plants. This supply agreement will commence 2014 onwards.

In the new ESA, Bulacan and La Union are covered by a long-term guaranteed supply from TA Oil. Source will be coming from the 135 MW Puting Bato coal-fired power plant in Calaca, Batangas owned by South Luzon Thermal Energy Corporation, a joint venture company of TA Oil and Ayala's AC Energy Holdings. Included in the agreement is the provision of back-up supply from the Diesel Power Plants in Bulacan (TA Power) and in Bacnotan (CIP/TA Oil). In essence, power supply for the Company's Bulacan and La Union Plants is assured over a long-term period without the uncertainties of how the Luzon grid supply situation will move. Electricity fee is structured according to TOU rate with provisions to rate increases based on fuel purchased for the power plant.

The La Union plant's peak demand is currently 15 MW. Based on the MOA, TA Oil, acting as a retail electricity supplier, exclusively supplies all the electricity requirements of the La Union plant until 2013. Supply for 2014 onwards is covered by the new ESA signed with TA Oil. Transmission charges are being settled by the Company with the National Grid Corporation of the Philippines under its Transmission Services Agreement.

The Davao plant's total power requirement is 22 MW. The plant sources its electricity from the National Power Corporation (NPC) through the Mindanao Grid which generates a substantial portion of its power through hydroelectric power plants. The Company's supply agreement with NPC for the Davao plant was renewed and shall be effective for a period of five years from September 26, 2008 to September 25, 2013 and shall be renewed accordingly.

The Lugait plant's total power requirement is 33 MW for both lines or 27 MW with Line 2 only. Similar to the Davao plant, the Lugait plant sources its electricity from NPC through the Mindanao Grid. On October 26, 2007, the Company entered into an agreement with NPC to continue the existing arrangement between HPMC and NPC for the supply of electricity at the Lugait plant. The agreement shall be effective for a period of five years, from November 26, 2007 to November 25, 2012. Renewal of the supply contract with NPC will be through Misamis I Oriental Electric Cooperative (Moresco I) following Energy Regulatory Commission's ruling. Starting December 2012, power supply to Lugait will come from Moresco I with no price impact to Lugait.

Since grid supply in Mindanao is deficient at the moment until new power plants will come on-line in the next three years, a contingency plan is now in place for Davao and Lugait plants. Back-up supply for Davao and Lugait is under negotiation with private Generators to provide additional capacity during curtailment periods.

For the Davao and Lugait plants, the Energy Regulatory Commission (ERC) approved generation rates and other charges exclusive of penalties and bonuses are being applied to the contracted monthly energy consumption. For consumption higher than one hundred twenty percent (120%) of the contracted level, the basic energy charge to be applied shall be the prevailing ERC approved rate and other adjustments plus ten percent (10%) of such rate for the incremental increase beyond the 120% of the contract energy. A minimum charge based on the Contract Energy per Billing Period shall be paid using the aforementioned basic energy charge subject to deductions and adjustments as provided in the contract.

Coal and Fuel Requirements

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

For supply assurance, the Company has renewed its supply contract with PT Asia Pacific for its Indonesian coal requirements until December 31, 2014 and has established a reliable pool of spot suppliers. For its local coal requirements, the Company still has a valid five year contract, effective January 1, 2010 until December 31, 2014, with Semirara Mining Corporation.

The Company also has a valid five-year supply contract with Petron Corporation, effective July 1, 2010 to June 30, 2015, to cover its bunker and diesel fuel requirements.

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

(g) Dependence on a Single or a Few Customers

The Company’s business is not dependent upon a single or a few customers; the loss of any or more will have no material adverse effect on the Company and its subsidiaries taken as a whole.

(h) Related Party Transactions

Please see Note 26 – Related Party Transactions to the Consolidated Financial Statements for details.

(i) Trademarks, Licenses, Concessions, Labor Contracts

HPI holds several mining claims under various MPSAs that grant to the Company exclusive rights to the exploration, development, and commercial utilization of certain limestone, shale and other mineral deposits existing within contracted areas on the basis of an agreed revenue-sharing arrangement with the government.

To augment the present quarry deposits, the Company has filed with the DENR mineral product sharing applications for limestone, shale and silica quarries strategically located near its plants, which are discussed in details under No. (2) (f) of this report.

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

The Company does not own any patent, trademark, copyright, franchise and concessions.

(j) Governmental Approval of Principal Products

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

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

(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 ₱68.60 million research and development costs for the last three (3) years as follows:

Table 3 – Research and Development Costs

Period Covered	Amount ('000 Pesos)	Percentage To Revenues
CY ended December 31, 2012	₱20,367	0.07%
CY ended December 31, 2011	23,126	0.11%
CY ended December 31, 2010	25,102	0.11%
Total	₱68,595	

(l) Costs and Effects of Compliance with Environmental Laws

In support of Holcim group initiatives on Sustainable Environmental Performance, HPI has committed to comply with environmental regulations both locally and internationally.

Cement dust emission, a known perennial environmental issue in any cement plant, is targeted at lower emission levels as compared to Philippine Clean Air Act dust emission limit of 150 mg/ Nm3. The Company maintains and operates modern electrostatic precipitators, bag houses, multi-cyclone and bag filters to mitigate dust emissions. With these modern dust control systems in place, HPI's cement plants keep dust emission levels to below the prescribed government standards.

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

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

Quarry areas utilized by the Company undergo progressive rehabilitation activities as an integral component of the Annual Environmental Protection and Enhancement Program (AEPEP). As the first Philippine company to have a DENR-approved Final Mine Rehabilitation and Decommissioning Plan, all plants are compliant not only with the local regulations but also with international directives set by the Holcim headquarters in Switzerland. HPI's progressive rehabilitation plans are not limited to active quarry areas; the plan also includes degraded areas covered by MPSA.

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

With HPI's emission monitoring system, quarry rehabilitation plans, and strict compliance to the reportorial requirement on actual performance validated by regular quarterly monitoring by multi-stakeholders and government audit, HPI is continuously in compliance with all Philippine local regulations.

(m) Employees

As of December 31, 2012, HPI and subsidiaries have a total of 1,639 officers and regular employees broken down as follows:

Table 4 – Officers and Employees

Location	HPI	HPMC and Subsidiaries	TOTAL
Head Office*	437		437
Bulacan Plant	316		316
La Union Plant	273		273
Davao Plant	280		280
Lugait Plant	78	210	288
Calumpit	45		45
Total	1,429	210	1,639

** Includes Calaca, RMX and Mabini plants*

The Company does not expect an overall increase in the number of employees taking into account the staffing requirement for the subsequent operations of Mabini.

The Company cement plants' employees are unionized and each plant's labor union has a Collective Bargaining Agreement (CBA) signed with the Company. The Company maintains a positive relationship with its workers by implementing policies that are fully cognizant of the workers' rights and needs through open communication and adherence to agreed grievance procedures.

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

Table 5 – Labor Unions

Location of Cement Plant	Labor Union	CBA Expiry Date
Norzagaray, Bulacan	Holcim Philippines Employees Association (HPEA formerly Hi Cement Worker's Union)	December 31, 2015
	UCC Bulacan Supervisory Employees Union	February 28, 2014
Bacnotan, La Union	La Union Cement Workers Union	March 31, 2017
	Holcim La Union Supervisory Employees Union	December 31, 2013
Davao City	Davao Holcim Employees Workers Union (DAHEWU formerly Southern Phil. Federation of Labor)	December 31, 2014
	Holcim Davao Supervisory Independent Union	December 31, 2014
Lugait, Misamis Oriental	Holcim Lugait Employees Labor Union (HOLELU, All Workers Trade Union All AWATU)	August 1, 2014
	Holcim Lugait Supervisors Independent Union	December 31, 2013

There was a labor dispute that arose from claims for regularization initiated by RMX project rank-and-file employees whose employment has ceased due to project completion. There was a notice of strike filed by the RMX rank-and-file union, Samahang Manggagawa ng Holcim Philippines, Inc. (Ready-Mix Concrete). However, they failed to conduct the required strike vote.

(n) Risk Factor

<u>Political and Economic Factors</u>

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 general 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

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

La Union and Bulacan plants source their total power requirements from the Luzon Grid. An assessment of the Luzon market indicates that there will be adequate supply in the area until 2014 assuming all power plants are operating at their capabilities and committed capacity additions are realized. Based on the December 14, 2007 MOA, TA Oil and TA Power guarantee to cover all of the Company's electricity requirements for both the Bulacan and La Union plants until 2013 through the electricity spot market or by running TA Power's 52 MW bunker-fueled power plant. To ensure availability of power supply in Bulacan plant in the event of grid outages or load curtailment, TA Power runs its power plant to provide continuous power supply. TA Oil is now working on its new coal-fired power plant in Batangas to supply both Luzon plants' long-term power requirement along with its new diesel power plant in La Union to provide back-up. These new power plants will provide adequacy, security and reliability of supply for both Bulacan and La Union plants. A new ESA was signed on August 12, 2011 with TA Oil setting the rates and technical aspects of the 15-year supply to both plants starting 2014. The newly commissioned CIP Diesel Power Plant owned by TA Oil will provide back-up to La Union plant in case of grid failures, the arrangement of which was structured after that of Bulacan's.

Davao and Lugait plants source their electricity solely from NPC through the Mindanao Grid. In 2010, deficiency in power generation in the grid was experienced brought about by the drought in the country. Mindanao's supply mostly comes from hydro-electric power plants comprising approximately 55% of the total generation capability. On the average, 300 MW to 500 MW will be needed within the region to account for increasing demand, low water level and contingency reserves. With no additional capacity coming in the Mindanao grid, power curtailment is seen to persist for the next five years and further drive up cost of electricity. In general, additional new generating capacity is needed to answer for the incremental demand. Otherwise Mindanao power supply will not be enough to meet future requirements. Realizing the uncertainties in the power supply situation and its effect on electricity prices, HPI has been working on various options to support its short and long-term power sourcing plan. Back-up and auxiliary supply is now being negotiated with a private generator to provide supplementary power in case of power curtailment, involvement in various power plant projects for long-term supply, and exploration of opportunities to diversify energy supplies through own-power generation using renewable sources is now being performed.

Compliance with Financial Covenants

The Company's long-term loan agreements, if any, provide certain restrictions and requirements with respect to, among others, maintenance of financial ratios, incurrence of new long-term debt, investment in any corporation or person, material changes in character of the Company's business, material change in ownership or control of the Company, disposal of assets and properties, and merger or consolidation with other parties without prior creditors' consent.

HPI was in compliance with all the financial ratios requirement of its loan covenants as of December 31, 2011. As of December 31, 2012, the Company has no outstanding long-term loans.

Dependence on Key Facilities

Substantially all of HPI's income has been, and will be derived from the sale of products produced at its production facilities in Luzon and Mindanao. Any prolonged breakdown of, or significant damage to, the Company's production facilities or quarries could have an adverse effect on the results of its operations. HPI maintains comprehensive property and casualty insurance policies on its production facilities under an Industrial All-Risk policy. However, there can be no assurance that the proceeds of HPI's insurance would be sufficient to insulate the Company from all effects of possible loss or damage.

Impact of the Exchange Rate Fluctuations

The Philippine Peso was generally stable during the year. From the exchange rate of ₱43.77 against the US Dollar as of December 31, 2011, it closed at ₱41.03 as of December 31, 2012. The appreciation of the peso will reduce production costs but will also reduce revenues from export sales. Conversely, a significant depreciation of the peso increases cost of production inputs such as imported fuel and supplies but may result to an increase in the peso value of its export revenues.

Environmental and Regulatory Matters

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

HPI conforms with rules and regulations defined under the following: The Philippine EIS System (PD 1586), The Philippine Mining Act of 1995 (RA 7942), The Philippine Clean Air Act 1999 (RA 8749), Philippine Clean water Act of 2004 (RA 9275), Ecological Solid Waste Management Act of 2000 (RA 9003), and Toxic Substances & Hazardous & Nuclear Waste Control Act of 1990 (RA 6969). Other Applicable Laws & Regulations are also identified in the Company's Integrated Management System Manual.

In a group-wide program, the Company decided to reduce dust emissions below the prescribed 150 mg/ Nm3 level that the government allows cement plants to emit under the Philippine Clean Air Act (RA 8749). The Company maintains and operates modern electrostatic precipitators, bag houses, multi-cyclone and bag filters for mitigating the dust coming from its plants' pre-heater towers, kilns and cement mill grinding systems. With these modern dust control systems in place, HPI's cement plants kept dust emission levels below the prescribed government standard. Moreover in 2003, the Company installed a state-of-the-art Continuous Emission Monitoring System (CEMS) in all its four plants. The system provides all information required to measure the Company's overall environmental performance and has confirmed that HPI's plants are compliant with the existing government standards.

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 existing facilities, the Company believes it complies with the provisions of the Clean Air Act and the related IRR.

Under the Philippine Environmental Impact Assessment law, quarrying – a major activity of cement manufacturing – is classified as an Environmentally Critical Project. As such, it is subject to all applicable local environmental regulations. This includes the environmental impact assessments and the consequent environmental management programs mandated under the Philippine Clean Air Act, the Environmental Compliance Certificate (ECC), and the complimentary environmental provisions of the Mining Act's implementing rules and regulations. The status of compliance on the conditions stated in the ECC is regularly reported to DENR through the submission of Self Monitoring Report (SMR), Compliance Monitoring Report (CMR), and Compliance Monitoring and Verification Report (CMVR).

For 2012, HPI's four plants continued to be recognized by the relevant national government agencies for its environmental programs and natural resource stewardship. Davao and La Union bagged the highest award – the Presidential Mineral Industry Environmental Award (PMIEA) for the Quarry Category, which is the fifth straight year that the Company has won this award. The award is given to the company with the best overall program for quarry rehabilitation, environmental protection, safe operations and social and community development. Lugait and Bulacan each won a Platinum Award, the second highest recognition after the PMIEA.

Lugait also won the Best Mining Forrest program in the Quarry Category. La Union and Bulacan were recognized as having outstanding mining forest programs, placing second and third place, respectively. Of equal importance is the DENR and EMB Track 1 Seal of Approval under the DENR's Philippine Environmental Partnership Program conferred to La Union and Davao Plants in 2011; and to Bulacan and Lugait in 2012. This seal approval recognized the Company for its proven record of superior environmental performance and going beyond regulatory compliance.

Executive Order (EO) 79

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

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

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

Management currently assesses that EO 79 will not have a significant effect in the current operations of the Company. Management continuously monitors the implementation of EO 79 and its impact on the industry in general.

Item 2 Properties

The Company's major items of property, plant and equipment are located in Norzagaray, Bulacan; Bacnotan, La Union; Bo. Ilang, Davao City, Lugait, Misamis Oriental and Calaca, Batangas. The table shows the consolidated properties of HPI as of December 31, 2012 compared to December 31, 2011.

Table 6 – Plant, Property and Equipment (Consolidated)

(In Thousand Pesos)	December 31, 2012	December 31, 2011*
Land and land improvements	₱1,691,372	₱1,585,060
Machinery and equipment	19,940,273	19,486,159
Buildings and installations	11,489,695	11,336,269
Furniture, vehicles and tools	1,179,869	1,232,973
Construction in progress	946,474	647,914
	35,247,683	34,288,375
Less: Accumulated depreciation, depletion		
and allowance for impairment loss	19,176,652	18,236,722
Total	₱16,071,031	₱16,051,653

**Based on restated amounts as a result of the Company's early adoption of PFRS 11 "Joint Arrangements". Refer to Note 2 of the accompanying Notes to the Consolidated Financial Statements for details.*

In connection with the principal properties of the Company, there are no material existing mortgages, lien or encumbrance 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.

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

Description	**Start Date**	**Expiration Date**	**2012 Lease Payments (in '000)**	**Renewal Options**
HO Office	01.12.2008	30.11.2018	Php34,605	The lease may be renewed upon the written agreement of Lessor and Lessee and under such terms and conditions as maybe acceptable to both parties.
Betonval lot	27.08.2008	26.08.2018	5,954	Renewable as may be mutually agreed by the parties
Forklift Rentals	15.09.2008	15.08.2012*	5,792	Unless a written statement from one Party has been received three months before the expiration date by the other party informing the cancellation of the Agreement, the lease agreement shall be automatically extended for a further period of one year.
Pasig Warehouse	15.05.2010	15.05.2012**	3,350	Any renewal or extension of the contract must be expressly agreed upon by both parties in writing and in no circumstances can such renewal or extension be considered as having been made impliedly.

**Parties agreed to renew contract for another one year.*
***Parties agreed to renew contract for another two years subject to pre-termination clause.*

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 to any significant liability or loss of assets.

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

Item 4 Submission of Matters to a Vote of Security Holders

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

(1) Market Information

HPI common shares are listed in the Philippine Stock Exchange (PSE). The high and low market prices of HPI shares for each quarter of calendar year 2012, 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	2012	CY	2011	CY	2010
	High	Low	High	Low	High	Low
January – March	12.30	9.40	15.50	10.04	5.30	4.25
April – June	12.36	11.00	13.80	10.60	5.90	4.65
July – September	13.10	11.40	11.50	8.10	11.28	5.10
October – December	14.00	12.64	10.00	7.80	17.00	10.10

Source: Philippine Stock Exchange, Inc.

As of February 22, 2013, the closing price of the Company's common shares at the PSE is P13.00 per share.

(2) Stockholders

As of December 31, 2012, HPI has 6,452,099,144 shares outstanding held by 5,818 stockholders. The list of the top twenty stockholders of the Company as recorded by the Stock Transfer Service, Inc., the Company's stock transfer agent, is as follows:

Table 8 – Top Twenty (20) Stockholders

Rank	Name	Citizenship	Shares (Sum)	%
1	UNION CEMENT HOLDINGS CORPORATION	FILIPINO	3,906,425,509	60.55%
2	B. V HOLDERFIN	DUTCH	1,148,726,044	17.80%
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	203,551,553	3.15%
6	PCD NOMINEE CORP. (FILIPINO)	FILIPINO	102,971,907	1.60%
7	FEDERAL HOMES INC.	FILIPINO	4,054,054	0.06%
8	ANTONIO M. DUMALIANG &/OR ROSALINDA S. DUMALIANG	FILIPINO	922,363	0.01%
9	LEONCIO TIU	FILIPINO	705,000	0.01%

Rank	Name	Citizenship	Shares (Sum)	%
10	KAKUGARA AKIHIKO	JAPANESE	559,580	0.01%
11	LUIS CO CHI KIAT	FILIPINO	511,242	0.01%
12	JOAQUIN Q. TAN	FILIPINO	380,000	0.01%
13	LUIS ROLANDO GARCIA FADRIGO	FILIPINO	294,065	0.00%
14	AMERICAN WIRE & CABLE CO., INC.	FILIPINO	290,993	0.00%
15	CIPRIANO VILLANUEVA AMANDO	FILIPINO	282,137	0.00%
16	CORAZON V. DOMINGUEZ	FILIPINO	221,081	0.00%
17	UNIVERSITY OF SANTO TOMAS	FILIPINO	190,750	0.00%
18	RAMON C. CHAN	FILIPINO	189,189	0.00%
19	FRANCIS L. ESCALER	FILIPINO	186,935	0.00%
20	PHILEO ALLIED SECURITIES (PHILS.), INC.	FILIPINO	186,000	0.00%
		Total	**6,422,290,687**	**99.51%**

(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, 2012, 2011 and 2010 as follows:

	2012	2011	2010
Cash Dividend Per Share (PhP)	₱0.25	₱0.40	₱0.40
Amount Declared (PhP)	₱1.6 billion	₱2.6 billion	₱2.6 billion
Declaration Date	17-May-12	12-May-11	4-May-10
Record Date	11-June-12	26-May-11	3-June-10

(4) Sales of Unregistered Securities Within the Last Two (2) Years

There are no other securities sold for cash by the Company within the last two (2) years that were not registered under the SRC.

Item 6. Management's Discussion and Analysis

<u>Review of CY 2012 Operations vs CY 2011</u>

For 2012, the Philippine economy has recovered from the slowdown experienced in 2011. Gross Domestic Product (GDP) was 6.6%* compared with the 3.7%* registered a year ago, driven by healthy macroeconomic fundamentals, improved business confidence and growing global competitiveness.

The construction industry likewise recovered in 2012 from last year's sluggish output. Local cement demand grew by 17.5%** compared with 2011 on the back of increased private and public construction activities.

With the robust demand, the company posted a total sales volume of 6.4 million metric tons, or 20% higher compared with 2011. Market prices have also improved resulting in total revenue of Php 27.16 billion for the year. This represents an increase of Php5.5 billion or 26% growth from prior year. The strong sales performance was supported by pro-active cost management, and manufacturing excellence initiatives, which resulted in an operating EBITDA of Php6.7 billion, or 51.6% increase from 2011. The Company closed the year with net income of Php3.6 billion.

**Source: National Economic and Development Authority*
***Source: Cement Manufacturer's Association of the Philippines*

Key Performance Indicators ("KPI")

The comparative financial KPI for the years ended December 31, 2012 and 2011 are as follows:

Financial KPI	**Definition**	**For the Calendar Year ended December 31**	
		2012	**2011***
Profitability			
Return on Assets (ROA)	Net Income / Ave. Total Assets	14.4%	8.1%
Return on Equity (ROE)	Net Income / Ave. Total Equity	18.4%	10.7%
Operating EBITDA Margin	Operating EBITDA / Net Sales	24.8%	20.5%
Liquidity			
Gearing Ratio	Net Financial Debt / Total Equity	- 4.8%	7.8%
EBITDA Net Interest Cover (times)	Operating EBITDA / Net Interest	177.30	35.0

**Based on restated amounts as a result of the Company's early adoption of PFRS 11 "Joint Arrangements".*

Profitability

ROA, ROE and EBITDA margin for CY 2012 grew as a result of higher profitability of the business.

Liquidity

The Company shows a strong liquidity base with a lower gearing, much below the 100% target level and high EBITDA Net Interest Cover.

Significant Disclosures

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

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

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

3. Issuances and repurchase of equity securities.

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

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

6. Known trends, demands, commitments, events and uncertainties that will result in or likely to decrease its liquidity in a 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 financial arrangements requiring it to make payments. With the improvement in the Company's operating performance, it expects to meet all financial loan covenants for the next interim period.

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

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

9. Material commitments for capital expenditures.

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

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

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

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

Notes to Financial Statements

Accounting Policies and Principles

The consolidated financial statements of the Company, which comprise the consolidated balance sheets as at December 31, 2012 and 2011 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, 2012 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 a variety of financial risks, including 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 interest and foreign exchange risks from its outstanding foreign currency denominated debt. Therefore, the Company does not enter into derivative or other financial transactions which are unrelated to its operating business. As such, 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 currency risk, counterparty risk, use of derivative financial instruments and investing excess liquidity.

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

The main risks arising from the Company's financial instruments are market risks (foreign currency risk, equity price risk and interest rate risks), credit risk and liquidity risk. The Board of Directors 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 Summary of Significant Accounting Policies in the Consolidated Financial Statements.

Market Risks

The Company is exposed to market risk, primarily relating to foreign currency, interest rate and equity price risks. To manage volatility relating to these exposures, the Company enters into derivative financial instruments. The Company's objective is to reduce, where appropriate, fluctuations in earnings and cash flows associated with changes in foreign currency and interest rate risk. The Company, therefore, expects that any loss in value of those instruments generally would be offset by increases in the value of the underlying transactions.

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 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. Approximately 0.2% and 0.4% of the Company's revenues in 2012 and 2011 are denominated in currencies other than the Philippine peso. The Company may hedge certain foreign currency borrowings or other instruments and are accounted for similarly to cash flow hedges. As such, foreign exchange gains or losses are recognized in other comprehensive income and profit or loss.

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 are designed either as cash flow hedges or fair value hedges, as appropriate but which does not include the hedging of forecasted transactions as it is not economical.

The Company has entered into derivative transactions, specifically cross-currency swaps, to manage currency risk exposures related to its foreign-currency denominated debts. These derivative transactions were designated by the Company under cash flow hedge accounting (see Note 17 – Financial Assets and Liabilities of the Consolidated Financial Statements).

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

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. Given the Company's net borrowing position, 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 interest rate swap agreements, in which it exchanges periodic payments, based on the notional amounts and agreed-upon fixed and variable interest rates.

The Company's exposure to the risk for changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. As at December 31, 2012 and 2011, the Company has no financial instruments that are exposed to interest rate risk.

The Company's financial instruments that are exposed to interest rate risk are disclosed in Note 16 – Financial Risk Management Objectives and Policies in the Consolidated Financial Statements.

Credit Risk

Credit risk is the risk that customers 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 comprise cash and cash equivalents, AFS financial assets, guarantee and refundable deposits, restricted cash, financial assets at FVPL and certain derivative instruments, 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 16 – 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 to payment defaults of financial commitments. The Company monitors this risk using a recurring liquidity planning tool. This tool considers the maturity of both its financial assets and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank credit facilities, finance leases and purchase contracts. It is responsible for its own cash surpluses and the raising of loans to cover cash deficits, subject to policies and guidelines approved by management and in certain cases at the BOD level.

The Company maintains sufficient reserves of cash and cash equivalents, which are short-term in nature and 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 of December 31, 2012 and 2011, the Company has uncommitted credit facilities of ₱2.8 billion and ₱3.7 billion, respectively, which full amount is unutilized.

The Company's financial assets and liabilities as at December 31, 2012 and 2011 are disclosed in Note 16 – Financial Risk Management Objectives and Policies in the Consolidated Financial Statements.

Capital Management Policy

The Company's capital includes equity attributable to the equity holders of the Parent Company. 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 the light of 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 is calculated as net financial debt divided by total equity in the consolidated balance sheet as shown in the following table:

	2012	2011*
Notes Payable	**₱-**	**₱1,000,000**
Long term debt	**-**	**974,888**
Customers' deposits	**384,726**	**369,740**
Financial debt	**384,726**	**2,344,628**
Less cash and cash equivalents and held for trading financial assets	**1,378,382**	**879,047**
Net financial debt/(asset)	**- 993,656**	**1,465,581**
Total equity	**20,725,224**	**18,714,032**
Gearing ratio	**- 5%**	**8%**

**Based on restated amounts as a result of the Company's early adoption of PFRS 11 "Joint Arrangements".*

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

In 2012, the Company repaid its long-term debt resulting in a net financial asset. Total equity increased by 10.7% as a result of improvement in operating results for the year.

Material Changes in Balance Sheet Accounts

Cash and cash equivalents

Cash and cash equivalents increased by ₱499million due to higher generation of cash from business.

Trade and other receivables

Increase in receivables was generally due to higher revenues generated.

Inventories

The inventory increased in preparation for the anticipated higher demand in the first quarter of next year.

Other current assets

The increase in other current assets was primarily due to the increase in Advances to suppliers and prepaid expenses.

Assets held for sale

This represents the carrying value of the Company's investment in TA Power. Further details are presented under Part 1, Item 1-1 under Material Reclassification, Merger, Consolidation.

Investments

The decrease was mainly the result of the reclassification of the Company's investment in TA Power to "Assets held for sale".

Intangible assets

The increase in the account was mainly due to the additional intangible assets recognized during the year.

Deferred income tax assets

The increase in deferred tax assets mainly resulted from higher accrual of various expenses. Refer to Note 27 of the accompanying Notes to the Consolidated Financial Statements for the year ended December 31, 2012 for the details of deferred tax assets.

Other noncurrent assets

The decrease was mainly due to the reclassification to other current assets of the maturing deposits to vendors amounting to ₱96.7 million due in 2013.

Notes payable

All outstanding notes payable were paid as at December 31, 2012.

Trade and other payables

Trade and other payables increased by ₱922 million mainly due to higher accruals and costs of imported clinker and fuel.

Current portion of long-term debt

The decrease was the result of loan settlement.

Income tax payable

Income tax payable increased by ₱456.6 million due to higher income generated in 2012.

Long-term debt – net of current portion

The decrease in long-term debt was mainly due to payment of loan.

Retirement benefit liabilities

The increase was mainly due to the additional pension liability recognized for the year. Refer to Note 28 of the accompanying Notes to the Consolidated Financial Statements for the year ended December 31, 2012 for the details of retirement benefit liabilities.

Provisions

The increase in the provision was due to the increase in provision for site restoration as a result of the increased level of operations and additional provision for tax assessment.

Deferred tax liabilities

The Company is in net deferred tax assets position. Refer to Note 27 of the accompanying Notes to the Consolidated Financial Statements for the year ended December 31, 2012 for the details of deferred tax assets.

Available-for-sale financial assets reserve (AFS)

This pertains to the Company's share in TA Power AFS. This account slightly decreased due to losses arising from the change in fair value of these items.

Non-controlling interest (previously known as "Minority Interest")

There was no material change in the earnings attributable to equity holdings of minority shareholders of HPMC.

Material Changes in Income Statement Accounts

Revenues

The increase in revenues of ₱5.5 billion was mainly due to the higher sales volume and price level for calendar year 2012 compared with 2011.

Cost of sales and freight services

The increase of ₱3.1 billion was largely due to higher volume produced, sold, and also due to higher input costs.

General and administrative expenses

The increase was mainly due to higher costs of outside services and other corporate initiatives.

Interest and financing charges

The decrease in interest and financing charges was due to the full payment of interest-bearing loans in 2012.

Foreign exchange gain (loss) – net

The net foreign exchange gain in 2012 was a result of the appreciation of the peso and increase in foreign currency denominated monetary liabilities arising from indent purchases.

Interest income

The interest income decreased largely due to lower average amount of cash invested in money market placements during the year.

Equity in net earnings (losses) of a joint venture

This represents the Company's share in the net loss of TA Power.

Others - net

The net other expense was lower due to recognition of income from the write-off of payable and recovery from insurance.

Review of CY 2011 Operations vs. CY 2010

The Philippine economy experienced a slowdown as Gross Domestic Product (GDP) in 2011 was only 3.7%* versus the 7.3%* in 2010. Gross National Income (GNI) was also lower at 2.6%* compared to 7.2%* of last year.

2011 was certainly a challenging year for the construction industry. Compared with 2010, local cement demand only inched up 1%**. Construction activity was sluggish due to slower public infrastructure spending as government put in place reform policies for more transparent project bids. Consequently, the Public-Private Partnership program of the government, which sought to tap the private sector participation in the construction of vital infrastructure, did not take off as planned. It also did not help that the country was swamped by successive storms, mostly in the third quarter of the year, hampering construction activities. It is interesting to note, however, that from a steady decline, cement demand in the 4th quarter of 2011 grew by an impressive 20%** versus the same quarter in 2010. Public spending went up as the government started to release funds, while business activity and private construction remained strong.

The Company registered total sales volume of 5.4 million metric tons, 5% below 2010 levels. Consequently, revenues decreased by Php2 billion on the back of soft volumes and volatile prices. While pro-active cost management and manufacturing excellence initiatives helped mitigate the effects of the challenging market, the savings realized were not enough to recover the decline in revenues. The company closed the year with operating EBITDA and net income of Php4.4 billion and Php2.0billion, respectively.

The Company remained the industry leader due to its broader customer network, supply reliability from its 4 plants nationwide and strong brand reputation as reflected in the 2011 Brand Equity Index results.

* *Source: National Economic Development Authority*

*** Source: Cement Manufacturer's Association of the Philippines*

Key Performance Indicators ("KPI")

The comparative financial KPI for the years ended December 31, 2011 and 2010 are as follows:

Financial KPI	Definition	For the Calendar Year ended December 31	
		2011	**2010**
Profitability			
Return on Assets	Net Income / Average Total Assets	8.1%	15.1%
Return on Equity (ROE)	Net Income / Ave. Total Equity	10.7%	20.6%
Operating EBITDA Margin	Operating EBITDA / Net Sales	20.5%	29.9%
Liquidity			
Gearing Ratio	Net Financial Debt / Total Equity	7.8%	8.2%
EBITDA Net Interest Cover (times)	Operating EBITDA / Net Interest	35.0	36.6

Profitability

ROA, ROE and EBITDA margin for CY 2011 declined compared with CY 2010 as a result of lower profitability of the business.

Liquidity

The Company shows a strong liquidity base with a lower gearing, much below the 100% target level despite the lower profit generation, and reduction of the EBITDA Net Interest Cover.

Significant Disclosures

Please refer to Exhibit 5 of the 2011 SEC 17A report for that year. Other than those mentioned in Exhibit 5, the Company was 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 to decrease its liquidity in a 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 financial arrangements requiring it to make payments. With the improvement in the Company's operating performance, it expects to meet all financial loan covenants for the next interim period.

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

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

9. Material commitments for capital expenditures.

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

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

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

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

Notes to Financial Statements

Accounting Policies and Principles

The consolidated financial statements of the Company, which comprise the consolidated balance sheets as at December 31, 2011 and 2010 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, 2011 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. From 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 a variety of financial risks, including 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 interest and foreign exchange risks from its outstanding foreign currency denominated debt. Therefore, the Company does not enter into derivative or other financial transactions which are unrelated to its operating business. As such, 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 excess liquidity.

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

The main risks arising from the Company's financial instruments are associated with the market (foreign currency, equity price and interest rate), credit and liquidity. The Board of Directors 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 Summary of Significant Accounting Policies in the Consolidated Financial Statements.

Market Risks

The Company is exposed to market risk, primarily relating to foreign currency, interest rate and equity price risks. To manage volatility relating to these exposures, the Company enters into derivative financial instruments. The Company's objective is to reduce, where appropriate, fluctuations in earnings and cash flows associated with changes in foreign currency and interest rate risk. The Company, therefore, expects that any loss in value of those instruments generally would be offset by increases in the value of the underlying transactions.

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 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. Approximately 0.4% of the Company's revenues in 2011 and 2010 are denominated in currencies other than the Philippine peso. The Company may hedge certain foreign currency borrowings or other instruments and are accounted for similarly to cash flow hedges. As such, foreign exchange gains or losses are recognized in other comprehensive income and profit or loss.

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 are designed either as cash flow hedges or fair value hedges, as appropriate but which does not include the hedging of forecasted transactions as it is not economical.

The Company has entered into derivative transactions, specifically cross-currency swaps, to manage currency risk exposures related to its foreign-currency denominated debts. These derivative transactions were designed by the Company under cash flow hedge accounting (see Note 17 – Financial Assets and Liabilities of the Consolidated Financial Statements).

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

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. Given the Company's net borrowing position, 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 interest rate swap agreements, in which it exchanges periodic payments, based on the notional amounts and agreed-upon fixed and variable interest rates.

The Company's exposure to the risk for changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. As at December 31, 2010 and 2011, approximately 38% and 49%, respectively, of the Company's borrowings are at fixed interest rate.

The Company's financial instruments that are exposed to interest rate risk are disclosed in Note 16 – Financial Risk Management Objectives and Policies in the Consolidated Financial Statements.

Credit Risk

Credit risk is the risk that customers 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 comprise cash and cash equivalents, AFS financial assets, guarantee and refundable deposits, restricted cash, financial assets at FVPL and certain derivative instruments, 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 16 – Financial Risk Management Objectives and Policies in the 2011 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 to payment defaults of financial commitments. The Company monitors this risk using a recurring liquidity planning tool. This tool considers the maturity of both its financial assets and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank credit facilities, finance leases and purchase contracts. It is responsible for its own cash surpluses and the raising of loans to cover cash deficits, subject to policies and guidelines approved by management and in certain cases at the BOD level.

The Company maintains sufficient reserves of cash and cash equivalents, which are short-term in nature, and readily available marketable securities, which include AFS financial assets, 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 of December 31, 2011 and 2010, the Company has uncommitted credit facilities of ₱3.7 billion and ₱3.0 billion, respectively, which full amount is unutilized.

The Company's financial assets and liabilities as at December 31, 2011 and 2010 are disclosed in Note 16 – Financial Risk Management Objectives and Policies in the 2011 Consolidated Financial Statements.

Capital Management Policy

The Company's capital includes equity attributable to the equity holders of the Parent Company. 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 the light of 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 is calculated as net financial debt divided by total equity in the consolidated balance sheet as shown in the following table:

	2011	2010
Notes Payable	₱1,000,000	₱-
Long term debt	974,888	3,186,228
Customers' deposits	369,740	428,898
Financial debt	2,344,628	3,615,126
Less cash and cash equivalents and held for trading financial assets	879,047	2,040,091
Net financial debt	1,465,581	1,575,035
Total equity	18,714,032	19,259,046
Gearing ratio	8%	8%

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

The net financial debt decreased by 6.9% in 2011 as a consequence of repayment of outstanding notes payable and maturing long term debt. Total equity likewise decreased by 2.8% in 2011 on account of lower net income with the same level of dividend declaration in 2010.

Material Changes in Balance Sheet Accounts

Cash and cash equivalents

Cash and cash equivalents fell by ₱1.2 billion due to lower generation of cash from business and then due to financing activities.

Trade and other receivables

Receivables increased slightly because of the increase in trade receivables from retailers, institutional customers and customers from AFR and RMX businesses.

Inventories

The decrease in inventories was due to lower finished goods, net of higher fuel inventories.

Other current assets

The ₱33.3 million increase in other current assets relates primarily to unapplied creditable withholding taxes and prepayment of income taxes, with the lower level of current income taxes during the year.

Investments

The growth of this account was the effect of the upward movement in the net book value of the Company's investment with TA Power arising from its earnings.

Property, plant and equipment

The net decrease in PPE was mainly the effect of additional capitalized expenditures of about ₱1.0 billion, reduced by depreciation, depletion and amortization expense of ₱1.4 billion and asset disposal with net book value of ₱178.2 million.

Deferred tax assets

The reduction in deferred tax assets mainly resulted from lower accrual for bonuses. Refer to Note 29 of the accompanying Notes to the Consolidated Financial Statements for the year ended December 31, 2011 for the details of deferred tax assets.

Other noncurrent assets

The increase in the account of ₱30.4 million was mainly due to higher guarantee deposits, and additional funds allotted for quarry site rehabilitation as mandated by governmental regulations.

Trade and other payables

Trade and other payables increased by ₱212.9 million mainly due to higher volume of invoices recorded in December, and higher accrual for electricity.

Income tax payable

Income tax payable decreased by ₱49.6 million due to lower income tax due in 2011 compared to 2010.

Current portion of long-term debt

The decrease was the result of loan repayment.

Long-term debt – net of current portion

The decrease in long-term debt was mainly due to payment of loan.

Derivative liabilities (long-term portion)

This account represents the change in the fair market value of the Company's cross currency swaps with a third party to cover the foreign currency risks of dollar-denominated term loan. Related loan was paid in full in 2011.

Deferred tax liabilities

The Company is in net deferred tax assets position. Refer to Note 29 of the accompanying Notes to the Consolidated Financial Statements for the year ended December 31, 2011 for the details of deferred tax assets.

Cash Flow Hedge Reserve and Available-for-sale financial assets reserve

The net increase in Cash Flow Hedge Reserve was due to the settlement of the long-term debt to which the derivative was related. Likewise, AFS reserve slightly increased due to gains on change in fair value.

Non-controlling interest (previously known as "Minority Interest")

The increase represents higher earnings attributable to equity holdings of minority shareholders of HPMC.

Material Changes in Income Statement Accounts

Revenues

The decrease in revenues of ₱2.05 billion was mainly due to the lower sales volume and price level for calendar year 2011 compared with 2010.

Cost of sales and freight services

The increase of about ₱554 million was largely due to higher costs of inputs. These included costs of raw, packaging and production materials. Costs of power and fuel also increased, along with cost of transportation and outside services.

General and administrative expenses

The increase was mainly due to higher costs of outside services.

Selling expenses

Selling expenses grew by ₱56 million on the account of higher provisions for doubtful accounts, and project-related costs.

Interest and financing charges

The decrease in interest and financing charges in the amount of ₱77.5 million was due to the repayment of interest-bearing loans during 2011. Average outstanding debt in 2011 was lower compared to 2010.

Foreign exchange gain (loss) – net

The increase in net foreign exchange loss in 2011 of ₱14 million was due to the decrease in foreign currency denominated monetary assets, and lower average exchange rate during the period compared with the exchange rate at year end.

Dividend income

No significant movement in dividend income in CY2011.

(Note: Financial information and analyses pertaining to calendar year 2011 and 2010 contained in Item 6 were based on re-stated amounts as a result of the Company's early adoption of PFRS 11, Joint Arrangements).

Item 7. Financial Statements

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

Information on Independent Accountant

External Audit Fees

The aggregate fees billed for each of the last two (2) years for professional services rendered by Sycip Gorres Velayo & Co (SGV) was P11.8 million for 2012 and P12.2 million for 2011. 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 2012 and 2011.

Tax Fees & All Other Fees

Aside from the audit and audit-related fees above, no other fees were paid to SGV for the year 2012.

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

Upon recommendation and approval of the Audit Committee, the appointment of the external auditor is being confirmed in an annual stockholders' meeting. In addition, the consolidated financial statements should be approved by the Board of Directors before its release.

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

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.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

(1) The Board of Directors

The Company's Board of Directors (the Board) is responsible for the overall management and direction of the Company. The Board meets regularly every quarter, or as often as 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 of the Company own more than 2% of outstanding common shares of HPI.

As of December 31, 2012, the following are the members of the Board:

Table 9 – The Board of Directors

Office	Name	Nationality
Chairman	Oscar J. Hilado	Filipino
Vice Chairman	Ian S. Thackwray	British
Director	Magdaleno B. Albarracin, Jr.	Filipino
Director	Roland van Wijnen	Dutch
Director	Eduardo A. Sahagun	Filipino
Director	Ramon R. del Rosario, Jr.	Filipino
Director	Jose L. Cuisia, Jr.	Filipino
Director	Tomas I. Alcantara	Filipino
Director	Thomas Aebischer	Swiss
Independent Director	Andres G. Gatmaitan	Filipino
Independent Director	Yasuo Kitamoto	Japanese

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

Oscar J. Hilado, 75, is the Chairman of the Board of the Company. He is Chairman of the Philippine Investment Management (PHINMA), Inc., Chairman of the Board & Chairman of the Executive Committee of Bacnotan Consolidated Industries, Inc.; Chairman of the Board of Phinma Property Holdings Corp., Vice Chairman of Trans Asia Power Generation Corp.; Chairman of Trans Asia Oil & Energy Development Corp., Director of Manila Cordage Corp., Director of Seven Seas Resorts & Leisure, Inc., and First Philippine Holdings Corporation; Philex Mining Corporation; A. Soriano Corporation. He holds a Bachelor of Science degree in Commerce from De La Salle College (Bacolod) and a Masters Degree in Business Administration from Harvard Graduate School of Business. He has been a Director of the Company since 1984.

Ian S. Thackwray, 54, holds an MA (Hons) in Chemistry from Oxford University and is also a chartered accountant. After his studies, he joined Price Waterhouse and handled major corporate accounts in Europe. In 1985, he started a career with a major multinational in the chemicals industry, serving in various management roles in Europe, North America and particularly in Asia. From 2004 to 2006, he served the Asian/Pacific President based out of Shanghai. In 2006, he joined Holcim and was elected COO and director of the Company. In 2009, the Board of Directors of Holcim Ltd appointed him a member of the Executive Committee. He joined the Executive Committee of Holcim Ltd on January 1, 2010 with regional responsibility for countries in East Asia, including China, Japan, Korea as well as the Philippines, Oceania and South and East Africa.

Magdaleno B. Albarracin, Jr.*,* 76, is the President of the Company. He has a Bachelor of Science degree in Electrical Engineering from the University of the Philippines and obtained his Master of Science degree in Electrical Engineering from the University of Michigan. Dr. Albarracin obtained his Master in Business Administration degree from the University of the Philippines and his Doctorate in Business Administration from Harvard University. Dr. Albarracin joined the PHINMA Group in 1971 as a consultant and became President in 1992. He is currently the Vice Chairman of PHINMA and is also serving in other PHINMA-managed companies as director. Dr. Albarracin served as a Dean of the University of the Philippines College of Business Administration and is presently a member of the Board of Regents of the University of the Philippines. He also served as President of the Asean Federation of Cement Manufacturers. He has been a director of the Company since 1984.

Roland van Wijnen, 41, was the Country Manager for Holcim North Danube until his appointment as director of the Company on January 2010. He was elected COO of the Company on May 4, 2010. He holds a Master of Science degree in Industrial Engineering and Management from Twente University, Enschede. He also finished the General Manager Program at the Harvard Business School. Previously, he worked as external consultant for Maintenance Cement in Ulco, South Africa then became involved in Corporate Training in Holcim Group Support in Zurich before becoming Global Project Manager and Assistant Vice President for Corporate Finance and Controlling at the same company. Prior to joining Holcim, he held various positions at Philips Electronics, Atos-Origin, and Cambridge Management Consulting.

Eduardo A. Sahagun, 55, is the Senior Vice President for Sales, Marketing and Distribution & Technical Services (now called Commercial) since August 1, 2007. He was the Chief Financial Officer of the Company until his current appointment. 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 Asst. 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 on July 2010.

Ramon R. del Rosario, Jr., 68, holds a Masters in Business Administration degree from Harvard Business School. He serves as a member of the Board of the Company and is concurrently President and CEO of Philippine Investment Management, Inc. and President and Vice-Chairman of PHINMA Corporation. He is Vice-Chairman of Trans-Asia Oil and Energy Development Corporation and Chairman of four educational institutions under the PHINMA Education Network. Mr. del Rosario, Jr. is a director of Ayala Corporation and Roxas Holdings, Inc. and of several PHINMA-managed companies and is Chairman of the Makati Business Club and Philippine Business for Education. He previously served as Secretary of Finance of the Philippine Government in 1992-1993. He has been a Director of the Company since 1984.

Jose L. Cuisia, Jr., 68, received his degree in Bachelor of Arts and Bachelor of Science in Commerce (AB–BSC, Magna Cum Laude) from De La Salle University and holds a Masters degree in Business Administration from the Wharton Graduate School of Business. He is the Non–Executive Vice Chairman of The Philippine American Life and General Insurance Company (Philamlife), and he is concurrently Chairman of the Board of Directors of BPI–Philam Life Assurance Corp. Mr. Cuisia is also the Chairman of The Covenant Car Company/ Chevrolet Cars and Genesis Hotels & Resorts Management International Ltd. (Singapore). He is Vice Chairman of SM Prime Holdings and a director of Manila Water Company, Inc., ICCP Holdings Corporation and Beacon Property Ventures. He previously served as Governor of the Central Bank of the Philippines from 1990 to 1993, and Administrator of the Social Security System from 1986 to 1990. He was recently appointed as Philippine Ambassador to the U.S. He has been a Director of the Company since October 21, 1993.

Tomas I. Alcantara, 65, 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 Lima Land, Inc. and of several companies in the Alcantara Group. He is Chairman of the Eagle Ridge Golf & Country Club, Inc. and a director of DBP-Daiwa Securities SBMC (Phils.), Inc., and Philweb Corporation. Mr. Alcantara was Undersecretary for the Industry & Investment Group of the Department of Trade and Industry and the Vice Chairman and Managing Head of the Board of Investments from July 1986 to March 1995. He was also Special Envoy of the Philippine President to APEC in 1996. He was elected Director of the Company on July 4, 2003.

Thomas Aebischer, 51, is a Certified Accountant and alumnus of the Advanced Management Program of the Harvard Business School. He joined Holcim Group Support Ltd in 1996, and from 1998 to 2002 acted as Head of Corporate Controlling. From 2002 to 2003, he was CFO of Holcim Apasco in Mexico and since then CFO of Holcim US. In 2010, the Board of Directors of Holcim Ltd has appointed him a member of the Executive Committee effective from the beginning of 2011. He was elected Director of the Company on May 12, 2011.

Andres G. Gatmaitan, 72, is a Senior Counsel of SyCip Salazar Hernandez and Gatmaitan Law Office and the Chairman of Convergys Philippines Services Corporation, St. Agen Holdings, Inc., JVS Asia, Inc., JVS Worldwide, Inc., and MFManille, Inc. He is also a director of Maybank Philippines, Colgate-Palmolive Philippines, Inc., Benguet Corporation, SM Development Corporation, Unicharm Philippines, Inc., Triumph International (Philippines), Inc., Star Performance, Inc., Knitjoy Manufacturing Corporation and Lane Moving and Storage Corporation. Mr. Gatmaitan was elected Director of the Company on July 4, 2003.

Yasuo Kitamoto, 52, 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.

The Executive Officers

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

The Company’s executive officers are set out below:

Table 10 – Executive Officers

Office	Name	Nationality
President	Magdaleno B. Albarracin, Jr.	Filipino
Chief Operating Officer	Roland van Wijnen	Dutch
Senior Vice President – Commercial	Eduardo A. Sahagun	Filipino
Senior Vice President – Manufacturing	Andre Caluori	Swiss
Vice President – Aggregates and Business Development*	Jocelyn J. Perez	Filipino
Vice President – Geocycle	Ernesto C. Paredes	Filipino
Vice President – Human Resources	Elena Antonia I. de Fiesta	Filipino
Vice President – Corporate Communications	Ma. Socorro V. Prado	Filipino
Vice Pres. – Corporate Occupational Health & Safety	Carmela Dolores S. Calimbas	Filipino
Vice President – Legal Affairs/Corporate Secretary/Compliance Officer	Ma. Allen M. Arbis	Filipino
Treasurer	Rowena C. Aspan	Filipino
Vice President – Operations (Bulacan Plant)	Federico V. Santiago	Filipino
Vice President – Operations (Davao Plant)	Joseph A. Bernal	Filipino
Vice President – Operations (Lugait Plant)	Bobby R. Garza	Filipino
Vice President – Operations (La Union Plant)	Andy M. White	British

**until June 30, 2012*

The business experience of Messrs. Magdaleno B. Albarracin, Jr., Roland Van Wijnen and 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:

Andre Caluori, 55, is the Senior Vice President for Manufacturing. Andre holds a degree in Chemical Engineering specializing in process engineering from the University of Applied Sciences, Chur, Switzerland. Starting out as a cement technology trainee in Holcim Spain, he went on to assume key positions in Holcim operating companies around the globe, including QA Manager and deputy Plant Manager in Apasco, Mexico; AFR & Environment Manager in Untervaz, Switzerland; Plant Manager in Eclepens, Switzerland and in Holcim Romania. Prior to his assignment in the Company, he was the General Manager for Manufacturing in Cement Australia for the past five years.

Jocelyn J. Perez, 49, was the Vice President for Aggregates and Business Development of the Company until June 30, 2012. She holds a Bachelor of Science degree in Management Engineering from Ateneo de Manila University and a Masters in Business Management degree from the Asian Institute of Management. She joined the PHINMA group in 1984. She was Head of Human Resources and Communications of the Company until 2005.

Ernesto C. Paredes, 51, is the Vice President for Geocycle (Alternative Fuels and Raw Materials). He holds both a Bachelor of Science degree in Commerce major in Accounting, and a Bachelor of Science degree major in Management from Ateneo de Davao University. He is a Certified Public Accountant. He occupied various key positions in Sales and Marketing since he joined the cement industry through Davao Union Marketing Corp. in 1987.

Elena Antonia I. de Fiesta, 59, is the Vice President for Human Resources. She obtained her Psychology degree from the University of San Carlos in Cebu and her masters in Guidance and Counseling degree from De La Salle University. She has had extensive Human Resources experience in Alsons Cement, San Miguel Corporation, and Mindanao Rattan. Prior to her appointment as Vice President for Human Resources in March 2011, she was a Senior Consultant at Holcim Group Support in Zurich. She was Human Resources Development Head of the Company for five years before her three-year stint in Zurich.

Ma. Socorro V. Prado, 57, is the Vice President for Corporate Communications. She earned a degree in journalism from the University of the Philippines in Diliman. Prior to joining the Company in January 2009, she was the Managing Director for Public Relations of Ogilvy Public Relations Worldwide (Manila), responsible for a diverse clientele that included multinational companies. She has two decades of experience in corporate communications and public relations, of which 15 years were gained from San Miguel Corporation and five years from National Steel Corporation.

Carmela Dolores S. Calimbas, 56, is the Vice President for 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.

Ma. Allen M. Arbis, 49, is the Corporate Secretary, Vice President for Legal Affairs and Compliance Officer of the Company. She holds a Bachelor of Arts, Major in Political Science degree from the University of the Philippines and obtained her Bachelor of Laws degree from Ateneo de Manila University College of Law. She started her legal career as a Confidential Assistant of Justice Justo Torres of the Court of Appeals and subsequently became a Trust Attorney at the Asset Privatization Trust. In July 1991, she joined the Alcantara Group as Corporate Legal Counsel.

Rowena C. Aspan, 46, is the Treasurer of the Company. She holds a Bachelor of Science degree in Commerce major in Accounting from La Salle College, Bacolod City, and she is a Certified Public Accountant. She joined Alsons Cement Corporation in 1996. In 2003 she became Treasury Officer of the Company and in 2010 she became the Company's Treasury Manager. She was elected as Treasurer on May 4, 2010.

Federico V. Santiago, 58, is the Vice President for Operation of Bulacan Plant. He graduated from the University of the East, Manila. He is a registered Mechanical Engineer. He was the Production Manager of Central Cement and Bacnotan Cement plants of the Phinma group. Prior to his appointment as Vice President for Operation of Bulacan Plant, he was the Production Manager from 2009 to 2011.

Joseph A. Bernal, 58, is the Vice President for Operations of Davao Plant. He graduated from the University of Mindanao, Davao City and is a registered Mechanical Engineer. He was the Production Manager of the Lugait Plant from 2003 to 2006 and of the Bulacan Plant from 2006 to 2009. Prior to his appointment as Vice President for Operations of Davao Plant in December 2010, he was the Company's Vice President for Technology and Engineering.

Bobby R. Garza,55, is the Vice President for Operations of Lugait Plant. A registered Mining Engineer and a graduate from Mapua Institute of Technology, Intramuros Manila, he joined the organization in 1995 as Quarry Manager of La Union plant then Bulacan plant. He worked under Manufacturing Excellence as Area Coach of Bulacan plant. Prior to his current appointment, he was the Production Manager of La Union plant since 2010.

Andy M. White, 44, is the Vice President for Operations of La Union Plant. He is a registered Chartered Engineer in England, a Fellow of the Institute of Materials, Minerals and Mining (UK) and graduated from The University of Sheffield. Before joining the Company in 2008, he was Production Manager at Golden Bay Cement in New Zealand from 2006 and before this worked for Lafarge Cement in various roles and countries since 2000. Prior to his current appointment, he took over from Bobby Sajonia as Project Manager of Manufacturing Excellence.

(2) Significant Employees

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

Position	Name	Age	Nationality
Manager, Finance & Reporting	Glenn A. Agustin	39	Filipino
Manager, Controlling and Planning	Leopoldo S. De Castro Jr.	33	Filipino
Tax Manager	Shirley S. Go	36	Filipino

Set forth below is the business experience of the above individuals during the last five years:

Glenn A. Agustin, 39, is the Manager for Finance & Reporting. He graduated from the University of Santo Tomas with a degree of Bachelor of Science in Commerce, major in Accounting. He is a Certified Public Accountant and Certified Internal Auditor. Prior to joining the Company, he worked with various companies including SGV and Co., Bacnotan Consolidated Industries Inc. He joined the Company in 2004 as an internal auditor and started to work in Finance as Plant Controller in 2008, and Area Finance Manager in 2009. He assumed his post as Manager for Finance and Reporting on September 1, 2011.

Leopoldo S. De Castro Jr., 33, is currently heading the Group Controlling and Planning Department of the Company. He graduated from San Beda College and is a Certified Public Accountant. Prior to joining the Company, he worked as a Senior Auditor with RAMCAR Group of Companies (Hi-Flyer Food Corp). In 2004, he joined the Company as an Accountant and worked with various positions in Finance. Prior to his current position, he was assigned internationally as a Reporting Management Team Lead in 2007 and as an Officer-in-charge for the Financial Planning department in 2009.

Shirley S. Go, 36, is the Tax Manager 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.

(3) Family Relationships

None of the members of the Board of Directors nor any Executive Officer of the Company is related by affinity or consanguinity.

(4) Involvement in Certain Legal Proceedings

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

Item 10. Executive Compensation

The Company has local and expatriate executives. Expatriates are holding positions that are technical and advisory in nature. The compensation of local executives is benchmarked against the established 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 Holcim.

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

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

Table 11 – Executive Compensation (in Php)

Name and Principal Position	Year	Salary	Bonus	Benefits
The CEO and four most highly compensated Executive Officers: ▪ Magdaleno B. Albarracin, Jr. – President ▪ Roland van Wijnen - Chief Operating Officer ▪ Eduardo A. Sahagun - SVP, Commercial ▪ Andre Caluori - SVP, Manufacturing (from March 2011) ▪ Jocelyn J. Perez - Head, Aggregates & Business Development (until June 30, 2012)	2013*	58,925,473	5,266,284	20,860,152
	2012	58,925,473	5,266,284	20,860,152
	2011	55,686,773	4,372,616	15,270,817
All other Executive Officers and Directors as a group unnamed	2013*	38,894,402	2,632,089	16,989,876
	2012	38,894,402	2,632,089	16,989,876
	2011	43,351,182	3,281,772	10,764,003

**Estimated compensation of directors and executive officers for the ensuing year is assumed to approximate the 2012 level. Bonuses given are driven by actual performance of the company; hence, estimate may vary from actual.*

The directors of the Company are not involved in any of the following transactions

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

Warrants and Options Outstanding

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

The table below shows persons or groups known to HPI as of December 31, 2012 to be directly or indirectly the record or beneficial owner of more than 5% of the Company's voting securities:

Table 12 – Beneficial Ownership of Voting Securities

Title of Class	Name & Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner And Relationship with Record Owner	No of Shares Held	% of Ownership
Common	Union Cement Holdings Corporation 7th Floor, Two World Square, McKinley Hill, Fort Bonifacio, Taguig City (Filipino) Stockholder	Union Cement Holdings Corp. (same as record owner)	3,906,425,509	60.55%
Common	B.V Holderfin De Lairessestraat 129Hs 1075 HJ Amsterdam, the Netherlands (Dutch) Stockholder	Holderfin B.V. (same as record owner)	1,148,726,044	17.80%
Common	Sumitomo Osaka Cement Co., Ltd. 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. 815/816 Tower One & Exchange Plaza Ayala Triangle Ayala Avenue, Makati City (Filipino) Stockholder	Cemco Holdings, Inc. (same as record owner)	456,689,560	7.08%

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

(1) Security Ownership of Management

The table below shows the securities beneficially owned by all directors, nominees and executive officers of HPI as of December 31, 2012:

Table 13 – Security Ownership of Management

Title of Class	Name and Address of Beneficial Owner	Amount/Nature of Ownership	Registered (R) or Beneficial (B)	% of Ownership
Common	Oscar J. Hilado	9	R	0.00%
Common	Roland Van Wijnen	1	R	0.00%
Common	Magdaleno B. Albarracin	475,452	R	0.01%
Common	Eduardo A. Sahagun	1	R	0.00%
Common	Ramon R. del Rosario, Jr.	101,075	R	0.00%
Common	Jose L. Cuisia Jr.	106,486	R	0.00%
Common	Yasuo Kitamoto	1	R	0.00%
Common	Tomas I. Alcantara	1	R	0.00%
Common	Andres G. Gatmaitan	1	R	0.00%
Common	Ian S. Thackwray	1	R	0.00%
Common	Thomas Aebischer	1	R	0.00%
Common	Ernesto C. Paredes	9,951	R	0.00%
Common	Ma. Allen M. Morallos-Arbis	32,000	R	0.00%
Common	Bobby R. Garza	6,000	R	0.00%
	Total	**730,980**		**0.01%**

Directors and officers as a group hold a total of 730,980 common shares, equivalent to approximately 0.01% of the Company's issued and outstanding capital stock.

(3) Voting Trust Holders of 5% or more

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

(4) 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 12. Certain Relationships and Related Transactions

The Trademark Agreement and Technical Support Agreement with Holcim IP Ltd and Holcim Group Support Ltd, expired last December 31, 2012. Effective January 1, 2013, a new contract with Holcim Technology Ltd will come into force introducing the application of new Industrial Franchise Fee (IFF). The basis for charge is different from the previous agreement and a direct comparison is not possible. The new agreement is aligned with Organization for Economic Co-operation and Development (OECD) principles and takes in to account arms 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 property and value adding solutions. The implementation of new agreement will eliminate the practice of separate charge for services provided by HGRS and HIPL over and above the Trademark Agreement and Technical Support Agreement, under the prevailing system.

The new agreement provides an opportunity to the Company to obtain more services from Holcim Technology Ltd within the annual charge to improve many operational aspects of the Company.

For a detailed discussion of the material related party transactions, please see Note 26 – Related Party Transactions to the accompanying consolidated financial statements in Item 14.1.

Except for the transactions discussed in Note 26 – Related Party Transactions to the accompanying consolidated financial statements in Item 14.1, there were no other material related party transactions during the last three financial years, nor are there any material transactions currently proposed between the Company and any: (i) director, officer, direct or indirect owner of 10% or more of the outstanding shares in the Company; (ii) close family member of such director, officer or owner; (iii) associates of the Company; (iv) enterprises controlling, controlled by or under common control with the Company; or (v) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any director, officer or owner of 10% or more of the outstanding shares in the Company or any close family member of such director, key officer or owner, or collectively, the Related Parties.

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

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

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

As of December 31, 2012, no particular system is being applied to measure the Company's compliance with the provisions of its Revised Manual of Good Corporate Governance. The Company validates its compliance using the Corporate Governance Self-Rating Form, 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 has exerted its best efforts to comply with the provisions of its Revised Manual on Good Corporate Governance. 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 2011 before these were implemented;

4. The Audit Committee approved and continuously monitors the Company's internal control system, covering the various departments/functions.

c) Deviations from the Revised Manual on Good Corporate Governance

The Company's deviations from its Revised Manual on Good Corporate Governance are reflected in the attached Corporate Governance Scorecard (Exhibit 6).

d) Plan to Improve Corporate Governance

The Company shall continue to exert its best efforts to comply with the provisions embodied in its Revised Manual on Good Corporate Governance. It shall also endeavor to address the remaining current deviations from said Revised Manual of Corporate Governance.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports

14.1 Consolidated Financial Statements

The audited consolidated financial statements for the years ended December 31, 2012, 2011 and 2010 are attached as Exhibit 1:

- Statement of Management's Responsibility to the Financial Statements
- Independent Auditors' Report
- Consolidated Balance Sheets as at December 31, 2012 and 2011 and January 1, 2011
- Consolidated Statements of Income for the years ended December 31, 2012, 2011 and 2010
- Consolidated Statements of Comprehensive income for the years ended December 31, 2012, 2011 and 2010
- Consolidated Statements of Changes in Equity for the years ended December 31, 2012, 2011, and 2010
- Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010
- Notes to Consolidated Financial Statements

14.2 Supplementary Schedules

- Supplementary Schedule of Retained Earnings Available for Dividend Declaration
- Illustration of relationships between the Company and its Ultimate Parent Company, Middle Parent, and its Subsidiaries
- Philippine Financial Reporting Standards and Interpretations Effective as of December 31, 2012
- Schedule of Financial Soundness Indicators
- The supplementary schedules of the Consolidated Financial Statements for the year ended December 31, 2012 are attached as Exhibit 2.

14.3 SEC Form 17 – Q

During the year 2012, the Company has filed the following SEC quarterly reports pursuant to Section 17 of SRC Rule 17 (2) (b) hereto attached as Exhibit 3.

Date of Filing	Quarter Ending
May 2, 2012	March 31, 2012
July 31, 2012 - initial	June 30, 2012
August 31, 2012 - amended	
October 30, 2012	September 30, 2012

14.4 Legal Proceedings and Pending Cases (See Exhibit 4)

14.5 Reports on SEC Form 17-C

Reports on SEC Form 17-C filed during the year ended December 31, 2012 are attached together with this report as Exhibit 5:

Date Filed	Description
January 16, 2012	An advisory on HPI's compliance with SEC Memorandum Circular No. 2
January 30, 2012	An advisory on the attendance of Board meetings for HPI for 2011
February 13, 2012	An advisory on the results of BOD meeting held on February 13, 2012
March 27, 2012	An advisory on the details of HPI's Annual Stockholders' Meeting held on May 17, 2012
April 30, 2012	An advisory on the resignation of a director
May 17, 2012	An advisory on the results of HPI's Annual Stockholders' Meeting held on May 17, 2012
September 10, 2012	An advisory on the results of BOD Special Meeting held on September 10, 2012
October 5, 2012	An advisory on HPI's compliance with SEC Memorandum Circular No. 4, Series of 2012 for the Audit Committee Assessment Worksheet

14.6 Corporate Governance Scorecard (See Exhibit 6)

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned; thereunto duly authorized, in the City of Taguig on April 16, 2013.

By:

Eduardo A Sahagun
President and Chief Executive Officer

Ma. Allen M. Arbis
Corporate Secretary

Lyndson Jon E. Testor
Consolidation and Reporting Lead

Glenn A. Agustin
Book-to-Report Service Delivery Head

Rowena C. Aspan
Manager, Treasury

SUBSCRIBED AND SWORN to before me this __day of ____ 2013 affiants exhibiting to me the following documents:

Name	Res. Cert.	Date of Issuance	Place of Issuance
Holcim Philippines, Inc.	00186283	January 04, 2013	Taguig City

Name	Passport No.	Date of Issuance	Place of Issuance
Eduardo A. Sahagun	EB1570570	December 15, 2010	Manila
Ma. Allen M. Arbis	XX4091465	July 3, 2009	Manila
Lyndson Jon E. Testor	EB1761497	January 20, 2011	Manila
Glenn A. Agustin	EB1083748	October 1, 2010	Manila
Rowena C. Aspan	EB2300784	April 28, 2011	Manila

JONATHAN O. FERNANDEZ
Notary Public
APPOINTMENT NO. 103 (2013-2014) TAGUIG
UNTIL DECEMBER 31, 2014
PTR NO. 1337124; 01-04-2013; BAGUIO CITY
LIFETIME IBP NO. 08909; Bag-Beng Chapter
ROLL NO. 52589
MCLE COMPLIANCE NO. IV-003272
7th Floor Two World Square,
Mckinley Hill, Fort Bonifacio, Taguig City

Doc. No. 125;
Page No. 26;
Book No. I;
Series of 2013.

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A

Exhibit 1

Consolidated Financial Statements

For the years ended

December 31, 2012, 2011 and 2010

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)

Glenn A. Agustin

(Contact Person)

459-3333

(Company Telephone Number)

1 2 **3 1**

Month *Day*

(Fiscal Year)

A A C F S

(Form Type)

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

–

Dept. Requiring this Doc.

–

Amended Articles Number/Section

Total Amount of Borrowings

5,818

Total No. of Stockholders

Domestic	Foreign
N/A	**N/A**

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

Holcim

Holcim Philippines, Inc.
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McKinley Hill, Fort Bonifacio
Taguig City 1634
Philippines

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

February 14, 2013

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Holcim Philippines, Inc. and Subsidiaries (collectively referred to as "the Company") is responsible for the preparation and fair presentation of the consolidated financial statements as at December 31, 2012 and 2011 and January 1, 2011 and for each of the three years in the period ended December 31, 2012, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the Stockholders.

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

Oscar J. Hilado
Chairman

Eduardo A. Sahagun
President

Rowena C. Aspan
Treasurer

SUBSCRIBED AND SWORN to before me this FEB 22 2013 with the presentation of the following:

Name	Passport No.	Place Issued	Date Issued
Oscar J. Hilado	XX4476833	Manila	September 17, 2009
Eduardo A. Sahagun	EB1570570	Manila	December 15, 2010
Rowena C. Aspan	EB2300784	Manila	April 28, 2011

Doc. No. 111
Page No. 24
Book No. 94
Series of 2013.

MIGUEL ROMUALDO T. SANIDAD
NOTARY PUBLIC
Until December 31, 2013
Appointment No. M-42 (2012-2013)
IBP No. 926662; 01-18-13; Makati Chapter
PTR No. 3691440; 01-18-13; Makati City
Roll No. 33861

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Holcim Philippines, Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2012, December 31, 2011 and January 1, 2011, 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, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Holcim Philippines, Inc. and its subsidiaries as at December 31, 2012, December 31, 2011 and January 1, 2011, and their financial performance and cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Catherine E. Lopez

Catherine E. Lopez
Partner
CPA Certificate No. 86447
SEC Accreditation No. 0468-AR-2 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 102-085-895
BIR Accreditation No. 08-001998-65-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669961, January 2, 2013, Makati City

February 14, 2013

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	2012	December 31 2011 (As restated, Note 2)	January 1 2011 (As restated, Note 2)
		(In Thousands)	
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	**₱1,378,382**	₱879,047	₱2,040,091
Trade and other receivables (Notes 5 and 26)	**1,968,508**	1,602,313	1,418,169
Inventories (Note 6)	**2,281,682**	1,899,702	1,999,502
Other current assets (Note 7)	**648,534**	500,884	467,567
	6,277,106	4,881,946	5,925,329
Asset held for sale (Note 8)	**338,684**	–	–
Total Current Assets	**6,615,790**	4,881,946	5,925,329
Noncurrent Assets			
Investments (Note 9)	**4,559**	356,775	349,459
Property, plant and equipment - net (Note 10)	**16,071,031**	16,051,653	16,618,404
Goodwill (Note 11)	**2,635,738**	2,635,738	2,635,738
Intangible assets - net (Note 11)	**213,254**	187,526	189,814
Deferred income tax assets - net (Note 27)	**150,225**	17,677	74,696
Other noncurrent assets (Notes 12 and 29)	**173,690**	263,226	232,806
Total Noncurrent Assets	**19,248,497**	19,512,595	20,100,917
TOTAL ASSETS	**₱25,864,287**	₱24,394,541	₱26,026,246
LIABILITIES AND EQUITY			
Current Liabilities			
Notes payable (Note 13)	**₱–**	₱1,000,000	₱–
Trade and other payables (Notes 14 and 26)	**4,353,298**	3,430,997	3,218,113
Current portion of long-term debt (Note 15)	**–**	245,000	1,233,789
Income tax payable (Note 27)	**456,640**	–	49,578
Total Current Liabilities	**4,809,938**	4,675,997	4,501,480
Noncurrent Liabilities			
Long-term debt - net of current portion (Note 15)	**–**	729,888	1,952,439
Derivative liabilities (Note 17)	**–**	–	118,124
Retirement benefit liability (Note 28)	**108,077**	98,177	71,328
Provisions (Note 18)	**188,075**	166,059	97,566
Deferred income tax liabilities - net (Note 27)	**21,519**	–	17,053
Total Noncurrent Liabilities	**317,671**	994,124	2,256,510
Total Liabilities (Carried Forward)	**5,127,609**	5,670,121	6,757,990

	2012	December 31 2011 (As restated, Note 2)	January 1 2011 (As restated, Note 2)
		(In Thousands)	
Total Liabilities (Brought Forward)	**₱5,127,609**	₱5,670,121	₱6,757,990
Equity			
Capital stock (Note 19)	**6,452,099**	6,452,099	6,452,099
Additional paid-in capital	**8,476,002**	8,476,002	8,477,307
Cash flow hedge reserve (Note 17)	**–**	–	(7,149)
Share in available-for-sale financial assets reserve of a joint venture (Note 9)	**13,481**	15,654	14,810
Retained earnings (Note 19)	**5,783,642**	3,770,277	4,323,284
Cost of treasury shares held	**–**	–	(1,305)
Equity Attributable to Equity Holders of the Parent Company	**20,725,224**	18,714,032	19,259,046
Noncontrolling Interest	**11,454**	10,388	9,210
Total Equity	**20,736,678**	18,724,420	19,268,256
TOTAL LIABILITIES AND EQUITY	**₱25,864,287**	₱24,394,541	₱26,026,246

See accompanying Notes to Consolidated Financial Statements.

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2012	2011 (As restated, Note 2)	2010 (As restated, Note 2)
	(In Thousands, Except Per Share Amounts)		
REVENUES (Note 26)	**₱27,158,997**	₱21,621,496	₱23,674,350
COST OF SALES (Note 20)	**20,191,732**	17,123,134	16,569,430
GROSS PROFIT	**6,967,265**	4,498,362	7,104,920
General and administrative expenses (Note 21)	**(1,285,379)**	(1,042,572)	(1,009,373)
Selling expenses (Note 22)	**(435,347)**	(418,763)	(362,481)
Interest and financing charges (Note 25)	**(55,017)**	(156,707)	(234,215)
Foreign exchange gains (losses) - net (Notes 16 and 17)	**8,763**	(17,614)	(3,572)
Interest and other financial income (Notes 4 and 12)	**19,981**	32,201	43,891
Equity in net earnings (losses) of a joint venture (Note 9)	**(13,359)**	28,972	22,340
Others - net (Note 25)	**(3,231)**	(62,328)	(116,134)
INCOME BEFORE INCOME TAX	**5,203,676**	2,861,551	5,445,376
PROVISION FOR INCOME TAX (Note 27)			
Current	**1,687,249**	795,638	1,591,121
Deferred	**(111,029)**	36,902	7,320
	1,576,220	832,540	1,598,441
NET INCOME FOR THE YEAR	**₱3,627,456**	₱2,029,011	₱3,846,935
Attributable to:			
Equity holders of the Parent Company	**₱3,626,390**	₱2,027,833	₱3,845,811
Noncontrolling interest	**1,066**	1,178	1,124
	₱3,627,456	₱2,029,011	₱3,846,935
Basic/Diluted Earnings Per Common Share of Net Income Attributable to Equity Holders of the Parent Company (Note 30)	**₱0.56**	₱0.31	₱0.60

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2012	2011	2010
		(In Thousands)	
NET INCOME FOR THE YEAR	**₱3,627,456**	₱2,029,011	₱3,846,935
OTHER COMPREHENSIVE INCOME (LOSSES)			
Net gains (losses) on cash flow hedges (Note 17)			
Change in fair value of cash flow hedges	–	27,909	(86,650)
Transferred to profit or loss	–	(17,696)	64,515
Tax effect of changes in fair value of cash flow hedges and amounts transferred to profit or loss	–	(3,064)	6,640
Share in net gains (losses) on change in fair value of available-for-sale financial assets of a joint venture (Note 9)	**(2,173)**	844	4,121
	(2,173)	7,993	(11,374)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱3,625,283**	₱2,037,004	₱3,835,561
Attributable to:			
Equity holders of the Parent Company	**₱3,624,217**	₱2,035,826	₱3,834,437
Noncontrolling interest	**1,066**	1,178	1,124
	₱3,625,283	₱2,037,004	₱3,835,561

See accompanying Notes to Consolidated Financial Statements.

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

	Equity Attributable to Equity Holders of the Parent Company								
	Capital Stock (Note 19)	Additional Paid-In Capital	Cash Flow Hedge Reserve (Note 17)	Share In Available-for-sale Financial Assets Reserve of a Joint Venture (Note 9)	Retained Earnings (Note 19)	Cost of Treasury Shares Held	Total	Noncontrolling Interest	Total Equity
	(In Thousands, Except Per Share Amount)								
BALANCES AT JANUARY 1, 2010	**₱6,452,099**	**₱8,477,307**	**₱8,346**	**₱10,689**	**₱3,058,313**	**(₱1,305)**	**₱18,005,449**	**₱8,086**	**₱18,013,535**
Total comprehensive income for the year	–	–	(15,495)	4,121	3,845,811	–	3,834,437	1,124	3,835,561
Cash dividends - ₱0.40 per share (Note 19)	–	–	–	–	(2,580,840)	–	(2,580,840)	–	(2,580,840)
Balances at December 31, 2010	₱6,452,099	₱8,477,307	(₱7,149)	₱14,810	₱4,323,284	(₱1,305)	₱19,259,046	₱9,210	₱19,268,256
BALANCES AT DECEMBER 31, 2010	**₱6,452,099**	**₱8,477,307**	**(₱7,149)**	**₱14,810**	**₱4,323,284**	**(₱1,305)**	**₱19,259,046**	**₱9,210**	**₱19,268,256**
Reclassification	–	(1,305)	–	–	–	1,305	–	–	–
Total comprehensive income for the year	–	–	7,149	844	2,027,833	–	2,035,826	1,178	2,037,004
Cash dividends - ₱0.40 per share (Note 19)	–	–	–	–	(2,580,840)	–	(2,580,840)	–	(2,580,840)
Balances at December 31, 2011	₱6,452,099	₱8,476,002	₱–	₱15,654	₱3,770,277	₱–	₱18,714,032	₱ 10,388	₱18,724,420
BALANCES AT DECEMBER 31, 2011	**₱6,452,099**	**₱8,476,002**	**₱–**	**₱15,654**	**₱3,770,277**	**₱–**	**₱18,714,032**	**₱10,388**	**₱18,724,420**
Total comprehensive income for the year	–	–	–	(2,173)	3,626,390	–	3,624,217	1,066	3,625,283
Cash dividends - ₱0.25 per share (Note 19)	–	–	–	–	(1,613,025)	–	(1,613,025)	–	(1,613,025)
BALANCES AT DECEMBER 31, 2012	**₱6,452,099**	**₱8,476,002**	**₱–**	**₱13,481**	**₱5,783,642**	**₱–**	**₱20,725,224**	**₱11,454**	**₱20,736,678**

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2012	2011 (As restated, Note 2)	2010 (As restated, Note 2)
		(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱5,203,676**	₱2,861,551	₱5,445,376
Adjustments for:			
Depreciation, amortization and depletion (Notes 10, 11 and 24)	**1,474,839**	1,396,865	1,337,207
Interest and financing charges (Note 25)	**55,017**	156,707	234,215
Provisions for (reversal of) site restoration costs (Note 18)	**14,897**	44,040	(9,835)
Equity in net losses (earnings) of a joint venture (Note 9)	**13,359**	(28,972)	(22,340)
Gain on sale of property, plant and equipment (Note 25)	**(19,831)**	(38,710)	(2,445)
Interest and other financial income (Notes 4 and 12)	**(19,981)**	(32,201)	(43,891)
Increase (decrease) in retirement benefit liability	**9,900**	28,019	(2,669)
Unrealized foreign exchange losses (gains) - net	**(4,478)**	12,488	4,278
Dividend income	**(2)**	(5)	(6)
Gain on settlement of derivatives (Notes 16 and 17)	**–**	(107,913)	–
Income before working capital changes	**6,727,396**	4,291,869	6,939,890
Decrease (increase) in:			
Trade and other receivables	**(366,240)**	(184,172)	(99,873)
Inventories	**(381,980)**	99,800	(386,181)
Other current assets	**(182,473)**	(43,166)	(55,676)
Increase (decrease) in:			
Trade and other payables	**977,934**	230,353	281,310
Other provisions	**11,355**	28,536	(13,219)
Net cash generated from operations	**6,785,992**	4,423,220	6,666,251
Income taxes paid, including creditable withholding taxes applied	**(1,192,913)**	(870,553)	(1,972,683)
Net cash provided by operating activities	**5,593,079**	3,552,667	4,693,568
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment (Note 10)	**(1,549,615)**	(991,133)	(903,682)
Additions to intangible assets (Note 11)	**(29,205)**	–	–
Proceeds from sale of property, plant and equipment	**30,265**	216,948	14,199
Additional investment in available-for-sale financial assets (Note 9)	**(2,000)**	–	–
Interest received	**19,981**	32,201	43,891
Dividends received (Note 9)	**2**	22,505	6
Decrease (increase) in other noncurrent assets	**89,536**	(31,590)	(27,204)
Net cash used in investing activities	**(1,441,036)**	(751,069)	(872,790)

(Forward)

	Years Ended December 31		
	2012	2011 (As restated, Note 2)	2010 (As restated, Note 2)
		(In Thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Notes payable (Notes 13 and 26)	**(₱2,000,000)**	(₱500,000)	₱–
Cash dividends (Note 19)	**(1,613,025)**	(2,580,840)	(2,580,840)
Long-term debt (Note 15)	**(980,000)**	(2,213,789)	–
Interest and financing charges	**(54,141)**	(158,341)	(231,294)
Proceeds from availment of notes payable (Note 13)	**1,000,000**	1,500,000	–
Net cash used in financing activities	**(3,647,166)**	(3,952,970)	(2,812,134)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(5,542)**	(9,672)	(7,280)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**499,335**	(1,161,044)	1,001,364
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**879,047**	2,040,091	1,038,727
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱1,378,382**	₱879,047	₱2,040,091

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). Following are the subsidiaries and the respective percentages of ownership as of December 31, 2012:

	Percentage of Ownership	
	Direct	Indirect
WEB [(a)]	100.00	–
Holcim Resources and Development Corporation (HRDC)	100.00	–
Holcim Mining and Development Corporation (HMDC)	100.00	–
Excel Concrete Logistics, Inc. (ECLI) [(b)]	100.00	–
Holcim Philippines Manufacturing Corporation (HPMC)	99.62	–
Mabini Grinding Mill Corporation (Mabini) [(c)]	12.00	88.00
Alsons Construction Chemicals, Inc. (Alchem) [(d) (e)]	–	100.00
Bulkcem Philippines, Inc. (BPI) [(e)]	–	100.00
Calamba Aggregates Co., Inc. (CACI) [(e)]	–	100.00

(a) A company incorporated in British Virgin Islands
(b) Incorporated on April 24, 2012
(c) A subsidiary of WEB
(d) Ceased commercial operations since 2004
(e) Wholly owned subsidiaries of HPMC

The Parent Company, Mabini and HPMC manufacture and distribute cement products domestically and also for export. The principal activities of the other subsidiaries are as follows:

Name of Subsidiaries	Principal Activities
WEB	Investment holding in Mabini
ECLI	Distribution of concrete and cement products
Alchem	Manufacture, use and sale of all kinds of admixtures
BPI	Purchase, lease and sale of real properties
HRDC, HMDC and CACI	Mining, processing and sale of quarry resources

The plant sites of the Parent Company are in Davao City and 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 14, 2013. The same were approved for issuance by the Board of Directors (BOD) on February 14, 2013.

2. Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale (AFS) financial assets which have been 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 have been 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 Parent 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 Parent Company controls an investee if and only if the Parent 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 the amount of the Parent Company's returns.

Subsidiaries are entities over which the Parent Company has control. When the Parent Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent Company considers all relevant facts and circumstances in assessing whether or not the Parent Company's voting rights in an investee are sufficient to give it power, including:

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

The Parent Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date when such control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income from the date the Parent Company gains control until the date when the Parent 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, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and noncontrolling interest even if that results in the noncontrolling interest 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 Parent Company loses control of a subsidiary, it derecognizes the assets (including goodwill) and liabilities and the related equity components of the former subsidiary. Any gain or loss is recognized in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date the control is lost.

Acquisitions of noncontrolling interests prior to January 1, 2010 were accounted for using the acquisition method, whereby, the difference between the consideration transferred and the fair value of the noncontrolling interest acquired were recognized as goodwill or negative goodwill.

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 to PFRS effective beginning January 1, 2012 and the early adoption of certain standards that are effective beginning January 1, 2013.

Standards Effective in 2012

- Amendments to PFRS 7, “Financial Instruments: Disclosures - Transfers of Financial Assets”

  The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity’s continuing involvement in those derecognized assets. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

- Amendment to Philippine Accounting Standard (PAS) 12, “Income Taxes - Deferred Tax: Recovery of Underlying Assets”

  This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, “Investment Property”, will be recovered through sale and, accordingly, requires that any related deferred income tax should be measured on a ‘sale’ basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, "Property, Plant and Equipment", always be measured on a sale basis of the asset. The adoption of the amendment did not have any significant impact on the financial position or performance of the Company.

Early Adoption of Standards Effective in 2013

- PFRS 10, "Consolidated Financial Statements"

  This standard replaces a portion of PAS 27, "Consolidated and Separate Financial Statements" that addresses accounting for consolidated financial statements. It also addresses issues raised in SIC-12, "Consolidation - Special Purpose Entities".

  PFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The Company assessed whether or not it has control over its subsidiaries in accordance with the new definition of control and the related guidance set out in PFRS 10 and has determined that it has control on all its current subsidiaries and that all its controlled entities have been included in consolidation. The adoption of the standard did not affect the financial position and performance of the Company.

- PFRS 11, "Joint Arrangements"

  PFRS 11 replaces PAS 31, "Interests in Joint Ventures", and SIC 13, "Jointly Controlled Entities - Non-Monetary Contributions by Venturers". PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The impact of the adoption of the standard is further discussed in the succeeding pages.

- PFRS 12, "Disclosure of Interest in Other Entities"

  PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, "Investments in Associates". These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The adoption of the standard affected disclosures only and did not affect the financial position and performance of the Company. The required disclosures under PFRS 12 are reflected in the related significant accounting policies and financial reporting practices, and in Notes 3 and 9 to the consolidated financial statements.

- Amendment to PAS 27, "Separate Financial Statements"

  As a consequence of the issuance of PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in the separate financial statements. The adoption of the amended standard did not affect the financial position and performance of the Company.

- Amendment to PAS 28, "Investments in Associates and Joint Ventures"

  As a consequence of the issuance of PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, "Investments in Associates and Joint Ventures", and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of the amended standard did not affect the financial position and performance of the Company.

The Company decided to early adopt PFRS 11 which also resulted in the compulsory adoption of PFRS 10 and 12 and the amendments to PAS 27 and 28.

Upon the application of PFRS 11, the Company reviewed and assessed the legal form and terms of the contractual arrangements in relation to the Company's 50% interest in Trans-Asia Power Generation Corporation (TA Power), a joint venture with Trans-Asia Oil and Energy Development Corporation (TA Oil). The Company's interest in TA Power was classified as a jointly controlled entity under the previous standard and was accounted for using the proportionate consolidation method. Under PFRS 11, TA Power is treated as the Company's joint venture and the Company's interest in TA Power is required to be accounted for using the equity method.

The change in accounting for the Company's interest in TA Power has been applied in accordance with the relevant transitional provisions. The initial investment as at January 1, 2011 for purposes of applying the equity method is measured as the aggregate of the carrying amount of the assets and liabilities that the Company had previously proportionately consolidated. Such change in accounting has affected the amounts reported in the Company's consolidated financial statements as presented below:

a. The breakdown of assets and liabilities that have been aggregated into a single line investment account which represents the deemed cost of the interest in TA Power follows:

	January 1, 2011
	(In Thousands)
Cash and cash equivalents	₱77,368
Trade and other receivables	56,747
Inventories	63,392
Other current assets	77,795
Investments	33,465
Property, plant and equipment - net	133,880
Deferred income tax assets - net	630
Other noncurrent assets	4,674
Total assets	447,951
Trade and other payables	96,425
Other noncurrent liabilities	4,626
Total liabilities	101,051
	₱346,900

b. The impact on the consolidated balance sheets follow:

Reconciliation of Net Assets as at December 31, 2011

	As previously reported	Effect of early adoption	As restated
		(In Thousands)	
ASSETS			
Current Assets			
Cash and cash equivalents	₱1,037,285	(₱158,238)	₱879,047
Trade and other receivables	1,659,405	(57,092)	1,602,313
Inventories	1,929,777	(30,075)	1,899,702
Other current assets	561,900	(61,016)	500,884
Total Current Assets	5,188,367	(306,421)	4,881,946
Noncurrent Assets			
Interest in a joint venture*	–	354,216	354,216
Investments	44,578	(42,019)	2,559
Property, plant and equipment - net	16,123,172	(71,519)	16,051,653
Goodwill	2,635,738	–	2,635,738
Intangible assets - net	187,526	–	187,526
Deferred income tax assets - net	17,677	–	17,677
Other noncurrent assets	263,598	(372)	263,226
Total Noncurrent Assets	19,272,289	240,306	19,512,595
TOTAL ASSETS	₱24,460,656	(₱66,115)	₱24,394,541
LIABILITIES			
Current Liabilities			
Notes payable	₱1,000,000	₱–	₱1,000,000
Trade and other payables	3,120,025	(58,768)	3,061,257
Current portion of long-term debt	245,000	–	245,000
Total Current Liabilities	4,365,025	(58,768)	4,306,257
Noncurrent Liabilities			
Long-term debt - net of current portion	729,888	–	729,888
Customers' deposits	369,740	–	369,740
Retirement benefits liability	98,177	–	98,177
Provisions	170,685	(4,626)	166,059
Deferred income tax liabilities - net	2,721	(2,721)	–
Total Noncurrent Liabilities	1,371,211	(7,347)	1,363,864
TOTAL LIABILITIES	₱5,736,236	(₱66,115)	₱5,670,121
NET ASSETS/TOTAL EQUITY	₱18,724,420	₱–	₱18,724,420
Equity attributable to equity holders of the Parent Company	₱18,714,032	₱–	₱18,714,032
Noncontrolling interest	10,388	–	10,388
	₱18,724,420	₱–	₱18,724,420

** Presented as part of "Investments" in the December 31, 2011 consolidated balance sheet.*

Reconciliation of Net Assets as at January 1, 2011

	As previously reported	Effect of early adoption	As restated
	(In Thousands)		
ASSETS			
Current Assets			
Cash and cash equivalents	₱2,117,459	(₱77,368)	₱2,040,091
Trade and other receivables	1,474,916	(56,747)	1,418,169
Inventories	2,062,894	(63,392)	1,999,502
Other current assets	545,362	(77,795)	467,567
Total Current Assets	6,200,631	(275,302)	5,925,329
Noncurrent Assets			
Interest in a joint venture*	–	346,900	346,900
Investments	36,024	(33,465)	2,559
Property, plant and equipment - net	16,752,284	(133,880)	16,618,404
Goodwill	2,635,738	–	2,635,738
Intangible assets - net	189,814	–	189,814
Deferred income tax assets - net	75,326	(630)	74,696
Other noncurrent assets	237,480	(4,674)	232,806
Total Noncurrent Assets	19,926,666	174,251	20,100,917
TOTAL ASSETS	₱26,127,297	(₱101,051)	₱26,026,246
LIABILITIES			
Current Liabilities			
Trade and other payables	₱2,885,640	(₱96,425)	₱2,789,215
Current portion of long-term debt	1,233,789	–	1,233,789
Income tax payable	49,578	–	49,578
Total Current Liabilities	4,169,007	(96,425)	4,072,582
Noncurrent Liabilities			
Long-term debt - net of current portion	1,952,439	–	1,952,439
Customers' deposits	428,898	–	428,898
Derivative liabilities	118,124	–	118,124
Retirement benefits liability	71,328	–	71,328
Provisions	102,192	(4,626)	97,566
Deferred income tax liabilities - net	17,053	–	17,053
Total Noncurrent Liabilities	2,690,034	(4,626)	2,685,408
TOTAL LIABILITIES	₱6,859,041	(₱101,051)	₱6,757,990
NET ASSETS/TOTAL EQUITY	₱19,268,256	₱–	₱19,268,256
Equity attributable to equity holders of the Parent Company	₱19,259,046	₱–	₱19,259,046
Noncontrolling interest	9,210	–	9,210
	₱19,268,256	₱–	₱19,268,256

** Presented as part of "Investments" in the January 1, 2011 consolidated balance sheet.*

c. The impact on the consolidated statements of income follow:

Reconciliation of Consolidated Net Income for the year ended December 31, 2011

	As previously reported	Effect of early adoption	As restated
		(In Thousands)	
REVENUES	₱21,621,496	₱–	₱21,621,496
COST OF SALES	17,075,793	47,341	17,123,134
GROSS PROFIT	4,545,703	(47,341)	4,498,362
General and administrative expenses	(1,063,690)	21,118	(1,042,572)
Selling expenses	(418,763)	–	(418,763)
Interest and financing charges	(156,729)	22	(156,707)
Foreign exchange losses - net	(17,614)	–	(17,614)
Interest and other financial income	36,077	(3,876)	32,201
Equity in net earnings of a joint venture	–	28,972	28,972
Dividend income	1,130	(1,125)	5
Others - net	(60,661)	(1,672)	(62,333)
INCOME BEFORE INCOME TAX	2,865,453	(3,902)	2,861,551
PROVISION FOR INCOME TAX			
Current	796,189	(551)	795,638
Deferred	40,253	(3,351)	36,902
	836,442	(3,902)	832,540
NET INCOME	₱2,029,011	₱–	₱2,029,011
Attributable to:			
Equity holders of the Parent Company	₱2,027,833	₱–	₱2,027,833
Noncontrolling interest	1,178	–	1,178
	₱2,029,011	₱–	₱2,029,011

Reconciliation of Consolidated Net Income for the year ended December 31, 2010

	As previously reported	Effect of early adoption	As restated
		(In Thousands)	
REVENUES	₱23,674,350	₱–	₱23,674,350
COST OF SALES	16,526,320	43,110	16,569,430
GROSS PROFIT	7,148,030	(43,110)	7,104,920
General and administrative expenses	(1,036,353)	26,980	(1,009,373)
Selling expenses	(362,481)	–	(362,481)
Interest and financing charges	(234,532)	317	(234,215)
Foreign exchange losses - net	(6,751)	3,179	(3,572)
Interest and other financial income	45,974	(2,083)	43,891
Equity in net earnings of a joint venture	–	22,340	22,340
Dividend income	1,131	(1,125)	6
Others - net	(114,477)	(1,663)	(116,140)
INCOME BEFORE INCOME TAX (Carried Forward)	5,440,541	4,835	5,445,376

	As previously reported	Effect of early adoption	As restated
		(In Thousands)	
INCOME BEFORE INCOME TAX (Brought Forward)	₱5,440,541	₱4,835	₱5,445,376
PROVISION FOR INCOME TAX			
Current	1,592,439	(1,318)	1,591,121
Deferred	1,167	6,153	7,320
	1,593,606	4,835	1,598,441
NET INCOME	₱3,846,935	₱–	₱3,846,935
Attributable to:			
Equity holders of the Parent Company	₱3,845,811	₱–	₱3,845,811
Noncontrolling interest	1,124	–	1,124
	₱3,846,935	₱–	₱3,846,935

d. Certain accounts were reclassified to conform to the current year's presentation.

e. The early adoption of PFRS 11 did not result in changes in the net income and components of other comprehensive income for the years ended December 31, 2011 and 2010. The basic/diluted earnings per share attributable to equity holders of the Parent Company remains at ₱0.31 and ₱0.60 in 2011 and 2010, respectively (see Note 30).

f. The impact on the consolidated statements of cash flows for the years ended December 31, 2011 and 2010 are as follows:

	As previously reported	As restated
	(In Thousands)	
2011		
Net cash flows from operating activities	₱3,584,177	₱3,552,667
Net cash flows used in investing activities	(789,495)	(751,069)
Net cash flows used in financing activities	(3,865,184)	(3,952,970)
2010		
Net cash flows from operating activities	4,681,832	4,693,568
Net cash flows used in investing activities	(862,504)	(872,790)
Net cash flows used in financing activities	(2,775,283)	(2,812,134)

New Accounting Standards and Amendments to Existing Standards Effective Subsequent to December 31, 2012

The standards, amendments and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations which have been issued but not yet effective as at December 31, 2012 are disclosed below. Except as otherwise indicated, the

Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on the financial position or performance.

Effective in 2013

- Amendments to PFRS 7, "Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities"

  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, "Financial Instruments: Presentation". These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the consolidated balance sheet;
  c) The net amounts presented in the consolidated balance sheet;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments will affect disclosures only and will have no impact on the Company's financial position or performance.

- PFRS 13, "Fair Value Measurement"

  This standard establishes a single source of guidance for fair value measurement. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The standard becomes effective for annual periods beginning on or after January 1, 2013 and will be applied prospectively.

- Amendment to PAS 1, "Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income"

  The amendment to PAS 1 changes the grouping of items presented in other comprehensive income (OCI). Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendment will only affect presentation of items of OCI and will have no impact on the Company's financial position or performance.

- Amendments to PAS 19, "Employee Benefits"

  The amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Company has to apply the amendments retroactively to the earliest period presented.

  The Company reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Company obtained the services of an external actuary to compute the impact on the financial statements upon adoption of the standard. The estimated effects are shown below:

	As at December 31, 2012	As at January 1, 2012
	(In Thousands)	
Increase (decrease) in:		
<u>Consolidated Balance Sheets</u>		
Retirement benefit liability	₱255,842	₱129,551
Deferred income tax assets	76,753	38,866
Retained earnings	(179,089)	(90,685)

	2012
	(In Thousands)
<u>Consolidated Statement of Comprehensive Income</u>	
Net retirement benefit cost	₱9,067
Income tax expense	(2,720)
Net income for the year	(6,347)
Other comprehensive income, net of deferred income tax	(82,057)

- Philippine Interpretation IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine"

  This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. The Company expects that the interpretation will not have a significant impact on its financial position or performance.

- Annual Improvements to PFRS (2009 to 2011 cycle)

  The Annual Improvements to PFRS (2009 to 2011 cycle) contain non-urgent but necessary amendments to PFRS. These amendments are effective for annual periods beginning January 1, 2013 and are applied retrospectively. Earlier application is permitted.

- PFRS 1, "First-time Adoption of PFRS - Borrowing Costs"

  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, "Borrowing Costs". The amendment does not apply to the Company as it is not a first-time adopter of PFRS.

- PAS 1, "Presentation of Financial Statements - Clarification of the Requirements for Comparative Presentation"

  The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (which are mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments will affect disclosures only and will have no impact on the Company's financial position or performance.

- PAS 16, "Property, Plant and Equipment - Classification of Servicing Equipment"

  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Company's financial position or performance.

- PAS 32, "Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments"

  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, "Income Taxes". The Company expects that this amendment will not have any impact on its financial position or performance.

- PAS 34, "Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities"

  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment will affect disclosures only and will have no impact on the Company's financial position or performance.

Effective in 2014

- PAS 32, "Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities"

  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments will affect presentation only and will have no impact on the Company's financial position or performance.

Effective in 2015

- PFRS 9, "Financial Instruments: Classification and Measurement"

  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, "Financial Instruments: Recognition and Measurement". Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

  The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets but will potentially have no impact on classification and measurement of financial liabilities. The Company, however, has yet to conduct a quantification of the full impact of this standard. The Company will quantify the effect of this standard in conjunction with the other phases, when issued, to present a more comprehensive picture.

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 fair value through profit or loss (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 investments 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.

Determination of Fair Value of Financial Instruments. The fair value of financial instruments traded in active markets at balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction is used since it provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not quoted in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

"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; or

- 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; or

- 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 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. The Company's outstanding cross-currency swaps as at December 31, 2011 and January 1, 2011 were designated by the Company as cash flow hedges for the foreign exchange exposures on one of its long-term debts. As of December 31, 2011, the cross-currency swaps had already matured (see Note 17).

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 other comprehensive income, while any hedge ineffectiveness is immediately recognized in the consolidated statement of income under "Others - net" account.

Amounts taken to other comprehensive income 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 non-financial asset or liability, the amounts taken to other comprehensive income 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 other comprehensive income 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 other comprehensive income 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. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as at FVPL nor designated as AFS financial assets or HTM investments.

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

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

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

The Company has no investments classified as HTM investments as at December 31, 2012 and 2011 and January 1, 2011.

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 reported in the consolidated statement of comprehensive income. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from balance sheet date.

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

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

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

Debt Issuance Costs

Expenditures incurred in connection with the availment of long-term debt are deferred and amortized using the effective interest rate method over the life of the debt. Unamortized debt issuance costs are included in the measurement of the related long-term debt allocated correspondingly between the current and noncurrent portion.

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 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 included 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 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. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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, in a subsequent period, the amount of 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.

Assets Carried at Cost. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The carrying amount is reduced through an allowance account.

AFS Financial Assets. In the case of 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 other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed in the consolidated statement of income. Increases in fair value after impairment are recognized in other comprehensive income.

Derecognition of Financial Assets and Liabilities

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

- the contractual right to receive cash flows from the asset has expired; or
- 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 and 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. 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.

Where 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, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

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

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and that are subject to an insignificant risk of change in value. Cash and cash equivalents excludes any restricted cash (presented as part of "Other

noncurrent assets") that is not available for use by the Company and therefore is not considered highly liquid, such as cash set aside to cover rehabilitation obligations.

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

Inventories

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

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

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

Other Current Assets

Other current assets include mainly of 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.

Asset Held for Sale

At the end of the reporting period, the Company classifies an asset as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the asset is available for immediate sale in its present condition subject only to terms that are customary for sales of such assets and the sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset and there is an active program to locate a buyer. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. An extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Company's control and there is sufficient evidence that the Company remains committed to its plan to sell the asset.

Asset held for sale is measured at the lower of its carrying amount and fair value less cost to sell.

Investment in an Associate

The Company's investment in Asia Coal Corporation (Asia Coal), an associate, representing 28% equity interest, is accounted for under the equity method. Asia Coal was incorporated in the Philippines but has ceased operations since November 1, 2000.

The Company has significant influence over Asia Coal but it is neither a subsidiary nor a joint venture of the Company. Under the equity method, the investment in an associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in value. The consolidated statement of income reflects the Company's share in the performance of the associate. Unrealized gains arising from transactions with its associate are eliminated to the extent of the Company's interest in the associate, against the related investment. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

The reporting date of the associate is October 31. The effect of the difference in the reporting date of the Parent Company and the associate is immaterial. Where 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 the Company's investment in associate. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of income.

Interest in a Joint Venture

A joint venture is a joint arrangement where the parties that have joint control over the arrangement have rights over the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Company's investment in TA Power, a joint venture, is accounted for under the equity method. Under the equity method, an interest in a joint venture is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Company's share in the profit or loss and other comprehensive income of the joint venture, less any impairment in value. When the Company's share of loss of a joint venture exceeded the Company's interest in the joint venture, the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Company discontinues the use of the equity method from the date when its investment ceases to be a joint venture.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and depletion and any impairment in value. Land is carried at cost less any impairment in value. The cost of property, plant and equipment, except land, includes the cost of replacing part of such property, plant and equipment when that cost is incurred and the recognition criteria are met.

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

The useful lives, residual values, depreciation and depletion methods are reviewed at each financial year-end and adjusted if appropriate, at the end of each reporting period, 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 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.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, 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 forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of 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 operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets

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

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

Impairment of Nonfinancial Assets

The carrying values of property, plant and equipment, investment in an associate and a joint venture, creditable withholding taxes, input VAT, prepaid expenses, other current assets, asset held for sale, software costs and other nonfinancial assets, except goodwill, are reviewed 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 obtainable from the sale of the asset in an arm's-length transaction. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Provision for impairment losses is recognized in the consolidated statement of income.

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

Goodwill

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

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

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in value due to the passage of time is recognized as an interest expense. When the Company expects a provision to be reimbursed, such as under an insurance contract, the reimbursement is recognized as an asset but only when reimbursement is virtually certain.

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

Equity

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

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

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

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. Revenue is measured at the fair value of the consideration received, excluding discounts, returns, rebates and value-added taxes (VAT). The following specific recognition criteria must also be met before revenue is recognized:

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

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

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

Cost and Expenses

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

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

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

Retirement Benefit Costs
The cost of providing benefits under the defined benefit plan is determined separately for each plan using the projected unit credit method. This method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. If the benefits vest immediately following the introduction of, or change to a pension plan, past service cost is recognized immediately. Gains or losses on the curtailment or settlement of pension benefits are recognized when curtailment or settlement occurs. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the present value of defined benefit obligation or the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan. The pension obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate of the government bonds where the currency and terms are consistent with the currency and estimated terms of the defined benefit obligation.

Past service costs are recognized on a straight-line basis over the average period until the retirement benefits become vested.

The defined benefit asset or liability is the aggregate of the present value of the defined benefit obligation and actuarial gains or losses not yet recognized, reduced by past service cost not yet recognized and the fair value of the plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reduction in the future contribution to the plan.

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

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

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for their

intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are recognized as expense when incurred.

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

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

Income Tax
Current Income Tax. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at balance sheet date.

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

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

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

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

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

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

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

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

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

3. Significant Accounting Judgments and Estimates

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

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

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

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

The Parent Company regularly reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The Parent Company determined that it exercises control on all its subsidiaries.

Reassessment of Joint Arrangement. The Company reviews the joint arrangement with TA Oil over TA Power for any change in facts and circumstances that might be relevant in determining whether it still has joint control over TA Power and the type of arrangement has changed. In 2012, 2011 and 2010, there has been no change in how the activities of TA Power are directed, and in the legal form, contractual terms and other facts and circumstances of the joint arrangement with TA Oil. Correspondingly, the Company classifies TA Power as a joint venture as at December 31, 2011 and January 1, 2011 (see Note 9).

Classification of Asset Held for Sale. The Company exercises judgment in classifying an asset as held for sale based on whether the asset will be principally recovered through a sale transaction or through continuing use. An asset qualifies as held for sale when the appropriate level of management is committed to a plan to sell the asset and there is an active program to locate a buyer. On November 16, 2012, the BOD approved the proposed sale of the Company's 50% ownership interest in TA Power to TA Oil. Correspondingly, the Company determined that the asset, carried under the "Investments" account in the 2011 consolidated balance sheet will be recovered through sale and such sale is highly probable, and thus, qualifies as asset held for sale. As at December 31, 2012, the carrying value of the asset amounted to ₱338.7 million (see Note 8).

Assessment of Impairment Indicators of Mining Rights. The Company exercises judgment in assessing if there is any impairment indicator on its mining rights, which amounted to ₱179.5 million as at December 31, 2012 and 2011 and January 1, 2011 (see Note 11). Based on the Company's assessment and taking into consideration the relevant provision of PFRS 6, "Exploration for and Evaluation of Mineral Resources", the Company assessed that there is no indicator of impairment and thus, did not perform any impairment test on the carrying value of the mining rights.

Operating Lease Commitments - Company as Lessee. The Company has various lease agreements as a lessee. The Company has determined, based on evaluation of the terms and condition of the lease agreements, that the significant risks and rewards of ownership of the leased properties were retained by the lessor and accounts these leases as operating leases. Total rent expense arising from operating leases amounted to ₱81.5 million, ₱109.9 million and ₱70.7 million in 2012, 2011 and 2010, respectively (see Notes 20 and 29).

Determination of Functional Currency. The functional currency of the Parent Company and its subsidiaries is the currency of the primary economic environment in which each entity operates. It is the currency that mainly influences the revenue from and cost of products. Based on the economic substance of the relevant underlying circumstances, the functional and presentation currency of the Parent Company and its subsidiaries is the Peso.

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 2012, 2011 and 2010.

The Company recognized depreciation expense related to property, plant and equipment amounting to ₱1.5 billion in 2012, ₱1.4 billion in 2011 and ₱1.3 billion in 2010 (see Note 24). The carrying value of depreciable property, plant and equipment amounted to ₱15.1 billion as at December 31, 2012 and 2011 and ₱15.6 billion as at January 1, 2011 (see Note 10).

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

Estimates of reserves for undeveloped or partially developed areas are subject to greater uncertainty over their future life than estimates of reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven reserves will be subject to future revision once additional information becomes available. The estimated recoverable reserves are used in the calculation of depletion and testing for impairment, the assessment of life of quarry sites, and forecasting the timing of the payment of provision for site restoration. The carrying value of mineral and quarry rights amounted to ₱329.6 million, ₱258.1 million and ₱258.7 million as at December 31, 2012 and 2011 and January 1, 2011, respectively, included in "Property, Plant and Equipment - Land and land improvements" (see Note 10).

Impairment of Nonfinancial Assets. PFRS requires that an impairment review be performed when certain impairment indicators are present. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amount of property, plant and equipment, investment in an associate, investment in a joint venture, intangible assets and other noncurrent 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 2012, 2011 and 2010.

The allowance for impairment losses amounted to ₱55.7 million as at December 31, 2012 and 2011 and January 1, 2011. The carrying values of investments in an associate and joint venture, property, plant and equipment, and intangible assets are disclosed in Notes 9, 10 and 11, respectively.

Impairment of Goodwill. The Company performs impairment testing of its goodwill on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Value-in-use is estimated by making an estimate of the expected future cash flows from the cash-generating unit and to apply a suitable discount rate in order to calculate the present value of those cash flows. Goodwill arising from the Company's acquisition of WEB and Mabini on August 14, 2003 has been attributed to the entire cement operation, which is considered as one cash-generating unit. The recoverable amount of the goodwill has been determined based on a value-in-use calculation using cash flow projections based on the financial budget approved by senior management covering a five-year period. The Company has determined that the goodwill is not impaired. The carrying amount of goodwill amounted to ₱2.6 billion as at December 31, 2012 and 2011 and January 1, 2011 (see Note 11).

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

In addition to specific allowance against individually significant loans and receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This level of allowance is based on the status of the accounts receivable, past collection experience and other factors that may affect collectability.

The allowance is recognized by charges to the consolidated statement of income in the form of provision for doubtful accounts.

The allowance for doubtful accounts amounted to ₱126.0 million, ₱146.5 million and ₱102.3 million as at December 31, 2012 and 2011 and January 1, 2011, respectively. Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱2.0 billion, ₱1.6 billion and ₱1.4 billion as at December 31, 2012 and 2011 and January 1, 2011, respectively (see Note 5).

Retirement Benefit Costs. The determination of the Company's retirement benefits costs under its defined benefit plans is based on certain assumptions used in the actuarial valuation. Those assumptions are described in Note 28 and include, among others, discount rate, expected rate of return on plan asset, and rates of future salary increases. In accordance with PAS 19, "Employee Benefits", past service costs, experience adjustments and the effects of changes in actuarial assumptions are amortized over the expected average remaining working lives of the covered employees. While management believes that the assumptions are reasonable and appropriate, significant differences in the Company's actual experience or significant changes in the assumptions may materially affect the retirement benefit liability.

Total retirement benefit liability amounted to ₱108.1 million, ₱98.2 million and ₱71.3 million as at December 31, 2012 and 2011 and January 1, 2011, respectively. Total retirement asset amounted to ₱1.2 million as at January 1, 2011, included in "Other noncurrent assets - Retirement benefit asset" (see Note 12). The Company recognized retirement benefit costs under its defined benefit plans amounting to ₱67.3 million, ₱86.7 million and ₱64.0 million in 2012, 2011 and 2010, respectively (see Note 28).

Deferred Income Tax Assets. The Company reviews the carrying amounts of deferred income tax assets at the end of each reporting period and reduces these to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Company's assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. This forecast is based on the past results and future expectations of revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Company will generate sufficient future taxable income to allow all or part of deferred income tax assets to be utilized. Management also reviews the level of projected gross margin for the use of Optional Standard Deduction (OSD) and assesses the future tax consequences for the recognition of deferred income tax assets and deferred income tax liabilities. Based on the Company's projected margin, management expects to use the itemized deduction method for the Parent Company and most of the subsidiaries. For the other subsidiaries, management expects to use the OSD for the next five years.

The carrying value of deferred income tax assets recognized in the Company's consolidated balance sheet amounted to ₱469.5 million, ₱370.5 million and ₱437.0 million as at December 31, 2012 and 2011 and January 1, 2011, respectively. The temporary differences and carryforward benefits of unused tax credits and unused tax losses, for which no deferred income tax assets were recognized amounted to ₱73.9 million, ₱58.9 million and ₱34.0 million as at December 31, 2012 and 2011 and January 1, 2011, respectively (see Note 27).

Provision for Site Restoration Costs. The Company recognizes a provision for the cost of restoring a mineral and quarry site where a legal or constructive obligation exists. This requires an estimation of the cost to restore the quarry on a per hectare basis, depending on the location and is based on the best estimate of the expenditure required to settle the obligation as at balance sheet date, discounted using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the liability. The provision for site restoration amounted to ₱138.9 million, ₱128.2 million and ₱88.3 million as at December 31, 2012 and 2011 and January 1, 2011, respectively (see Note 18).

Impairment of AFS Equity Investments. The Company treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% or more and "prolonged" as greater than six months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. AFS financial assets amounted to ₱3.9 million as at December 31, 2012 and ₱1.9 million as at December 31, 2011 and January 1, 2011 (see Note 9). There was no impairment loss recognized related to AFS equity investments in 2012, 2011 and 2010.

Fair Value of Financial Instruments. Where the fair values of financial assets and financial liabilities recorded on the consolidated balance sheet cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The input to these models is taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation.

Total financial assets carried at fair value amounted to ₱7.0 million, ₱4.1 million and ₱6.7 million as at December 31, 2012 and 2011 and January 1, 2011. Total financial liabilities carried at fair value amounted to ₱118.1 million as at January 1, 2011 (see Note 17).

Net Realizable Value of Inventories. The Company writes down the cost of inventories whenever the net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, change in price levels or other causes. The lower of cost and net realizable value of inventories is reviewed on a periodic basis. Inventory items identified to be obsolete and unusable are written-off and charged as expense in the consolidated statement of income. The carrying values of inventories amounted to ₱2.3 billion, ₱1.9 billion and ₱2.0 billion as at December 31, 2012 and 2011 and January 1, 2011, respectively (see Note 6).

Measurement of Asset Held for Sale. When an asset is classified as held for sale, the asset is measured at the lower of its carrying amount or fair value less cost to sell. Management estimated the fair value less costs to sell using the available market price for the asset as of the date of classification, which is greater than its carrying amount. The asset held for sale is measured at its carrying amount of ₱338.7 million (see Note 8).

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, 2012 and 2011, the Company's provisions for claims and litigations amounted to ₱49.2 million and ₱37.8 million, respectively (see Note 18).

4. Cash and Cash Equivalents

	December 31		January 1
	2012	2011 (As restated, Note 2)	2011 (As restated, Note 2)
		(In Thousands)	
Cash on hand and in banks	**₱722,156**	₱470,614	₱463,216
Short-term deposits	**656,226**	408,433	1,576,875
	₱1,378,382	₱879,047	₱2,040,091

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 ₱17.6 million, ₱30.5 million and ₱40.8 million in 2012, 2011 and 2010, respectively.

5. Trade and Other Receivables

	December 31		January 1
	2012	2011 (As restated, Note 2)	2011 (As restated, Note 2)
		(In Thousands)	
Trade			
Dealers	**₱792,634**	₱556,612	₱804,998
Retailers	**118,342**	159,040	88,772
Institutional	**858,630**	666,534	418,068
Alternative fuel and raw materials (AFR)/ready mix (RMX)/others	**276,868**	239,997	131,726
Due from related parties (Note 26)	**4,291**	4,360	14,344
Others	**43,777**	122,244	62,593
	2,094,542	1,748,787	1,520,501
Less allowance for doubtful accounts	**126,034**	146,474	102,332
	₱1,968,508	₱1,602,313	₱1,418,169

Trade receivables are noninterest-bearing and generally have credit terms of 30 to 60 days. Due from related parties and other receivables are collectible within the next financial year.

Total amount of intercompany receivables eliminated as of December 31, 2012 amounted to ₱373.8 million.

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

	2012					
	Dealers	**Retailers**	**Institutional**	**AFR/RMX/ Others**	**Others**	**Total**
Beginning of year	**₱19,352**	**₱3,587**	**₱44,328**	**₱35,005**	**₱44,202**	**₱146,474**
Provisions (Reversals) (Note 22)	**(2,321)**	**1,350**	**15,126**	**22,739**	**–**	**36,894**
Write-off	**(5,932)**	**–**	**(9,488)**	**(9,056)**	**(32,858)**	**(57,334)**
End of year	**₱11,099**	**₱4,937**	**₱49,966**	**₱48,688**	**₱11,344**	**₱126,034**
Individually impaired	**₱4,135**	**₱2,151**	**₱46,918**	**₱13,410**	**₱11,344**	**₱77,958**
Collectively impaired	**₱6,964**	**₱2,786**	**₱3,048**	**₱35,278**	**₱–**	**₱48,076**

	2011					
	Dealers	Retailers	Institutional	AFR/RMX/ Others	Others	Total
Beginning of year	₱23,479	₱2,198	₱7,989	₱32,255	₱36,411	₱102,332
Provisions (Reversals) (Note 22)	(4,127)	1,389	37,102	3,240	7,944	45,548
Write-off	–	–	(763)	(490)	(153)	(1,406)
End of year	₱19,352	₱3,587	₱44,328	₱35,005	₱44,202	₱146,474
Individually impaired	₱11,374	₱651	₱35,256	₱15,792	₱44,202	₱107,275
Collectively impaired	₱7,978	₱2,936	₱9,072	₱19,213	₱–	₱39,199

The Company's adoption of PFRS 11 (see Note 2) did not result in the restatement of the Company's allowance for doubtful accounts as at December 31, 2011 and January 1, 2011.

6. Inventories

	December 31		January 1
	2012	2011 (As restated, Note 2)	2011 (As restated, Note 2)
		(In Thousands)	
At cost:			
Finished goods	**₱689,450**	₱564,401	₱827,545
Goods in process	**240,063**	54,788	51,730
Raw materials	**151,118**	135,888	139,620
Fuel	**543,551**	515,057	329,774
Spare parts and others	**551,376**	515,805	345,724
At net realizable value -			
Spare parts and others	**106,124**	113,763	305,109
	₱2,281,682	₱1,899,702	₱1,999,502

The following shows the movement of allowance for inventory obsolescence as of December 31, 2012 and 2011 and January 1, 2011:

	December 31		January 1
	2012	2011	2011
		(In Thousands)	
Balance at beginning of year	**₱191,641**	₱214,455	₱320,112
Provision (writedown/reversal)	**23,039**	(22,814)	(105,657)
Balance at end of year	**₱214,680**	₱191,641	₱214,455

The cost of spare parts and other inventories at net realizable value amounted to ₱320.8 million, ₱305.4 million and ₱519.6 million as at December 31, 2012 and 2011 and January 1, 2011, respectively.

7. Other Current Assets

	December 31		January 1
	2012	2011 (As restated, Note 2)	2011 (As restated, Note 2)
		(In Thousands)	
Advances to suppliers (Note 29)	**₱324,536**	₱156,316	₱189,094
Prepaid expenses	**178,697**	126,234	67,992
Input VAT	**85,618**	115,065	95,923
Advances to employees	**33,112**	33,373	40,494

(Forward)

	December 31		January 1
	2012	2011 (As restated, Note 2)	2011 (As restated, Note 2)
		(In Thousands)	
Creditable withholding taxes	**₱7,349**	₱45,045	₱19,708
Derivative assets (Note 17)	**6,796**	3,894	6,482
Prepaid rent (Note 29)	–	9,880	16,779
Others	**12,426**	11,077	31,095
	₱648,534	₱500,884	₱467,567

Advances to suppliers represent advances that are applied against subsequent purchases and are outstanding for less than one year from initial recognition.

8. Asset Held for Sale

The Company has a 50% interest in TA Power under a joint venture agreement with TA Oil. TA Power operates and maintains a 52-megawatt power generation plant, including related facilities, machinery and equipment in Norzagaray, Bulacan (see Note 26).

Prior to January 1, 2012, the Company accounted for the joint venture using proportionate consolidation where it recognized its proportionate share in the assets and liabilities of TA Power in the consolidated financial statements. Beginning January 1, 2012, the Company early adopted PFRS 11, "Joint Arrangements", which requires accounting for the interest in TA Power using the equity method. The impact of the early adoption of PFRS 11 on the Company's consolidated balance sheets as at December 31, 2011 and January 1, 2011 and the consolidated statements of income and cash flows for the years ended December 31, 2011 and 2010 is discussed in Note 2.

On November 16, 2012, the BOD authorized the Company to negotiate for the sale of its interest in TA Power to TA Oil, subject to the terms and conditions as may be deemed to be in the best interest of the Company. As the carrying value of the asset will be recovered through sale and the sale was considered to be highly probable, management reclassified the investment as "Asset held for sale" from the date the sale has been approved by the BOD. The investment is measured at its carrying value at the date of classification as held for sale amounting to ₱338.7 million, which was assessed to be lower than its fair value less costs to sell.

On January 1, 2013, the Company and TA Oil entered into a Share Purchase Agreement for the sale of the Company's interest in TA Power for ₱475.5 million. Proceeds from the sale were collected on January 3, 2013. Total gain on sale amounted to ₱150.3 million.

9. Investments

	December 31		January 1
	2012	2011 (As restated, Note 2)	2011 (As restated, Note 2)
		(In Thousands)	
AFS financial assets (Notes 16 and 17)	**₱3,940**	₱1,940	₱1,940
Investment in a joint venture (Note 8)	–	354,216	346,900
Investment in an associate	**619**	619	619
	₱4,559	₱356,775	₱349,459

a. AFS financial assets pertain to investments in quoted and unquoted ordinary shares and club shares of stock. The unquoted AFS financial assets are carried at cost less accumulated impairment loss since their fair values cannot be reliably measured. No market data are available for the unquoted AFS financial assets.

b. Investment in a joint venture

The Company accounts for its investment in a joint venture using the equity method. The investment was initially recognized at cost and adjusted for the equity in net earnings (losses) of, share in other comprehensive income (losses) of and any dividends received from the joint venture (see Note 2).

Movements in the investment in a joint venture as at December 31, 2012 and 2011 are as follows:

	2012	2011
	(In Thousands)	
Deemed cost (Note 2)	**₱346,900**	₱346,900
Accumulated equity in net earnings (losses):		
Balances at beginning of year	**7,316**	–
Equity in net earnings (losses)	**(13,359)**	28,972
Share in other comprehensive income (losses)	**(2,173)**	844
Dividends	**–**	(22,500)
Balances at end of the year	**(8,216)**	7,316
Reclassification as held for sale (Note 8)	**(338,684)**	–
	₱–	₱354,216

The use of the equity method was discontinued effective November 16, 2012 as the investment in a joint venture met the criteria to be classified as held for sale (see Note 8). Accordingly, equity in net earnings (losses) and share in other comprehensive income (losses) of the joint venture was only recognized up to the date of the reclassification of the investment in a joint venture to asset held for sale.

Share in available-for-sale financial assets reserve pertains to the Company's share in the AFS financial assets reserve of TA Power. The rollforward of the share in AFS financial assets reserve of a joint venture in the consolidated balance sheets follows:

	November 30, 2012	December 31, 2011	January 1, 2011
		(In Thousands)	
Balances at beginning of period	**₱15,654**	₱14,810	₱10,689
Gains (loss) on change in fair value	**(2,173)**	844	4,121
Balances at end of period	**₱13,481**	₱15,654	₱14,810

TA Power's summarized financial information as at November 30, 2012, December 31, 2011 and January 1, 2011 and for each of the three years then ended are as follows:

	November 30, 2012	December 31, 2011	January 1, 2011
		(In Thousands)	
Current assets	**₱815,233**	₱748,872	₱662,594
Noncurrent assets	**113,263**	227,820	345,298
Total assets	**928,496**	976,692	1,007,892
Current liabilities	**251,128**	253,566	304,840
Noncurrent liabilities	–	14,694	9,252
Total liabilities	**251,128**	268,260	314,092
Net assets	**₱677,368**	₱708,432	₱693,800

	2012	2011	2010
		(In Thousands)	
Revenue	**₱1,716,104**	₱1,778,694	₱1,795,436
Cost of power generation	**(1,587,123)**	(1,684,012)	(1,709,216)
Operating expenses	**(180,962)**	(42,236)	(53,960)
Other income - net	**25,782**	13,302	2,750
Income (loss) before income tax	**(26,199)**	65,748	35,010
Benefit from (provision for) income tax	**(519)**	(7,804)	9,670
Net income (loss)	**(₱26,718)**	₱57,944	₱44,680

c. Investment in an associate

The details of this account as of December 31, 2012 and 2011 and January 1, 2011 are as follows (in thousands):

Acquisition cost	₱29,162
Accumulated equity in net losses of an associate	(28,543)
	₱619

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. As at February 14, 2013, Asia Coal is still in the process of filing with the SEC its application for dissolution.

10. Property, Plant and Equipment

	December 31, 2011 (As restated, Note 2)	Additions/ Depreciation	Disposals/ Retirements	Transfers/ Reclassi- fications	December 31, 2012
		(In Thousands)			
Cost:					
Land and land improvements	**₱1,585,060**	**₱12,472**	**(₱1)**	**₱93,841**	**₱1,691,372**
Buildings and installations	**11,336,269**	**4,919**	**(8,879)**	**157,386**	**11,489,695**
Machinery and equipment	**₱19,486,159**	**₱9,407**	**(₱380,006)**	**₱824,713**	**₱19,940,273**
Furniture, vehicles and tools	**1,232,973**	**–**	**(149,181)**	**96,077**	**1,179,869**
Construction in-progress	**647,914**	**1,522,817**	**–**	**(1,224,257)**	**946,474**
	34,288,375	**1,549,615**	**(538,067)**	**(52,240)**	**35,247,683**
Less accumulated depreciation, depletion and impairment losses:					
Land improvements	**189,463**	**34,718**	**–**	**–**	**224,181**
Buildings and installations	**5,336,206**	**399,228**	**(8,877)**	**10,720**	**5,737,277**
Machinery and equipment	**12,014,237**	**908,168**	**(380,005)**	**233**	**12,542,633**
Furniture, vehicles and tools	**696,816**	**129,248**	**(138,751)**	**(14,752)**	**672,561**
	18,236,722	**1,471,362**	**(527,633)**	**(3,799)**	**19,176,652**
Net book value	**₱16,051,653**	**₱78,253**	**(₱10,434)**	**(₱48,441)**	**₱16,071,031**

	January 1, 2011	Additions/ Depreciation	Disposals/ Retirements	Transfers/ Reclassi- fications	December 31, 2011
		(In Thousands; As restated, Note2)			
Cost:					
Land and land improvements	₱1,561,591	₱–	(₱28,663)	₱52,132	₱1,585,060
Buildings and installations	10,952,835	10,482	(35,267)	408,219	11,336,269
Machinery and equipment	20,104,147	14,522	(963,966)	331,456	19,486,159
Furniture, vehicles and tools	1,773,860	35,455	(630,931)	54,589	1,232,973
Construction in-progress	610,918	930,674	–	(893,678)	647,914
	35,003,351	991,133	(1,658,827)	(47,282)	34,288,375
Less accumulated depreciation, depletion and impairment losses:					
Land improvements	169,438	10,995	–	9,030	189,463
Buildings and installations	4,894,384	389,468	(35,267)	87,621	5,336,206
Machinery and equipment	12,257,992	879,133	(961,613)	(161,275)	12,014,237
Furniture, vehicles and tools	1,063,133	117,129	(483,709)	263	696,816
	18,384,947	1,396,725	(1,480,589)	(64,361)	18,236,722
Net book value	₱16,618,404	(₱405,592)	(₱178,238)	₱17,079	₱16,051,653

11. Goodwill and Intangible Assets

The movements of goodwill and intangible assets are as follows:

	December 31, 2011	Additions/ Amortization	December 31, 2012
		(In Thousands)	
Goodwill	**₱2,635,738**	**₱–**	**₱2,635,738**
Intangible assets:			
Cost:			
Mining rights	**179,544**	**–**	**179,544**
Software costs	**48,555**	**–**	**48,555**
Project development costs and others	**9,051**	**29,205**	**38,256**
	237,150	**29,205**	**266,355**
Less accumulated amortization:			
Software costs	**48,555**	**–**	**48,555**
Project development costs and others	**1,069**	**3,477**	**4,546**
	49,624	**3,477**	**53,101**
	187,526	**25,728**	**213,254**
Balance	**₱2,823,264**	**₱25,728**	**₱2,848,992**

	December 31, 2010	Additions/ Amortization	Reclassifications	December 31, 2011
		(In Thousands)		
Goodwill	₱2,635,738	₱–	₱–	₱2,635,738
Intangible assets:				
Cost:				
Mining rights	179,544	–	–	179,544
Software costs	48,555	–	–	48,555
Project development costs and others	20,478	–	(11,427)	9,051
	248,577	–	(11,427)	237,150
Less accumulated amortization:				
Software costs	48,555	–	–	48,555
Project development costs and others	10,208	140	(9,279)	1,069
	58,763	140	(9,279)	49,624
	189,814	(140)	(2,148)	187,526
Balance	₱2,825,552	(₱140)	(₱2,148)	₱2,823,264

a. Mining Rights

Mining rights pertain to HMDC's Mineral Production Sharing Agreement (MPSA) No. 108-98 IV for an aggregate quarry. In 2008, one of the surface owners of a portion of the area covered by the MPSA filed a petition with DENR for the cancellation of HMDC's MPSA. The owner claimed that HMDC had failed to complete its exploration activities, to commence commercial production within the prescribed period and to comply with the applicable reportorial requirements. In an order dated February 12, 2009, the panel of arbitrators allowed the petitioner to withdraw the petition for cancellation, which was subsequently re-filed with the Mines and Geosciences Bureau. In an order dated September 18, 2009, the Department of Environment and Natural Resources (DENR) cancelled HMDC's MPSA. In a second order dated November 20, 2009, the DENR denied HMDC's Motion for Reconsideration. These orders were upheld by the Office of the President in a decision dated March 5, 2010 and resolution dated May 29, 2010. HMDC thereafter filed with the Court of Appeals a Petition seeking the reversal and/or annulment of the decision and resolution issued by the Office of the President for being completely erroneous and based on a misapprehension of the facts and the law.

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

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

Following the Court of Appeals' denial of the motion for reconsideration, the petitioner, filed a Petition for Review on Certiorari dated March 7, 2012 to the Supreme Court. Subsequently on June 26, 2012, the Company filed its comment on the petition with the Supreme Court where the case is now pending.

b. Impairment Testing of Goodwill

Goodwill amounting to ₱2.6 billion relates to the Company's acquisition of WEB and Mabini on August 14, 2003. Such goodwill has been attributed to the entire cement operation of the acquirer which is considered as one CGU.

The Company performs its annual impairment test every September of each year. The recoverable amount of the cash-generating unit 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 five-year financial planning period approved by management. Cash flows beyond the five-year budget period are extrapolated based on increasing cash flows. As a result of this analysis, management has determined that there was no impairment loss in 2012, 2011 and 2010 since the value-in-use exceeds the carrying value of the entire cement operations.

Key Assumptions

	Discount Rate	Long-term GDP Growth Rate
2012	**8.2%**	**5.0%**
2011	9.0%	5.0%
2010	8.8%	4.0%

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

12. **Other Noncurrent Assets**

	December 31		January 1
	2012	2011 (As restated, Note 2)	2011 (As restated, Note 2)
		(In Thousands)	
Restricted cash	**₱64,020**	₱52,128	₱38,808
Refundable deposit	**48,474**	48,474	48,474
Guarantee deposits	**30,899**	146,020	124,596
Long-term financial receivable	**29,078**	15,386	19,757
Retirement benefits asset (Note 28)	–	–	1,170
Others	**1,219**	1,218	1
	₱173,690	₱263,226	₱232,806

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

Refundable deposit represents cash bond deposited by the Company with the Bureau of Customs (BOC) for importations made in 2001. On March 7, 2007, the Company filed a case against the BOC for the release of the cash bond. On October 12, 2012, the Officer-in-Charge of the Law

Division of the Collection District of Batangas submitted a memorandum for the release of the cash bond. Subsequently on October 22, 2012, a Letter of First Indorsement was submitted by the District Collector to the BOC Commissioner recommending favorable consideration to the Company's appeal, subject to compliance with pertinent customs laws, rules and regulations. As of February 14, 2013, no response from the BOC has been received. Management and its legal counsel will pursue collection of the cash bond.

Guarantee deposits represent cash deposits made to suppliers for raw material supply agreement and various security deposits for rentals (see Note 29).

Long-term financial receivable is due from the Company's third party service provider for sale of certain heavy equipment in 2012 and 2008, which will be settled until 2017 and 2019, respectively. Interest income earned from long-term financial receivable at an annual interest rate of 4.5% to 7.0% amounted to ₱2.4 million, ₱1.7 million and ₱3.1 million in 2012, 2011 and 2010, respectively.

13. Notes Payable

The notes payable as of December 31, 2011 consists of unsecured short-term Philippine peso-denominated loans obtained from various local banks with interest of 3.5% per annum maturing in 2012.

In 2012, the Company also obtained an unsecured short-term Philippine peso-denominated loan from a local bank amounting to ₱300.0 million with interest of 3.5% per annum.

The various notes payable were fully paid as of December 31, 2012.

Total interest expense charged to profit or loss amounted to ₱3.5 million, ₱29.1 million and ₱15.6 million in 2012, 2011 and 2010, respectively (see Notes 25 and 26).

14. Trade and Other Payables

	December 31		January 1
	2012	2011 (As restated, Note 2)	2011 (As restated, Note 2)
		(In Thousands)	
Trade	**₱1,584,031**	₱1,429,742	₱1,283,202
Nontrade	**1,130,774**	682,211	657,810
Advances and deposits from customers	**659,991**	593,087	585,063
Due to related parties (Note 26)	**620,348**	338,178	389,563
Accrued electricity	**178,916**	197,762	88,563
Output VAT	**66,333**	99,950	49,661
Other taxes payable	**91,754**	78,582	95,652
Accrued interest	**21,151**	11,485	30,433
Other payables	–	–	38,166
	₱4,353,298	₱3,430,997	₱3,218,113

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

Nontrade payables represent accruals for customers' rebates, salaries and wages, other employee benefits, and accounts with suppliers other than production-related expenses. These are noninterest-bearing and have an average term of three months or less.

Advances and deposits from customers represent the following:

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

Accrued interest is normally settled monthly throughout the financial year.

Total amount of intercompany payables eliminated as of December 31, 2012 amounted to ₱759.3 million.

15. **Long-term Debt**

The long-term debt as of December 31, 2011 (amounts in thousands) is as follows:

Philippine peso-denominated loans -	
₱2.45 billion five-year term loans	₱980,000
Less unamortized debt issuance costs	5,112
	974,888
Less current portion	245,000
	₱729,888

The Company's adoption of PFRS 11 (see Note 2) did not result in the restatement of the Company's long-term debt as at December 31, 2011 and January 1, 2011.

a. Philippine peso-denominated loans

On February 5, 2009, the Parent Company obtained a five-year unsecured term loan from a local bank. The loan is equally divided into two, having fixed and variable interest rates.

On December 28, 2010, an amended loan agreement was executed changing the applicable interest rate from combination of fixed and floating interest rates to fixed interest rate effective January 1, 2011. All other terms of the contract remains valid and existing. The following are the terms and conditions of the loan:

Purpose	General corporate purposes
Interest	*2009 to 2010* ▪ 50% fixed in advance based on a five-year Philippine Dealing System (PDS) Treasury Fixing plus 1.5% per annum, payable quarterly ▪ Interest rate was fixed at 8.3% per annum ▪ 50% variable rate based on a three-month PDS Treasury Fixing plus 1.5% per annum, payable quarterly
	2011 onwards ▪ Interest rate was fixed at 5.3% per annum
Repayment period	*2009 to 2010* ▪ Payable in equal quarterly installments amounting to ₱122.5 million commencing at the end of the eighth quarter from drawdown date and a balloon payment of ₱980.0 million at final maturity date
	2011 onwards ▪ Payable in equal quarterly installments amounting to ₱61.3 million commencing at the end of the eighth quarter from drawdown date and a balloon payment of ₱490.0 million at final maturity date
Other covenants	▪ Maintenance of certain financial ratios ▪ Restriction on declaration or payment of dividend if such will result in noncompliance on required financial ratios ▪ Restriction on purchase, redemption, retirement or otherwise acquisition of its capital stock if such will result in noncompliance on required financial ratios

As at December 31, 2011 and January 1, 2011, the Company was in compliance with debt covenants.

In March 2012, the Company fully paid the loan.

The movements in the Company's unamortized debt issuance costs follow:

	2012	2011
	(In Thousands)	
Balances at beginning of year	**₱5,112**	₱7,561
Amortization (Note 25)	**(5,112)**	(2,449)
Balances at end of year	**₱–**	₱5,112

b. Foreign currency-denominated loan

On October 6, 2006, HPI entered into an unsecured loan agreement with Cemasco B.V. for an aggregate principal amount of US$17.0 million.

The following are the terms and conditions of the loan:

Purpose	▪ Refinancing of maturing debts
Interest	▪ Three-month U.S. LIBOR rate plus 1.0% per annum, payable quarterly ▪ Actual interest rates were 1.25% to 1.37% per annum in 2011 and 1.25% to 1.53% per annum in 2010
Repayment period	▪ Payable in full after 60 months commencing on October 6, 2006

On October 6, 2011, the Company paid the full amount of the loan.

Total interest expense on long-term debt charged to profit or loss amounted to ₱55.3 million, ₱128.0 million and ₱214.9 million in 2012, 2011 and 2010, respectively (see Note 25).

Cash Flow Hedges
In 2006, HPI entered into two principal only cross-currency swap agreements with foreign banks to hedge the foreign exchange volatility from its entire loan with Cemasco B.V. (see Notes 16 and 17). Under the terms of the agreements, HPI effectively converted its US dollar loan into a Peso loan whereby at inception, it agreed to swap US dollar principal equal to the face amount of the loan for its agreed Peso equivalent (₱851.7 million) with the counterparty banks and to exchange at maturity date, the principal amounts originally swapped. The agreement also requires HPI to pay quarterly interest at a rate of 2.45% per annum on the Peso principal to the counterparty banks up to maturity date.

On October 6, 2011, following the settlement of the foreign currency-denominated loan, the Company also settled all cross-currency swap agreements, resulting to a gain of ₱107.9 million.

16. **Financial Risk Management Objectives and Policies**

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

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

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

The main risks arising from the Company's financial instruments are market risks (which include foreign currency risk and interest rate risk), credit risk and liquidity risk. The BOD reviews and approves the policies for managing each of these risks and they are summarized below. The Company's accounting policies in relation to financial instruments are set out in Note 2 to the consolidated financial statements.

Market Risks
The Company is exposed to market risks, such as foreign currency, 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 Peso that leads to currency translation effects. Of the Company's revenues, approximately 0.2% in 2012 and 0.4% in 2011 and 2010 are denominated in currencies other than the Peso. The Company may hedge certain foreign currency-denominated borrowings or other instruments by entering into derivative transactions.

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

The Company has entered into derivative transactions, specifically cross-currency swaps, to manage foreign currency risk exposures related to its foreign currency-denominated debt. These derivative transactions were designated by the Company under cash flow hedge accounting (see Note 17). Upon full payment of the foreign currency denominated loan in 2011, the cross currency swaps were likewise settled.

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,				January 1,	
	2012		2011 (As restated, Note 2)		2011 (As restated, Note 2)	
	In USD	**In PHP**	In USD	In PHP	In USD	In PHP
			(In Thousands)			
Assets						
Cash and cash equivalents	**$1,287**	**₱52,806**	$1,167	₱51,080	$1,959	₱85,706
Trade and other receivables	**42**	**1,723**	5,803	253,997	978	42,788
	1,329	**54,529**	6,970	305,077	2,937	128,494
Liabilities						
Trade and other payables	**17,679**	**725,369**	5,867	256,799	5,346	233,888
Long-term debt (including current portion)	–	–	–	–	17,000	743,750
	17,679	**725,369**	5,867	256,799	22,346	977,638
Net exposure	**($16,350)**	**(₱670,840)**	$1,103	₱48,278	($19,409)	(₱849,144)

Converted to Philippine peso at US$1.00:₱41.03 as of December 31, 2012, US$1.00:₱43.77 as of December 31, 2011, and US$1:₱43.75 in January 1, 2011.

As at January 1, 2011, the Company has hedged 100% of its foreign currency-denominated long-term debt for which firm commitments exist up to October 2011.

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, 2012		
Sensitivity 1	**10%**	**(₱67,084)**
Sensitivity 2	**(5%)**	**33,542**
December 31, 2011		
Sensitivity 1	10%	₱4,828
Sensitivity 2	(5%)	(2,414)
January 1, 2011*		
Sensitivity 1	10%	(₱84,914)
Sensitivity 2	(5%)	42,457

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

The impact of any change in foreign exchange rate on the embedded currency forwards of the Parent 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. Given the Company's net borrowing position, 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, 2010, approximately 38% of the Company's borrowings are at fixed interest rate. As at December 31, 2012 and 2011, the Company has no financial instruments that are exposed to interest rate risk.

The following table sets out the carrying amount, by maturity, of the Company's financial instruments that are exposed to cash flow interest rate risk as at December 31, 2010:

	Within 1 Year	>1–2 Years	>2–3 Years	Total
		(In Thousands)		
Floating rate debt -				
In U.S. Dollar				
(91-day U.S. LIBOR)	₱743,750	₱–	₱–	₱743,750

The impact on the Company's income before income tax of a reasonably possible change in U.S. dollar LIBOR interest rates with all other variables held constant is as follows:

	Increase (Decrease) in Basis Points	Effect on Income Before Income Tax
		(In Thousands)
December 31, 2010:		
Sensitivity 1	150	(₱11,157)
Sensitivity 2	(50)	3,719

The following table shows the sensitivity of the Company's equity (arising from the fair valuation of its cross-currency swap contracts) to a reasonably possible change in interest rates, with all other variables held constant:

	Receive Leg	Pay Leg	
	+/- 100 I on USD Interest Rate	+/- 100 I on PHP Interest Rate	Effect on Equity
		(In Thousands)	
December 31, 2010 -			
Cross-currency swap:			
Increase	(₱5,710)	₱6,548	₱838
Decrease	5,812	(6,665)	853

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, 2012	December 31, 2011 (As restated, Note 2)	January 1, 2011 (As restated, Note 2)	**December 31, 2012**	December 31, 2011 (As restated, Note 2)	January 1, 2011 (As restated, Note 2)
			(In Thousands)			
Loans and receivables						
Cash and cash equivalents*	**₱1,378,019**	₱844,110	₱2,039,267	**₱1,367,506**	₱817,945	₱1,967,385
Trade and other receivables:						
Trade:						
Dealers	**781,535**	537,260	781,519	**609,557**	426,331	509,462
Retailers	**113,405**	155,453	86,574	**54,147**	90,755	19,570
Institutional	**808,664**	622,206	410,079	**736,344**	552,291	320,143
Others	**32,433**	78,042	26,182	**28,622**	10,836	20,336
Restricted cash**	**64,020**	52,128	38,808	**59,455**	47,727	35,729
Total	**₱3,178,076**	₱2,289,199	₱3,382,429	**₱2,855,631**	₱1,945,885	₱2,872,625

(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 minimal.

With respect to credit risk arising from the other financial assets of the Company, which consist of cash and cash equivalents, due from related parties, advances to employees, AFS financial assets, guarantee and refundable deposits, restricted cash, financial assets at FVPL and certain derivative instruments, 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 Deceber 31, 2012 and 2011 and January 1, 2011:

	December 31, 2012					
	Neither Past due nor Impaired			Past Due but not	Past Due and	
	Class A	**Class B**	**Class C**	**Impaired**	**Impaired**	**Total**
			(In Thousands)			
Financial asset at FVPL						
Derivative assets*	**₱6,796**	**₱–**	**₱–**	**₱–**	**₱–**	**₱6,796**
AFS financial assets						
Quoted shares	**176**	–	–	–	–	**176**
Unquoted shares	**3,764**	–	–	–	–	**3,764**
Loans and receivables						
Cash and cash equivalents						
Cash in banks	**721,793**	–	–	–	–	**721,793**
Short-term deposits	**656,226**	–	–	–	–	**656,226**
Trade and other receivables						
Trade						
Dealers	**571,911**	**121,839**	**27,436**	**60,349**	**11,099**	**792,634**
Retailers	**51,847**	**16,922**	**32,867**	**11,769**	**4,937**	**118,342**
Institutional	**290,656**	**135,572**	**206,838**	**175,598**	**49,966**	**858,630**
AFR/RMX/others	–	–	**80,472**	**147,708**	**48,688**	**276,868**
Due from related parties	**4,291**	–	–	–	–	**4,291**
Other receivables	–	–	**32,433**	–	**11,344**	**43,777**
Advances to employees*	–	–	**33,112**	–	–	**33,112**
Restricted cash**	**64,020**	–	–	–	–	**64,020**
Guarantee deposits**	–	–	**30,899**	–	–	**30,899**
Total	**₱2,371,480**	**₱274,333**	**₱444,057**	**₱395,424**	**₱126,034**	**₱3,611,328**

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

	December 31, 2011 (As restated, Note 2)					
	Neither Past due nor Impaired			Past Due but not	Past Due and	
	Class A	Class B	Class C	Impaired	Impaired	Total
			(In Thousands)			
Financial asset at FVPL						
Derivative assets*	₱3,894	₱–	₱–	₱–	₱–	₱3,894
AFS financial assets						
Quoted shares	176	–	–	–	–	176
Unquoted shares	1,764	–	–	–	–	1,764
Loans and receivables						
Cash and cash equivalents						
Cash in banks	470,186	–	–	–	–	470,186
Short-term deposits	408,433	–	–	–	–	408,433
Trade and other receivables						
Trade						
Dealers	446,501	69,819	3,355	17,585	19,352	556,612
Retailers	79,404	32,127	36,629	7,293	3,587	159,040
Institutional	263,190	99,179	114,020	145,817	44,328	666,534
AFR/RMX/others	–	–	127,564	77,428	35,005	239,997
Due from related parties	4,360	–	–	–	–	4,360
Other receivables	–		78,042	–	44,202	122,244
Advances to employees*	–	–	33,373	–	–	33,373
Restricted cash**	52,128	–	–	–	–	52,128
Guarantee deposits***	–	–	49,270	–	–	49,270
Total	₱1,730,036	₱201,125	₱442,253	₱248,123	₱146,474	₱2,768,011

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

	January 1, 2011 (As restated, Note 2)					
	Neither Past due nor Impaired			Past Due but not Impaired	Past Due and Impaired	
	Class A	Class B	Class C			Total
			(In Thousands)			
Financial asset at FVPL						
Derivative assets*	₱6,482	₱–	₱–	₱–	₱–	₱6,482
AFS financial assets						
Quoted shares	176	–	–	–	–	176
Unquoted shares	1,764	–	–	–	–	1,764
Loans and receivables						
Cash and cash equivalents						
Cash in banks	462,716	–	–	–	–	462,716
Short-term deposits	1,576,875	–	–	–	–	1,576,875
Trade and other receivables						
Trade						
Dealers	560,274	159,184	23,197	38,864	23,479	804,998
Retailers	46,981	5,123	31,178	3,292	2,198	88,772
Institutional	77,158	184,962	52,286	95,673	7,989	418,068
AFR/RMX/others	–	–	57,608	41,863	32,255	131,726
Due from related parties	14,344	–	–	–	–	14,344
Other receivables	–		26,182	–	36,411	62,593
Advances to employees*	–	–	40,494	–	–	40,494
Restricted cash**	38,808	–	–	–	–	38,808
Guarantee deposits***	–	–	27,846	–	–	27,846
Total	₱2,785,578	₱349,269	₱258,791	₱179,692	₱102,332	₱3,675,662

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

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 and 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, held for trading financial assets, 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, 2012 and 2011 and January 1, 2011:

	December 31, 2012						
		Neither Past Due nor Impaired	**Past Due but not Impaired**				**Past Due and Impaired**
	Total		**<30 Days**	**30–60 Days**	**61–90 Days**	**91–120 Days**	
				(In Thousands)			
Financial assets at FVPL -							
Derivative assets*	**₱6,796**	**₱6,796**	₱–	₱–	₱–	₱–	₱–
AFS financial assets:							
Quoted shares	**176**	**176**	–	–	–	–	–
Unquoted shares	**3,764**	**3,764**	–	–	–	–	–
Cash and cash equivalents:							
Cash in banks	**721,793**	**721,793**	–	–	–	–	–
Short-term deposits	**656,226**	**656,226**	–	–	–	–	–

(Forward)

	December 31, 2012						
		Neither	Past Due but not Impaired				Past
		Past Due nor				91–	Due and
	Total	Impaired	<30 Days	30–60 Days	61–90 Days	120 Days	Impaired
				(In Thousands)			
Trade and other receivables:							
Trade receivables from:							
Dealers	**₱792,634**	**₱721,186**	**₱52,246**	**₱3,958**	**₱1,545**	**₱2,600**	**₱11,099**
Retailers	**118,342**	**101,636**	**9,625**	**637**	**349**	**1,158**	**4,937**
Institutional	**858,630**	**633,066**	**112,551**	**28,355**	**7,484**	**27,208**	**49,966**
AFR/RMX/ others	**276,868**	**80,472**	**50,636**	**23,676**	**18,507**	**54,889**	**48,688**
Due from related parties	**4,291**	**4,291**	–	–	–	–	–
Others	**43,777**	**32,433**	–	–	–	–	**11,344**
Advances to employees*	**33,112**	**33,112**	–	–	–	–	–
Restricted cash**	**64,020**	**64,020**	–	–	–	–	–
Guarantee deposits**	**30,899**	**30,899**	–	–	–	–	–
Total	**₱3,611,328**	**₱3,089,870**	**₱225,058**	**₱56,626**	**₱27,885**	**₱85,855**	**₱126,034**

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

	December 31, 2011 (As restated, Note 2)						
		Neither	Past Due but not Impaired				Past
		Past Due nor				91–	Due and
	Total	Impaired	<30 Days	30–60 Days	61–90 Days	120 Days	Impaired
				(In Thousands)			
Financial assets at FVPL -							
Derivative assets*	₱3,894	₱3,894	₱–	₱–	₱–	₱–	₱–
AFS financial assets:							
Quoted shares	176	176	–	–	–	–	–
Unquoted shares	1,764	1,764	–	–	–	–	–
Cash and cash equivalents:							
Cash in banks	470,186	470,186	–	–	–	–	–
Short-term deposits	408,433	408,433	–	–	–	–	–
Trade and other receivables:							
Trade receivables from:							
Dealers	556,612	519,675	2,380	8,291	2,069	4,845	19,352
Retailers	159,040	148,160	4,474	1,073	661	1,085	3,587
Institutional	666,534	476,389	58,160	25,926	20,929	40,802	44,328
AFR/RMX/ others	239,997	127,564	24,778	23,880	12,450	16,320	35,005
Due from related parties	4,360	4,360	–	–	–	–	–
Others	122,244	78,042	–	–	–	–	44,202
Advances to employees*	33,373	33,373	–	–	–	–	–
Restricted cash**	52,128	52,128	–	–	–	–	–
Guarantee deposits***	49,270	49,270	–	–	–	–	–
Total	₱2,768,011	₱2,373,414	₱89,792	₱59,170	₱36,109	₱63,052	₱146,474

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

	January 1, 2011 (As restated, Note 2)						
		Neither	Past Due but not Impaired				Past
		Past Due nor				91–	Due and
	Total	Impaired	<30 Days	30–60 Days	61–90 Days	120 Days	Impaired
				(In Thousands)			
Financial assets at FVPL -							
Derivative assets*	₱6,482	₱6,482	₱–	₱–	₱–	₱–	₱–
AFS financial assets:							
Quoted shares	176	176	–	–	–	–	–
Unquoted shares	1,764	1,764	–	–	–	–	–
Cash and cash equivalents:							
Cash in banks	462,716	462,716	–	–	–	–	–
Short-term deposits	1,576,875	1,576,875	–	–	–	–	–

(Forward)

	January 1, 2011 (As restated, Note 2)						
		Neither	Past Due but not Impaired				Past
	Total	Past Due nor Impaired	<30 Days	30–60 Days	61–90 Days	91–120 Days	Due and Impaired
				(In Thousands)			
Trade and other receivables:							
Trade receivables from:							
Dealers	₱804,998	₱742,655	₱19,652	₱630	₱1,457	₱17,125	₱23,479
Retailers	88,772	83,282	2,939	330	23	–	2,198
Institutional	418,068	314,406	25,283	30,101	10,100	30,189	7,989
AFR/RMX/ others	131,726	57,608	21,123	8,761	9,269	2,710	32,255
Due from related parties	14,344	14,344	–	–	–	–	–
Others	62,593	26,182	–	–	–	–	36,411
Advances to employees*	40,494	40,494	–	–	–	–	–
Restricted cash**	38,808	38,808	–	–	–	–	–
Guarantee deposits***	27,846	27,846	–	–	–	–	–
Total	₱3,675,662	₱3,393,638	₱68,997	₱39,822	₱20,849	₱50,024	₱102,332

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

Liquidity Risk

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

The Company maintains sufficient reserves of cash and cash equivalents, which are short-term in nature, and 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, 2012 and 2011 and January 1, 2011, the Company has unutilized credit facilities of ₱2.8 billion, ₱3.7 billion and ₱3.0 billion, respectively.

The tables below summarize the maturity profile of the Company's financial assets used for liquidity management as at December 31, 2012 and 2011 and January 1, 2011:

	December 31, 2012				
	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	**721,793**	**–**	**–**	**–**	**721,793**
Short-term deposits	**–**	**656,226**	**–**	**–**	**656,226**
Trade and other receivables:					
Trade receivables from:					
Dealers	**11,099**	**60,349**	**721,186**	**–**	**792,634**
Retailers	**4,937**	**11,769**	**101,636**	**–**	**118,342**
Institutional	**49,966**	**175,598**	**633,066**	**–**	**858,630**
AFR/RMX/ others	**48,688**	**147,708**	**80,472**	**–**	**276,868**

(Forward)

	December 31, 2012				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**>1 to 5 Years**	**Total**
			(In Thousands)		
Due from related parties	**₱–**	**₱–**	**₱4,291**	**₱–**	**₱4,291**
Other receivables	**11,344**	**–**	**32,433**	**–**	**43,777**
Advances to employees*	**–**	**–**	**33,112**	**–**	**33,112**
Restricted cash**	**–**	**–**	**–**	**64,020**	**64,020**
Guarantee deposits**	**–**	**–**	**–**	**30,899**	**30,899**
Total	**₱847,827**	**₱1,051,650**	**₱1,610,136**	**₱94,919**	**₱3,604,532**

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

	December 31, 2011 (As restated, Note 2)				
	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	–	–	1,764	–	1,764
Loans and receivables:					
Cash and cash equivalents:					
Cash in banks	470,186	–	–	–	470,186
Short-term deposits	–	408,433	–	–	408,433
Trade and other receivables:					
Trade receivables from:					
Dealers	19,352	17,585	519,675	–	556,612
Retailers	3,587	7,293	148,160	–	159,040
Institutional	44,328	145,817	476,389	–	666,534
AFR/RMX/ others	35,005	77,428	127,564	–	239,997
Due from related parties	–	–	4,360	–	4,360
Other receivables	44,202	–	78,042	–	122,244
Advances to employees*	–	–	33,373	–	33,373
Restricted cash**	–	–	–	52,128	52,128
Guarantee deposits***	–	–	–	49,270	49,270
Total	₱616,660	₱656,556	₱1,389,503	₱101,398	₱2,764,117

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

	January 1, 2011 (As restated, Note 2)				
	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	–	–	1,764	–	1,764
Loans and receivables:					
Cash and cash equivalents:					
Cash in banks	462,716	–	–	–	462,716
Short-term deposits	–	1,576,875	–	–	1,576,875
Trade and other receivables:					
Trade receivables from:					
Dealers	23,479	38,864	742,655	–	804,998
Retailers	2,198	3,292	83,282	–	88,772
Institutional	7,989	95,673	314,406	–	418,068
AFR/RMX/ others	32,255	41,863	57,608	–	131,726
Due from related parties	–	–	14,344	–	14,344
Other receivables	36,411	–	26,182	–	62,593
Advances to employees*	–	–	40,494	–	40,494
Restricted cash**	–	–	–	38,808	38,808
Guarantee deposits***	–	–	–	27,846	27,846
Total	₱565,048	₱1,756,567	₱1,280,911	₱66,654	₱3,669,180

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

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2012 and 2011 and January 1, 2011 based on contractual undiscounted payments:

	December 31, 2012				
	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	**₱1,584,031**	**₱–**	**₱–**	**₱–**	**₱1,584,031**
Nontrade payables	**1,130,774**	**–**	**–**	**–**	**1,130,774**
Due to related parties	**620,348**	**–**	**–**	**–**	**620,348**
Advances from custmers	**275,265**	**–**	**–**	**–**	**275,265**
Accrued electricity	**178,916**	**–**	**–**	**–**	**178,916**
Accrued interest	**21,151**	**–**	**–**	**–**	**21,151**
Total	**₱3,810,485**	**₱–**	**₱–**	**₱–**	**₱3,810,485**

	December 31, 2011 (As restated, Note 2)				
	On Demand	Less than 3 Months	3 to 12 Months	>1 to 5 Years	Total
			(In Thousands)		
Other financial liabilities:					
Notes payable	₱–	₱1,007,625	₱–	₱–	₱1,007,625
Long-term debt (including interest) -					
Fixed	–	73,339	215,181	759,178	1,047,698
Trade and other payables:					
Trade	1,429,742	–	–	–	1,429,742
Nontrade payables	682,211	–	–	–	682,211
Due to related parties	338,178	–	–	–	338,178
Advances from customers	223,347	–	–	–	223,347
Accrued electricity	197,762	–	–	–	197,762
Accrued interest	11,485	–	–	–	11,485
Total	₱2,882,725	₱1,080,964	₱215,181	₱759,178	₱4,938,048

	January 1, 2011 (As restated, Note 2)				
	On Demand	Less than 3 Months	3 to 12 Months	>1 to 5 Years	Total
			(In Thousands)		
Derivatives designated as cash flow hedge -					
Derivative liabilities	₱–	₱–	₱–	₱118,124	₱118,124
Other financial liabilities:					
Long-term debt (including interest) -					
Fixed	–	135,395	455,454	2,136,820	2,727,669
Floating	–	–	743,789	–	743,789
Trade and other payables:					
Trade	350,400	932,013	789	–	1,283,202
Nontrade payables	230,701	427,109	–	–	657,810
Due to related parties	269,993	118,929	641	–	389,563
Advances from customers	156,165	–	–	–	156,165
Accrued electricity	88,563	–	–	–	88,563
Accrued interest	–	30,433	–	–	30,433
Other payables	38,166	–	–	–	38,166
Total	₱1,133,988	₱1,643,879	₱1,200,673	₱2,254,944	₱6,233,484

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 is calculated as net financial debt divided by total equity in the consolidated balance sheets as shown in the table below:

	December 31		January 1
	2012	2011 (As restated, Note 2)	2011 (As restated, Note 2)
		(In Thousands)	
Notes payable	**₱–**	₱1,000,000	₱–
Long-term debt	**–**	974,888	3,186,228
Customers' deposits*	**384,726**	369,740	428,898
Financial debt	**384,726**	2,344,628	3,615,126
Less cash and cash equivalents	**1,378,382**	879,047	2,040,091
Net financial debt (asset)	**(993,656)**	1,465,581	1,575,035
Total equity	**20,725,224**	18,714,032	19,259,046
Gearing ratio	**(5%)**	8%	8%

**Included as part of "Trade and other payables"*

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

The net financial debt decreased by 6.9% in 2011 as a consequence of repayment of outstanding notes payable and maturing long term debt. Total equity likewise decreased by 2.8% in 2011 on account of lower net income with the same level of dividend declaration in 2010.

In 2012, the Company repaid its long-term debt resulting in a net financial asset. Total equity increased by 10.7% as a result of improvement in operating results for the year.

17. Financial Assets and Liabilities

Fair Value of Financial Instruments

The estimated fair value of each class of the Company's financial instruments except long-term debt, is equal to their carrying amount as at December 31, 2012 and 2011 and January 1, 2011. 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, 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 of end of each reporting period.

Derivative Assets and Liabilities. The fair values of the embedded currency forwards are calculated by reference to current forward exchange rates while the fair value of cross-currency swaps are based on market values provided by counterparty banks.

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 impairment.

Guarantee Deposits. These are carried at cost since there is no reliable source of fair value and no definite date as to when these deposits will be refunded to or from the Company.

Long-term Debt. Fair value is based on the following:

Debt Type	Fair Value Assumptions
Fixed rate loans	Estimated fair value is based on the discounted value of future cash flows using discount rates ranging from 2.8% to 4.0% in 2011 and 2.2% to 5.0% in 2010 for similar types of loans.
Floating rate loans	The carrying value approximates fair value because of recent and regular (i.e. quarterly) repricing based on prevailing market rates.

The carrying amount and fair value of the Company's long-term debt as at December 31, 2011 and January 1, 2011 are as follows (in thousands):

	December 31, 2011		January 1, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Fixed	₱974,888	₱1,009,780	₱2,442,439	₱2,481,564
Floating	–	–	743,789	743,789
	₱974,888	₱1,009,780	₱3,186,228	₱3,225,353

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 December 31, 2012 and 2011:

	December 31, 2012			December 31, 2011		
	Level 1[(1)]	**Level 2[(2)]**	**Total**	Level 1[(1)]	Level 2[(2)]	Total
			(In Thousands)			
Financial Assets at FVPL						
Derivative financial assets	**₱–**	**₱6,796**	**₱6,796**	₱–	₱3,894	₱3,894
AFS financial assets -						
Quoted equity securities	**176**	**–**	**176**	176	–	176
Total	**₱176**	**₱6,796**	**₱6,972**	₱176	₱3,894	₱4,070

[(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.*

As at December 31, 2012 and 2011 and January 1, 2011, 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 2012, 2011 and 2010.

Derivative Financial Instruments
Information about the derivative financial instruments as at December 31, 2012 and 2011 and January 1, 2011 are as follows:

	Notional Amount	Fair Value Gains (Losses) **December 31, 2012**	December 31, 2011	January 1, 2011
			(In Thousands)	
Cash flow hedges				
Long-term cross-currency swaps	US$17,000	**₱–**	₱–	(₱118,124)
Transactions not designated as hedges				
Currency forwards embedded in purchase orders:				
2012	159,249	**6,796**	–	–
2011	3,074	–	3,894	–
2010	22,336	–	–	6,482
	US$184,659	**₱6,796**	₱3,894	(₱111,642)
Presented as:				
Derivative assets - current [(a)]		**₱6,796**	₱3,894	₱6,482
Derivative liabilities - noncurrent		–	–	(118,124)
		₱6,796	₱3,894	(₱111,642)

[(a)] *Included as part of "Other current assets" account in the consolidated balance sheets.*

The net movements in fair value changes of all derivative instruments for the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
	(In Thousands)	
Balance at beginning of year	**₱3,894**	**(₱111,642)**
Net changes in fair value of derivatives:		
Designated as accounting hedges	**–**	**10,657**
Not designated as accounting hedges [included under "Foreign exchange gains (losses) - net "]	**2,902**	**2,588**
	2,902	**13,245**
Less fair value of settled instruments:		
Designated as accounting hedges	**–**	**(99,351)**
Not designated as accounting hedges	**–**	**4,848**
	–	**(94,503)**
Balance at end of year	**₱6,796**	**₱3,894**

Cash Flow Hedges
In 2006, HPI entered into two principal only cross-currency swap agreements with foreign banks to hedge the foreign exchange volatility from its entire loan with Cemasco B.V. (see Note 15). Under the terms of the agreements, HPI effectively converted its US dollar loan into a Philippine peso loan whereby at inception, it agreed to swap US dollar principal equal to the face amount of the loan for its agreed Philippine peso equivalent (₱851.7 million) with the counterparty banks and to exchange at maturity date, October 6, 2011, the principal amounts originally swapped. The agreement also requires HPI to pay quarterly interest at a rate of 2.45% per annum on the Philippine peso principal to the counterparty banks up to October 6, 2011.

As at December 31, 2011, the hedged loan was fully paid off and the cross-currency swaps already matured. The cross-currency swaps have an aggregate outstanding notional balance of US$17.0 million as of January 1, 2011 and a weighted average swap exchange rate of

₱43.84 in 2010. The fair values of the outstanding swaps resulted in a derivative liability of ₱118.1 million as at January 1, 2011.

Hedge Effectiveness Results
Since the critical terms of the cross-currency swaps and the hedged loan coincide, the hedges were assessed to be perfectly effective. As such, there was no hedge ineffectiveness recognized in profit or loss for the year ended December 31, 2011.

As at January 1, 2011, the effective fair value changes on the Company's cash flow hedges that were deferred in other comprehensive income amounted to (₱7.1) million, net of tax.

The net movements in "Cash flow hedge reserve" account for the Company's cash flow hedges follow:

	2011	2010
Balance at beginning of year	(₱7,149)	₱8,346
Effective portion of changes in fair value of cash flow hedges	27,909	(86,650)
Transferred to profit or loss	(17,696)	64,515
Tax effect of changes in fair value of cash flow hedges	(3,064)	6,640
Balance at end of year	₱–	(₱7,149)

Of the amount transferred to profit or loss, ₱16,056 and (₱21,272) are included under "Interest and financing charges" in 2011 and 2010, respectively, while ₱1,640 and (₱43,243) are included under "Foreign exchange gains (losses) - net" in 2011 and 2010, respectively.

18. **Provisions**

	2012	2011
	(In Thousands)	
Provision for site restoration costs	**₱138,903**	₱128,242
Other provisions	**49,172**	37,817
	₱188,075	₱166,059

The Company's adoption of PFRS 11 (see Note 2) did not result in the restatement of the Company's provisions as at December 31, 2011 and January 1, 2011.

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, 2012 and 2011 are as follows:

	2012	2011
	(In Thousands)	
Balance at beginning of year	**₱128,242**	₱88,285
Addition	**14,897**	44,040
Accretion and other adjustments	**(4,236)**	(4,083)
Balance at end of year	**₱138,903**	₱128,242

Additions represent new provisions for site restoration costs for the year.

The accretion is presented as part of "Interest and financing charges" in the consolidated statements of income (see Note 25).

Other provisions

Other provisions pertain to provisions for probable claims and other litigations involving the Company. The timing of the cash outflows of these provisions is uncertain as it depends upon the outcome of the Company's negotiations and/or legal proceedings, which are currently ongoing with the parties involved.

In 2012 and 2011, additional provision amounted to ₱35.2 million and ₱20.6 million, respectively and reversal of provisions recognized in prior years amounted to ₱23.8 in 2012 (nil in 2011). The additional provision, net of reversal, is presented under "General and administrative expenses - Others" in the consolidated statements of income (see Note 21).

19. **Equity**

a. Capital Stock

The composition of the Parent Company's capital stock is as follows:

	Number of Shares
Authorized - ₱1 par value	
Preferred shares	20,000,000
Common shares	9,980,000,000
Issued - Common shares	6,452,099,144

The preferred shares are cumulative and nonparticipating and entitled to preferential dividend rate when declared by the BOD of the Parent Company. There were no preferred shares issued and outstanding as at December 31, 2012 and 2011 and January 1, 2011.

The Parent Company's common shares were registered/listed on June 17, 1996. Total shares registered and outstanding as at December 31, 2012 is 6.5 billion. These shares are held by 5,818 and 6,012 stockholders as at December 31, 2012 and 2011, respectively. There have been no recent changes in the number of shares registered and outstanding.

b. Retained Earnings

The Parent Company's retained earnings available for dividend declaration as at December 31, 2012 amounted to ₱4.2 billion based on the guidelines set in the Securities Regulation Code Rule 68, As Amended (2011).

Cash dividends declared are as follows:

	2012	2011	2010
Cash dividend per share	**₱0.25**	₱0.40	₱0.40
Amount declared	**₱1.6 billion**	₱2.6 billion	₱2.6 billion
Declaration date	**May 17, 2012**	May 12, 2011	May 04, 2010
Record date	**June 11, 2012**	May 26, 2011	June 03, 2010

20. Cost of Sales

	2012	2011 (As restated, Note 2)	2010 (As restated, Note 2)
		(In Thousands)	
Power and fuel (Note 26)	**₱6,686,784**	₱6,263,258	₱5,907,932
Raw, packaging and production materials (Note 26)	**5,352,630**	2,838,123	2,424,306
Transportation and communications	**2,166,403**	1,875,821	1,703,253
Personnel (Notes 23 and 28)	**1,485,034**	1,182,820	1,335,318
Repairs and maintenance	**1,423,446**	1,475,102	1,827,536
Depreciation, amortization and depletion (Note 24)	**1,418,070**	1,343,531	1,297,408
Outside services (Note 26)	**824,576**	861,495	768,306
Taxes and licenses	**250,530**	227,423	378,060
Insurance	**169,768**	162,716	166,011
Rent (Note 29)	**81,535**	109,934	70,686
Others (Note 6)	**332,956**	782,911	690,614
	₱20,191,732	₱17,123,134	₱16,569,430

21. General and Administrative Expenses

	2012	2011 (As restated, Note 2)	2010 (As restated, Note 2)
		(In Thousands)	
Personnel (Notes 23 and 28)	**₱565,264**	₱358,421	₱450,397
Outside services	**359,028**	312,046	198,767
Office expenses	**96,274**	104,151	121,806
Software implementation costs (Note 26)	**84,977**	83,753	75,504
Depreciation (Note 24)	**43,355**	42,415	32,701

(Forward)

	2012	2011 (As restated, Note 2)	2010 (As restated, Note 2)
		(In Thousands)	
Transportation and communications	**₱22,811**	₱26,930	₱31,073
Taxes and licenses	**13,715**	24,521	27,215
Directors' fees	**16,567**	11,731	9,852
Entertainment, amusement and recreation	**1,563**	1,872	3,386
Others (Notes 18 and 26)	**81,825**	76,732	58,672
	₱1,285,379	₱1,042,572	₱1,009,373

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

22. Selling Expenses

	2012	2011	2010
		(In Thousands)	
Personnel (Notes 23 and 28)	**₱176,581**	₱139,029	₱153,527
Advertising	**86,359**	83,138	75,244
Provision for doubtful accounts (Note 5)	**36,894**	45,548	19,114
Outside services	**35,493**	38,846	30,754
Transportation and communications	**34,050**	37,211	30,237
Office expenses	**21,040**	24,090	18,973
Depreciation (Note 24)	**13,414**	10,919	7,098
Taxes and licenses	**9,362**	11,145	12,674
Others	**22,154**	28,837	14,860
	₱435,347	₱418,763	₱362,481

The Company's adoption of PFRS 11 (see Note 2) did not result in the restatement of the Company's selling expenses for the years ended December 31, 2011 and 2010.

23. Personnel Expenses

	2012	2011 (As restated, Note 2)	2010 (As restated, Note 2)
		(In Thousands)	
Salaries, wages and employee benefits	**₱1,695,105**	₱1,156,055	₱1,534,776
Retirement benefit costs (Note 28)	**108,514**	135,150	101,711
Training	**74,130**	74,628	78,233
Others	**349,130**	314,437	224,522
	₱2,226,879	₱1,680,270	₱1,939,242

24. **Depreciation, Amortization and Depletion**

	2012	2011 (As restated, Note 2)	2010 (As restated, Note 2)
		(In Thousands)	
Property, plant and equipment (Note 10):			
Cost of sales	**₱1,414,593**	₱1,343,391	₱1,294,325
General and administrative expenses	**43,355**	42,415	32,701
Selling expenses	**13,414**	10,919	7,098
	1,471,362	1,396,725	1,334,124
Intangible assets (Note 11) - Cost of sales	**3,477**	140	3,083
	₱1,474,839	₱1,396,865	₱1,337,207

25. **Interest and Financing Charges and Others - Net**

Details of interest and financing charges are as follows:

	2012	2011 (As restated, Note 2)	2010 (As restated, Note 2)
		(In Thousands)	
Interest and amortization of debt issue costs on:			
Notes payable (Note 13)	**₱3,537**	₱29,109	₱15,581
Long-term debt (Note 15)	**55,292**	127,990	214,924
Accretion of provision for site restoration cost and others (Note 18)	**(3,812)**	(392)	3,710
	₱55,017	₱156,707	₱234,215

Details of others - net are as follows:

	2012	2011 (As restated, Note 2)	2010 (As restated, Note 2)
		(In Thousands)	
Trademark fees (Note 26)	**₱191,441**	₱167,612	₱151,456
By products and other revenue	**(144,266)**	(77,957)	(43,743)
Gain on sale of property and equipment	**(19,831)**	(38,710)	(2,445)
Others	**(24,113)**	11,383	10,866
	₱3,231	₱62,328	₱116,134

26. **Related Party Transactions**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. 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:

Subsidiaries of Holcim Ltd. (through Holderfin B.V.), a stockholder of HPI:

- Holcim Trading Pte. Ltd., Singapore (Holcim Trading)
- Holcim IP Ltd., Switzerland (HIPL)
- Holcim Group Support Ltd., Switzerland (HGRS)
- Holcim Services (Asia) Ltd., Thailand (HSEA)
- Other Holcim Group Affiliates

Holcim Trading
The Company imports clinker and raw materials, such as gypsum and granulated blast furnace slag. Total purchases from Holcim Trading amounted to ₱175.5 million, ₱14.9 million and ₱76.3 million in 2012, 2011 and 2010, respectively. The Company also sold cement to Holcim Trading totaling ₱60.4 million and ₱84.3 million in 2011 and 2010, respectively.

HIPL
As a consideration for the use of the "Holcim" trademark, the Company pays trademark license fees to HIPL. based on 0.7% of net sales to third parties. Trademark fees amounted to ₱191.4 million, ₱167.6 million and ₱151.5 million in 2012, 2011 and 2010, respectively (see Note 25).

HGRS
The Company derives technical support for operations. Technical assistance fees, shown as part of "Outside Services" account in Cost of Sales, amounted to ₱256.6 million, ₱236.3 million and ₱257.6 million in 2012, 2011 and 2010, respectively, based on 1.25% of net sales to third parties, less distribution costs (see Note 20). HGRS also bills the Company for services rendered pertaining to financial reporting, employee development programs and consultations.

Industrial Franchise Fee (IFF)
The Trademark Agreement and Technical Support Agreement with HIPL and HGRS, expired on December 31, 2012. Effective January 1, 2013, a new contract with Holcim Technology Ltd will come into force introducing the application of new IFF. The basis for charge is different from the previous agreement and a direct comparison is not possible. The new agreement is aligned with Organization for Economic Co-operation and Development (OECD) principles and takes in to account arms 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. The implementation of the new agreement will eliminate the separate charging for services provided by HGRS and HIPL over and above the Trademark Agreement and Technical Support Agreement, under the prevailing system. This new agreement is separate with the existing agreement with HSEA for information technology related service.

The new agreement will provide more opportunity to the Company to obtain more value adding services from Holcim Technology Ltd to improve many operational aspects of the Company without getting separate charges for it.

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. Total expenses for services provided, which are mostly shown as part of the "Software Implementation Costs" account in General and Administrative Expenses, amounted to ₱98.0 million, ₱73.5 million and ₱70.0 million in 2012, 2011 and 2010, respectively (see Note 21). The revenues amounting to ₱11.1 million, ₱10.7 million and ₱11.5 million in 2012, 2011 and 2010, respectively, represent manpower services provided by the Company to HSEA.

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.

Cemco Holdings, Inc. (Cemco) and Clinco
Cemco is a subsidiary of Clinco. Clinco is the Philippine-domiciled ultimate parent company of HPI. The Company grants noninterest bearing advances to Cemco and Clinco for working capital requirements.

UCHC
In June 2012, the Company availed of a short-term loan from UCHC amounting to ₱700.0 million, bearing interest of 3.5% per annum. As of December 31, 2012, the loan was fully paid. Interest expense amounted to ₱3.4 million in 2012.

TA Power
On December 14, 2007, the Company, TA Oil, and TA Power entered into a memorandum of agreement (MOA) for the supply of power to both the Bulacan and La Union plants. Subsequently, on January 12, 2010, an amendment to the MOA was signed to set the rates for the years 2010 to 2013. Collectively, the following are the major provisions:

- TA Power shall supply exclusively the electricity requirements of the Bulacan plant until 2013. TA Oil, acting as a retail electricity supplier, shall exclusively supply all the electricity requirements of the Company's cement plant in La Union until 2013.
- TA Oil and TA Power guarantee to cover all of the Company's electricity requirements for both the La Union and Bulacan plants until 2013.
- For electricity supplied under the said MOA, both the Bulacan and La Union plants pay electricity fees computed according to time-of-use (TOU) rates.
- Total purchases made amounted to ₱1.5 billion, ₱1.4 billion and ₱1.2 billion in 2012, 2011 and 2010, respectively.

Retirement Benefit Funds
a. As of December 31, 2012, HPI's defined benefit retirement fund has investments in HPI's shares with a cost of ₱6.7 million. The retirement benefit fund's total gains arising from the changes in market prices amounted to ₱19.2 million in 2012.

b. HPMC's retirement benefit fund (the "Fund") has investments in shares of stock of Clinco. As of December 31, 2012, the Fund has a total subscription of ₱39.8 million in Clinco's common shares while its total subscription payable amounted to ₱29.4 million. All of the Fund's investing decisions are made by the Board of Trustees which is composed of certain officers of HPI. The power to exercise the voting rights rests with the Board of Trustees.

The following table summarizes the related party transactions for each of the three years in the period ended December 31, 2012:

	2012		2011		2010	
	Revenues	**Purchases and/or Expenses**	Revenues	Purchases and/or Expenses	Revenues	Purchases and/or Expenses
			(In Thousands)			
Holcim Trading	**₱–**	**₱175,473**	₱60,382	₱14,862	₱84,270	₱76,326
HIPL	**–**	**191,441**	–	167,612	–	151,456
HGRS	**202**	**414,079**	706	472,007	3,458	456,823
HSEA	**11,087**	**97,984**	10,746	73,469	11,479	69,993
TA Power	**3,505**	**1,466,324**	3,040	1,395,282	4,934	1,205,815
Other Holcim Group Affiliates	**–**	**4,861**	2,163	4,111	142	3,521
	₱14,794	**₱2,350,162**	₱77,037	₱2,127,343	₱104,283	₱1,963,934

The following is a summary of the outstanding balances as at December 31, 2012 and 2011 and January 1, 2011 of the transactions entered into with related parties:

	Due to Related Parties (Note 14)			Due from Related Parties (Note 5)		
	2012	2011 (As restated, Note 2)	2011 (As restated, Note 2)	**2012**	2011 (As restated, Note 2)	2011 (As restated, Note 2)
			(In Thousands)			
Holcim Trading	**₱165,498**	₱14,071	₱–	**₱–**	₱–	₱–
HIPL	**183,109**	150,094	128,205	**–**	–	–
HGRS	**147,758**	104,564	147,613	**659**	–	1,541
HSEA	**19,833**	543	–	**2,187**	2,846	425
TA Power	**103,766**	68,015	108,275	**–**	–	–
Cemco	**–**	–	–	**–**	–	5,623
Clinco	**–**	–	–	**–**	–	4,382
Other Holcim Group Affiliates	**384**	891	5,470	**1,445**	1,514	2,373
	₱620,348	₱338,178	₱389,563	**₱4,291**	₱4,360	₱14,344

Terms and Conditions of Transactions with Related Parties. Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. As at December 31, 2012 and 2011 and January 1, 2011, the Company has not recognized any impairment losses of 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 relate 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:

	2012	2011	2010
		(In Thousands)	
Short-term employee benefits	**₱129,870**	₱118,624	₱104,484
Retirement benefits cost	**13,698**	14,103	18,194
	₱143,568	₱132,727	₱122,678

27. Income Tax

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

	2012	2011 (As restated, Note 2)	2010 (As restated, Note 2)
		(In Thousands)	
Income before income tax	**₱5,203,676**	₱2,861,551	₱5,445,376
Income tax at statutory income tax rate	**₱1,561,103**	₱858,465	₱1,633,613
Change in unrecognized deferred income tax assets	**60**	(24,623)	6,176
Income tax effects of:			
Use of OSD	**(38,275)**	(1,080)	(41,454)
Nondeductible expenses	**48,331**	17,061	65,097
Income not subject to income tax	**(1)**	(9,548)	–
Interest income subjected to lower tax rates	**(5,277)**	(8,952)	(12,134)
Others	**10,279**	1,217	(52,857)
Income tax at effective tax rate	**₱1,576,220**	₱832,540	₱1,598,441

The components of the Company's net deferred income tax assets and net deferred income tax liabilities as at December 31, 2012 and 2011 and January 1, 2011 are as follows:

	December 31		January 1
	2012	2011 (As restated, Note 2)	2011 (As restated, Note 2)
		(In Thousands)	
Net deferred income tax assets:			
Deferred income tax assets			
Provision for bonus accrual	**₱96,203**	₱23,608	₱70,289
Allowances for:			
Impairment losses on property, plant and equipment	**79,693**	76,706	87,615

(Forward)

	December 31		January 1
	2012	2011 (As restated, Note 2)	2011 (As restated, Note 2)
		(In Thousands)	
Decline in value of inventories	**₱64,404**	₱57,492	₱64,337
Doubtful accounts	**36,654**	42,820	28,520
Accrued expenses	**65,527**	11,464	–
Provision for site restoration costs	**33,656**	38,472	20,792
Unamortized past service costs	**13,814**	34,376	20,360
Retirement benefit liability	**5,336**	29,453	–
Unamortized interest income	**1,099**	1,499	1,961
Unamortized deferred charges	**–**	24,677	–
Unearned rent revenue	**–**	12,576	56,374
Retrenchment cost	**–**	12,157	–
Unrealized foreign exchange losses	**–**	2,971	1,011
Others	**12,005**	2,267	9,598
	408,391	370,538	360,857
Deferred income tax liabilities			
Capitalized cost property, plant and equipment from insurance proceeds	**173,268**	187,241	201,213
Unamortized amount of capitalized land site restoration costs	**74,663**	77,415	58,151
Undepreciated capitalized borrowing costs	**10,235**	88,205	26,446
Others	**–**	–	351
	258,166	352,861	286,161
Deferred income tax assets - net	**₱150,225**	₱17,677	₱74,696
Net deferred income tax liabilities:			
Deferred income tax assets			
Unamortized deferred charges	**₱21,151**	₱–	₱13,911
Retirement benefit liability	**16,252**	–	21,398
Provision for bonus accrual	**8,715**	–	10,335
Unamortized past service cost	**7,471**	–	22,028
Provision for site restoration costs	**4,809**	–	5,693
Allowances for:			
Impairment losses on property, plant and equipment	**1,569**	–	1,569
Doubtful accounts	**1,084**	–	1,084
Unrealized foreign exchange losses	**57**	–	117
	61,108	–	76,135

(Forward)

	December 31		January 1
	2012	2011 (As restated, Note 2)	2011 (As restated, Note 2)
		(In Thousands)	
Deferred income tax liabilities			
Undepreciated capitalized borrowing costs	**₱65,406**	₱–	₱73,701
Unamortized amount of capitalized land site restoration cost	**14,537**	–	19,487
Others	**2,684**	–	–
	82,627	–	93,188
Deferred income tax liabilities - net	**₱21,519**	₱–	₱17,053

Deferred income taxes for temporary differences for HPMC affecting gross income were recognized using the effective tax rate of 18% as HPMC availed of OSD as its method of deduction for income tax purposes. Management forecasts that they will be using OSD in the next five 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.

	2012	2011 (As restated, Note 2)	2010 (As restated, Note 2)
		(In Thousands)	
NOLCO	**₱73,261**	₱58,431	₱13,492
MCIT	**357**	188	2,970
Allowances for:			
Doubtful accounts	**240**	240	240
Impairment losses on property, plant and equipment	**–**	–	17,300
	₱73,858	₱58,859	₱34,002
Unrecognized deferred income tax assets	**₱22,407**	₱17,789	₱12,280

MCIT totaling ₱0.4 million can be deducted against RCIT due while NOLCO totaling ₱73.3 million can be claimed as deduction against future taxable income as follows:

Date Incurred	Expiry Date	MCIT	NOLCO
		(In Thousands)	
December 31, 2012	December 31, 2015	₱186	₱21,635
December 31, 2011	December 31, 2014	135	32,822
December 31, 2010	December 31, 2013	36	18,804
		₱357	₱73,261

In 2012 and 2011, the current provision for income tax represents RCIT of the Parent Company, HPMC and Mabini, and MCIT of HMDC and CACI. In 2012, the NOLCO of BPI amounting to ₱0.3 million was applied against taxable income subject to regular income tax due.

28. **Retirement Benefit Costs**

Defined Benefit Retirement Plan
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.

The following tables summarize the components of retirement benefit costs, the unfunded status and the amounts recognized as retirement benefit liability of HPI and HPMC:

Details of retirement benefit cost are as follows:

	2012		
	HPI	**HPMC**	**Total**
		(In Thousands)	
Current service cost	**₱41,100**	**₱19,055**	**₱60,155**
Interest cost	**39,050**	**25,390**	**64,440**
Expected return on plan assets	**(46,172)**	**(17,348)**	**(63,520)**
Amortization of past service costs	**149**	**3,305**	**3,454**
Net actuarial loss recognized	**–**	**1,110**	**1,110**
Curtailment loss	**541**	**1,080**	**1,621**
Retirement benefit costs	**₱34,668**	**₱32,592**	**₱67,260**

	2011 (As restated, Note 2)		
	HPI	HPMC	Total
		(In Thousands)	
Current service cost	₱42,406	₱23,066	₱65,472
Interest cost	40,029	29,314	69,343
Expected return on plan assets	(46,599)	(22,395)	(68,994)
Amortization of past service costs	149	3,871	4,020
Net actuarial loss recognized	939	3,578	4,517
Curtailment loss	–	12,335	12,335
Retirement benefit costs	₱36,924	₱49,769	₱86,693

	2010 (As restated, Note 2)		
	HPI	HPMC	Total
		(In Thousands)	
Current service cost	₱30,491	₱17,526	₱48,017
Interest cost	37,518	26,491	64,009
Expected return on plan assets	(34,497)	(17,595)	(52,092)
Amortization of past service costs	149	3,871	4,020
Retirement benefit costs	₱33,661	₱30,293	₱63,954

The reconciliation of unfunded status and retirement benefit liability are as follows:

	December 31, 2012		
	HPI	**HPMC**	**Total**
		(In Thousands)	
Present value of benefit obligation	**₱689,295**	**₱432,044**	**₱1,121,339**
Fair value of plan assets	**(543,161)**	**(214,259)**	**(757,420)**
Unfunded status	**146,134**	**217,785**	**363,919**
Unrecognized net actuarial losses	**(127,099)**	**(109,415)**	**(236,514)**
Unrecognized past service costs	**(1,248)**	**(18,080)**	**(19,328)**
Retirement benefit liability	**₱17,787**	**₱90,290**	**₱108,077**

	December 31, 2011 (As restated, Note 2)		
	HPI	HPMC	Total
		(In Thousands)	
Present value of benefit obligation	₱537,161	₱437,824	₱974,985
Fair value of plan assets	(477,102)	(270,155)	(747,257)
Unfunded status	60,059	167,669	227,728
Unrecognized net actuarial losses	(49,628)	(57,141)	(106,769)
Unrecognized past service costs	(1,397)	(21,385)	(22,782)
Retirement benefit liability	₱9,034	₱89,143	₱98,177

	January 1, 2011 (As restated, Note 2)		
	HPI	HPMC	Total
		(In Thousands)	
Present value of benefit obligation	₱547,241	₱418,618	₱965,859
Fair value of plan assets	(478,098)	(234,043)	(712,141)
Unfunded status	69,143	184,575	253,718
Unrecognized net actuarial losses	(68,767)	(84,334)	(153,101)
Unrecognized past service costs	(1,546)	(28,913)	(30,459)
Retirement benefit liability (asset)	(₱1,170)	₱71,328	₱70,158

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

	December 31, 2012		
	HPI	**HPMC**	**Total**
		(In Thousands)	
Balance at beginning of year	**₱537,161**	**₱437,824**	**₱974,985**
Current service cost	**41,100**	**19,055**	**60,155**
Interest cost	**39,050**	**25,390**	**64,440**
Benefits paid	**(37,923)**	**(108,619)**	**(146,542)**
Actuarial loss	**109,366**	**57,314**	**166,680**
Curtailment loss	**541**	**1,080**	**1,621**
Balance at end of year	**₱689,295**	**₱432,044**	**₱1,121,339**

	December 31, 2011 (As amended, Note 2)		
	HPI	HPMC	Total
	(In Thousands)		
Balance at beginning of year	₱547,241	₱418,618	₱965,859
Current service cost	42,406	23,066	65,472
Interest cost	40,029	29,314	69,343
Benefits paid	(63,450)	(9,664)	(73,114)
Actuarial gain	(29,065)	(33,490)	(62,555)
Curtailment loss	–	9,980	9,980
Balance at end of year	₱537,161	₱437,824	₱974,985

	January 1, 2011 (As amended, Note 2)		
	HPI	HPMC	Total
	(In Thousands)		
Balance at beginning of year	₱429,616	₱315,210	₱744,826
Interest cost	37,518	26,491	64,009
Current service cost	30,491	17,526	48,017
Benefits paid	(65,866)	(26,683)	(92,549)
Actuarial loss	115,482	86,074	201,556
Balance at end of year	₱547,241	₱418,618	₱965,859

Changes in the fair value of plan assets are as follows:

	December 31, 2012		
	HPI	**HPMC**	**Total**
	(In Thousands)		
Balance at beginning of year	**₱477,102**	**₱270,155**	**₱747,257**
Expected return on plan assets	**46,172**	**17,348**	**63,520**
Contributions	**25,915**	**31,445**	**57,360**
Benefits paid	**(37,923)**	**(108,619)**	**(146,542)**
Actuarial gain on plan assets	**31,895**	**3,930**	**35,825**
Balance at end of year	**₱543,161**	**₱214,259**	**₱757,420**
Actual return on plan assets	**₱78,067**	**₱21,278**	**₱99,345**

	December 31, 2011 (As restated, Note 2)		
	HPI	HPMC	Total
	(In Thousands)		
Balance at beginning of year	₱478,098	₱234,043	₱712,141
Expected return on plan assets	46,599	22,395	68,994
Contributions	26,721	31,953	58,674
Benefits paid	(63,450)	(9,664)	(73,114)
Actuarial loss on plan assets	(10,866)	(8,572)	(19,438)
Balance at end of year	₱477,102	₱270,155	₱747,257
Actual return on plan assets	₱35,733	₱13,823	₱49,556

	January 1, 2011 (As restated, Note 2)		
	HPI	HPMC	Total
	(In Thousands)		
Balance at beginning of year	₱413,250	₱203,796	₱617,046
Expected return on plan assets	34,497	17,595	52,092
Contributions	35,302	31,322	66,624
Benefits paid	(65,866)	(26,683)	(92,549)
Actuarial gain on plan assets	60,915	8,013	68,928
Balance at end of year	₱478,098	₱234,043	₱712,141
Actual return on plan assets	₱95,412	₱25,608	₱121,020

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 2013 to March 2027;
- 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 February 2013 to November 2014; and
- Investments in equity securities; which consist of unlisted and actively traded securities of banks, holding firms and companies engaged in construction, transportation, mining and oil, telecommunications, food and beverage and other services.

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

	2012		2011		2010	
	HPI	**HPMC**	HPI	HPMC	HPI	HPMC
Cash	**0.2%**	**2.4%**	0.1%	1.1%	0.1%	–
Investments in debt and fixed income securities	**53.7%**	**69.6%**	57.5%	72.5%	60.0%	60.9%
Investment in listed and unlisted equity securities	**45.8%**	**26.8%**	41.7%	26.4%	39.2%	32.7%
Investments in temporary placements	**–**	**–**	–	–	–	4.5%
Receivables	**0.3%**	**1.2%**	0.7%	–	0.7%	1.9%
	100.0%	**100.0%**	100.0%	100.0%	100.0%	100.0%

The Company expects to contribute ₱35.5 million and ₱31.4 million to its defined retirement benefit pension plans in HPI and HPMC, respectively, in 2013.

The present value of defined benefit obligation, fair value of plan assets, unfunded and funded status and experience adjustments arising from plan assets and liabilities for the current period and the previous four annual periods are as follows:

	2012	2011	2010	2009	2008
Present value of defined benefit obligation	**₱1,121,339**	₱974,985	₱965,859	₱760,202	₱348,250
Plan assets	**(757,420)**	(747,257)	(712,141)	(634,207)	(539,670)
Unfunded status	**363,919**	227,728	253,718	125,995	(191,420)
Experience adjustments - gain (loss):					
Plan assets	**35,825**	(19,438)	68,928	(29,018)	(68,059)
Plan liabilities	**3,757**	(20,759)	13,252	(708)	4,915

The principal assumptions used in determining retirement benefit liability of HPI and HPMC as at December 31 are as follows:

	2012	2011	2010
Discount rates:			
HPI	**5.7%**	7.5%	7.5%
HPMC	**5.5%**	7.3%	7.3%
Expected rate of return on plan assets:			
HPI	**8.5%**	9.8%	9.8%
HPMC	**8.3%**	8.8%	9.5%
Future salary rate increases:			
HPI	**5.0%**	5.0%	6.0%
HPMC	**5.0%**	5.0%	6.0%

The overall expected rate of return on plan assets is based on a reputable fund trustee's indicative yield rate for a risk portfolio similar to that of the fund with consideration to the fund's past performance.

Defined Contribution Retirement Plan

HPI also has a defined contribution plan wherein HPI's obligation is limited to the specified contribution in the defined contribution plan. HPI recognized retirement benefits cost related to the defined contribution plan amounting to ₱41.2 million, ₱48.5 million and ₱37.8 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Total consolidated retirement benefit costs are as follows:

	2012	2011	2010
		(In Thousands)	
Expense recognized for defined benefit plans	**₱67,260**	₱86,693	₱63,954
Expense recognized for defined contribution plan	**41,254**	48,457	37,757
Retirement benefit costs	**₱108,514**	₱135,150	₱101,711

29. Commitments and Contingencies

a. Leases

The Company has a number of lease agreements covering office spaces, warehouses, bulk terminals and various equipment that are accounted for as operating lease 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 and accrued rent is reflected as current or noncurrent asset and liability, respectively, depending on its expected reversal date. Operating lease expense recognized in the consolidated statements of income amounted to ₱81.5 million, ₱109.9 million and ₱70.7 million in 2012, 2011 and 2010, respectively (see Note 20).

Future minimum lease payable under non-cancellable operating leases as at December 31, 2012 and 2011 are as follows:

	2012	2011
	(In Thousands)	
Within one year	**₱33,722**	₱63,426
After one year but not more than five years	**200,398**	203,336
More than five years	**166,340**	116,986
	₱400,460	₱383,748

b. Contract with National Power Corporation (NPC)

i. For Barrio Ilang, Davao City Plant

On September 26, 2008, the Company renewed its contract with NPC for the supply of electricity to the Barrio Ilang, Davao City cement manufacturing facility for a period of five years from September 26, 2008 to September 25, 2013. Charges and adjustments are as follows:

(a.) Basic Energy Charge

The tariff on electricity based on TOU rates as approved by the Energy Regulatory Commission (ERC) and in accordance with the provisions of the contract shall be the bases of the basic charges and other billing adjustments. This will be applied to the contracted monthly energy levels on a take-or-pay arrangement. For consumption higher than one hundred twenty percent (120%) of the contracted level, the basic energy charge to be applied shall be the prevailing ERC approved rate and other adjustments plus twenty percent (20%) of such rate for the incremental increase beyond the 120% of the contract energy.

(b.) A minimum charge based on the contract energy per billing period shall be paid using the aforementioned basic energy charge subject to deductions and adjustments as provided in the Contract.

ii. For Lugait, Misamis Oriental Plant

On October 26, 2007, HPI entered into an agreement with NPC to continue the existing arrangement between HPMC and NPC for the supply of electricity at the Lugait, Misamis Oriental cement manufacturing facility. The agreement shall be effective for a period of five years from November 26, 2007 to November 25, 2012. Charges and adjustments are the same as that of Davao City Plant. Renewal of the supply contract with NPC will be through Misamis I Oriental Electric Cooperative (Moresco I) following Energy Regulatory Commission's ruling. Starting December 2012, power supply to Lugait will come from Moresco I with no price impact to Lugait.

c. Lawsuits

The Company is either a defendant or plaintiff in several civil, criminal and labor cases primarily involving collection and claims for damages. Based on the representation 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 committed by the Company 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. The deposit is included under "Other current assets - Advances to suppliers" in 2012 and "Other noncurrent assets - Guarantee deposits" account in the December 31, 2011 and January 1, 2011 consolidated balance sheets.

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 with a term of 15 years reckoned from May 1, 2012. Details and terms of the supply agreements are as follows:

i. Bulacan and Calaca

The separate supply agreements for Bulacan and Calaca plants require PPI to deliver fly ash at agreed specifications, volumes and price for a period of five years to be sourced from its power plants in Batangas, Pangasinan and Quezon Province, where PPI has an exclusive purchase agreement. In addition, PPI shall deliver bottom ash to the Company's cement plants free of charge.

ii. RMX

PPI shall supply fly ash with agreed specifications based on the annual volume requirement of the Company for 15 years. Delivery schedules shall be agreed by PPI and the Company and shall be made to the batching plants in Taguig and Bicutan.

f. Electricity Supply Agreement (ESA)

On August 12, 2011, a 15-year ESA was signed with TA Oil to supply both Bulacan and La Union plants. This supply agreement will commence in 2014. Source will be coming from the 135 MW Puting Bato coal-fired power plant in Calaca, Batangas owned by South Luzon Thermal Energy Corporation, a joint venture company of TA Oil and Ayala's AC Energy Holdings. Included in the agreement is the provision of back-up supply from the Diesel Power Plants in Bulacan (TA Power) and in Bacnotan (CIP/TA Oil). In essence, power supply for the Company's Bulacan and La Union Plants is assured over a long-term period without the uncertainties of how the Luzon grid supply situation will move. Electricity fee is structured according to TOU rate with provisions to rate increases based on fuel purchased for the power plant.

g. Sales Agreement with Petron Corporation (Petron)

On July 1, 2010, the Company entered into a five-year agreement for the supply of industrial fuel oil (IFO), automotive diesel oil (ADO) and/or industrial diesel oil (IDO) with Petron, effective from July 1, 2010 to June 30, 2015. Delivered quantities are based on the Company's estimated monthly consumption of 1 million liters for IFO and 0.7 million liters for ADO/IDO.

h. Quarry Outsourcing Agreements with ANSECA

The quarry outsourcing agreements with ANSECA for La Union, Davao, Bulacan and Lugait plants have terms and duration of 10 to 11 years. The minimum volume requirement per plant varies from 0.90 million to 1.70 million metric tons per annum.

i. Coal Supply Contracts

The Company has contracts with two Indocoal suppliers, with a three-year term commencing on January 1, 2010. Only the coal supply contract for one Indocoal supplier (PT Asia Pacific Mining Resources) was extended until December 2014. The Company also entered into a five-year contract with a local coal supplier, Semirara Mining Corporation, effective January 1, 2010 until December 31, 2014. Force majeure provides for relief from these obligations in case of economic shutdowns and serious equipment breakdowns.

As at December 31, 2012 and 2011, the Company was able to comply with the minimum provisions of the coal supply contracts.

j. 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.

30. **Earnings Per Common Share (EPS)**

Basic/diluted EPS is computed as follows:

	2012	2011	2010
	(In Thousands, Except Per Share Amounts)		
Consolidated net income for the year attributable to common equity holders of the Parent Company	**₱3,626,390**	₱2,027,833	₱3,845,811
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	**₱0.56**	₱0.31	₱0.60

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

There are no dilutive financial instruments in 2012, 2011 and 2010, hence diluted EPS is the same as basic EPS.

31. Environmental and Regulatory Matters

a. Electric Power Industry Reform Act (EPIRA)

R.A. No. 9136, the EPIRA, and the covering Implementing Rules and Regulations (IRR) provides for significant changes in the power sector, which include among others:

i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with independent power producers and electricity rates;

ii. Creation of a Wholesale Electricity Spot Market; and

iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity date of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and between transmission and distribution companies and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

The ERC granted TA Power a certificate of registration as a Wholesale Generator in January 2007.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for:

i. a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity; and

ii. VAT zero-rating of sale of generated power.

Based on the assessment of TA Power, it is in the process of complying with the applicable provisions of the EPIRA and its IRR.

b. Executive Order (EO) 79

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

- restriction on applications of mineral contracts and agreements in critical areas and pending new legislation;
- review of performance of existing mining operations and cleansing of non-moving mining rights holders;

- review of existing mining contracts and agreements for possible renegotiation of terms and conditions;
- establishment of mineral reservations and opening of areas for mining through competitive public bidding;
- disposition of abandoned ores and valuable metals in mine wastes and mill tailings; and,
- creation of the Mining Industry Coordinating Council with powers and functions granted by this EO.

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

Management currently assesses that EO 79 will not have a significant effect on the current operations of the Company. Management continuously monitors the implementation of EO 79 and its impact on the industry in general.

c. 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.

The Company is in compliance with these environmental and regulatory requirements as of December 31, 2012 and 2011.

32. 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
- aggregates segment, which trades aggregates to third parties as well as to the RMX business; and
- other construction materials and services segment, which includes operations from the RMX business, Helps-U-Build and Business Construction Solutions sub-segments.

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, 2012 and 2011 and January 1, 2011 and for the years ended December 31, 2012, 2011 and 2010 are the presented below:

	2012				
	Clinker and cement	**Others**	**Total**	**Adjustments and eliminations**	**Consolidated**
			(In Thousands)		
Revenue:					
External customers	**₱26,509,506**	**₱649,491**	**₱27,158,997**	**₱–**	**₱27,158,997**
Inter-segment	**201,428**	**83,990**	**285,418**	**(285,418)**	**–**
	₱26,710,934	**₱733,481**	**₱27,444,415**	**(₱285,418)**	**₱27,158,997**
Operating EBITDA	**₱6,866,417**	**(₱145,039)**	**₱6,721,378**	**₱–**	**₱6,721,378**
Segment assets	**22,351,184**	**574,662**	**22,925,846**	**2,938,441**	**25,864,287**
Segment liabilities	**4,007,359**	**236,215**	**4,243,574**	**884,035**	**5,127,609**
Results:					
Depreciation, amortization and depletion	**1,424,700**	**50,139**	**1,474,839**	**–**	**1,474,839**
Equity in net loss of a joint venture	**13,359**	**–**	**13,359**	**–**	**13,359**
Other disclosures:					
Asset held for sale	**338,684**	**–**	**338,684**	**–**	**338,684**
Construction in-progress	**946,474**	**–**	**946,474**	**–**	**946,474**

	2011 (As restated, Note 2)				
	Clinker and cement	Others	Total	Adjustments and eliminations	Consolidated
			(In Thousands)		
Revenue:					
External customers	₱21,091,434	₱469,680	₱21,561,114	₱–	₱21,561,114
Inter-segment/affiliates	223,243	91,292	314,535	(254,153)	60,382
	₱21,314,677	₱560,972	₱21,875,649	(₱254,153)	₱21,621,496
Operating EBITDA	₱4,546,312	(₱112,420)	₱4,433,892	₱–	₱4,433,892
Segment assets	21,945,807	445,666	22,391,473	2,003,068	24,394,541
Segment liabilities	3,229,919	84,089	3,314,008	2,356,113	5,670,121
Results:					
Depreciation, amortization and depletion	1,354,771	42,094	1,396,865	–	1,396,865
Equity in net earnings of a joint venture	28,972	–	28,972	–	28,972
Other disclosures:					
Investment in a joint venture	354,216	–	354,216	–	354,216
Construction in-progress	647,914	–	647,914	–	647,914

	2010 (As restated, Note 2)				
	Clinker and cement	Others	Total	Adjustments and eliminations	Consolidated
			(In Thousands)		
Revenue:					
External customers	₱23,328,192	₱261,888	₱23,590,080	₱–	₱23,590,080
Inter-segment/affiliates	169,233	38,528	207,761	(123,491)	84,270
	₱23,497,425	₱300,416	₱23,797,841	(₱123,491)	₱23,674,350
Operating EBITDA	₱7,206,221	(₱135,948)	₱7,070,273	₱–	₱7,070,273
Segment assets	22,444,879	402,251	22,847,130	3,179,116	26,026,246
Segment liabilities	2,828,652	99,024	2,927,676	3,830,314	6,757,990
Results:					
Depreciation, amortization and depletion	1,299,292	37,915	1,337,207	–	1,337,207
Equity in net earnings of a joint venture	22,340	–	22,340	–	22,340
Other disclosures:					
Investment in a joint venture	346,900	–	346,900	–	346,900
Construction in-progress	610,918	–	610,918	–	610,918

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 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:

	2012	2011 (As restated, Note 2)	2010 (As restated, Note 2)
		(In Thousands)	
Operating EBITDA	**₱6,721,378**	₱4,433,892	₱7,070,273
Depreciation, amortization and depletion (Note 24)	**(1,474,839)**	(1,396,865)	(1,337,207)
Interest and financing charges	**(55,017)**	(156,707)	(234,215)
Interest and other financial income	**19,981**	32,201	43,891
Foreign exchange gains (losses) - net	**8,763**	(17,614)	(3,572)
Equity in net earnings (losses) of a joint venture	**(13,359)**	28,972	22,340
Dividend income	**2**	5	6
Others - net	**(3,233)**	(62,333)	(116,140)
Income before income tax	**₱5,203,676**	₱2,861,551	₱5,445,376

	December 31		January 1
	2012	2011 (As restated, Note 2)	2011 (As restated, Note 2)
		(In Thousands)	
Segment assets	**₱22,925,846**	₱22,391,473	₱22,847,130
Cash and cash equivalents	**1,378,382**	879,047	2,040,091
Other current assets	**7,408**	2,562	564
Investments	**4,559**	356,775	349,459
Property, plant and equipment	**1,030,105**	731,621	694,549
Deferred income tax assets - net	**150,225**	17,677	74,696
Other noncurrent assets	**29,078**	15,386	19,757
	25,525,603	24,394,541	26,026,246
Asset held for sale	**338,684**	–	–
Consolidated assets	**₱25,864,287**	₱24,394,541	₱26,026,246
Segment liabilities	**₱4,243,574**	₱3,314,008	₱2,927,676
Notes payable	**–**	1,000,000	–
Trade and other payables	**405,876**	381,225	459,331
Current portion of long-term debt	**–**	245,000	1,233,789
Income tax payable	**456,640**	–	49,578
Long-term debt - net of current portion	**–**	729,888	1,952,439
Derivative liabilities	**–**	–	118,124
Deferred income tax liability - net	**21,519**	–	17,053
Consolidated liabilities	**₱5,127,609**	₱5,670,121	₱6,757,990

Geographic information

	2012	2011	2010
		(In Thousands)	
Revenues from external customers			
Local	**₱27,116,020**	₱21,532,110	₱23,569,099
Export	**42,977**	89,386	105,251
Total revenues	**₱27,158,997**	₱21,621,496	₱23,674,350

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.

Exhibit 2

Supplementary Schedules to the

Consolidated Financial Statements

For the year ended

December 31, 2012

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

**INDEPENDENT AUDITORS' 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 its subsidiaries as at December 31, 2012, December 31, 2011 and January 1, 2011 and for each of the three years in the period ended December 31, 2012, included in this Form 17-A, and have issued our report thereon dated February 14, 2013. 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 purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Catherine E. Lopez

Catherine E. Lopez
Partner
CPA Certificate No. 86447
SEC Accreditation No. 0468-AR-2 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 102-085-895
BIR Accreditation No. 08-001998-65-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669961, January 2, 2013, Makati City

February 14, 2013

HOLCIM PHILIPPINES, INC.

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2012

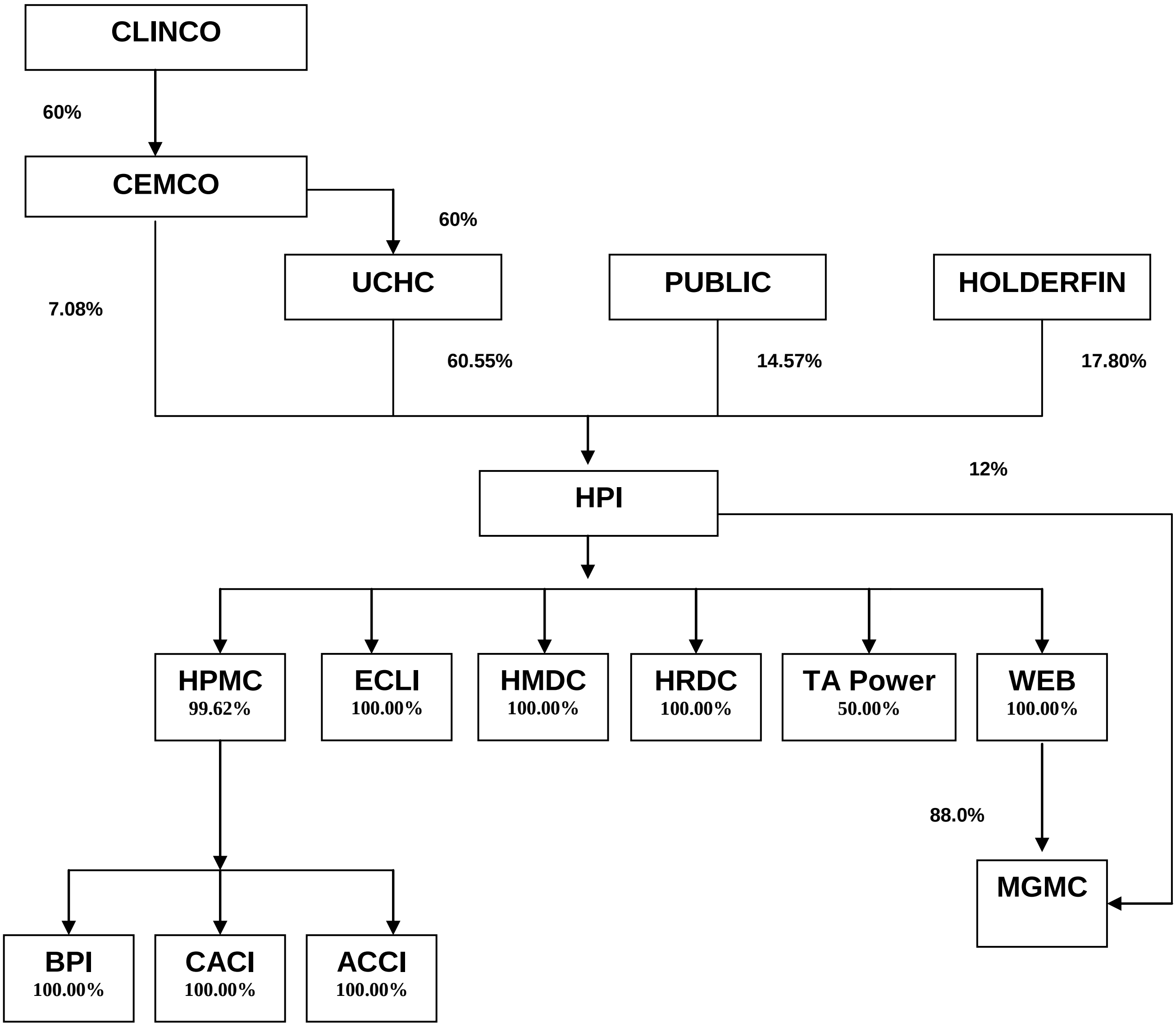
(In Thousands)

Unappropriated retained earnings, beginning	₱2,906,178
Adjustment - deferred income tax assets	(267,712)
Unappropriated retained earnings, as adjusted, beginning	2,638,466
Net income based on the face of audited financial statements	3,304,961
Less: Decrease in deferred income tax assets	(137,856)
Unrealized foreign exchange gain (except cash and cash equivalents)	(10,020)
Net income actual/realized	3,157,085
Less dividend declaration during the year	(1,613,025)
Unappropriated retained earnings, as adjusted, ending	₱4,182,526

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, 2012



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
HRDC	Holcim Resources Development Corporation *	Mining, processing and sale of quarry resources
HMDC	Holcim Mining and Development Corporation **	Mining, processing and sale of quarry resources
TA Power	Trans-Asia Power Generation Corporation	Power generation
ECLI	Excel Concrete Logistics, Inc.	Distribution of concrete and cement products

* Formerly Mabini Land Holdings Corp.
** Formerly Holcim Aggregates Corp.

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2012

	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			✔
PFRS 2	Share-based Payment	✔		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✔		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✔		
PFRS 3	Business Combinations	✔		
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	✔		
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		Not early adopted	
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		Not early adopted	
PFRS 8	Operating Segments	✔		
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	✔		
PFRS 11	Joint Arrangements	✔		
PFRS 12	Disclosure of Interests in Other Entities	✔		
PFRS 13	Fair Value Measurement		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		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	✔		
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		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	✔		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✔
PAS 27	Consolidated and Separate Financial Statements	✔		
PAS 27 (Amended)	Consolidated and Separate Financial Statements	✔		
PAS 28	Investments in Associates	✔		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✔		
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	✔		

	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		Not early adopted	
PAS 33	Earnings per Share	✔		
PAS 34	Interim Financial Reporting	✔		
PAS 36	Impairment of Assets	✔		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✔		
PAS 38	Intangible Assets	✔		
PAS 39	Financial Instruments: Recognition and Measurement	✔		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✔		
	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	✔		
PAS 40	Investment Property	✔		
PAS 41	Agriculture			✔
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		Not early adopted	
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	
		2012	**2011**
Current/Liquidity ratios			
Current Ratio	Current Assets / Current Liabilities	138%	104%
Quick Ratio	C & CE + MS + AR / Current Liabilities	70%	58%
Solvency ratio/Debt-to-equity ratio			
Debt to Equity Ratio	Total Liabilities / Equity	25%	30%
Asset to Equity Ratios			
Asset to Equity Ratio/ Equity Multiplier	Total Assets / Equity	125%	130%
Interest Rate Coverage Ratio			
Interest Coverage Ratio/EBITDA Net Interest Cover	Operating EBITDA / Net Interest	177.3	35.0
Profitability Ratios			
Return on Assets	Net Income / Average Total Assets	14.4%	8.1%
Return on Equity	Net Income / Average Total Equity	18.4%	10.7%
Operating EBITDA Margin	Operating EBITDA / Net Sales	24.8%	20.5%

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

Schedule A. **Financial Assets**

For the Year Ended December 31, 2012

(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, 2012
(Amounts in Thousands)

Name and Designation of Debtor		Beginning Balance	Additions	Deductions		Current	Non Current	Ending Balance
				Amount Collected	Amount Written-Off			
Directors, Officers and Employees								
Gatmaitan, Ernesto A.	Employee	₱ 11	₱ 891	₱ (149)	₱	₱ 753		₱ 753
Catanghal, Pepito E.	Employee		740	(2)		738		738
Gilera, Robert A.	Employee	671		(96)		575		575
Manguerra, April Grace R.	Employee	562		(150)		412		412
Alano, Jehoven V.	Employee	389	15	(108)		296		296
Sasis, Rigel C.	Employee	15	233	(11)		237		237
Sinfuego, Jacqueline S.	Employee		237	(17)		220		220
Villafuerte, Luisito D.	Employee		181			181		181
Garcia, Leslie Anne G.	Employee		164	(9)		155		155
Gurtiza, Rommel G.	Employee		190	(37)		153		153
Penaranda, Ana Margarita B.	Employee	1	181	(31)		151		151
Ortiz, Augusto A.	Employee		166	(23)		143		143
Badelles, Ceferino Arthur C.	Employee		163	(20)		143		143
De Jesus, Manuel F.	Employee		180	(52)		128		128
Anog, Remegio F.	Employee		128	(15)		113		113
Advances to Directors, Officers and Employees		1,649	3,469	(720)		4,398		4,398
Holcim Group Support Ltd.		₱	35,982	(35,323)		659		659
Cemco Holdings, Inc.			541	(541)		-		-
Clinco Corporation			857	(857)		-		-
Holcim Services Asia Ltd.		2,846	11,596	(12,255)		2,187		2,187
Other Holcim Group Affiliates		1,514	46	(115)		1,445		1,445
Related Parties		4,360	49,022	(49,091)	-	4,291	-	4,291

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, 2012
(Amounts in Thousands)

Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written Off	Current	Non Current	Balance at the End of Period
Holcim Philippines Manufacturing Corp.							
Due from:							
Bulkcem Philippines, Inc.	₱ 45,474	₱ 256	₱ (3,381)	₱	₱ 42,349	₱	₱ 42,349
Calamba Aggregates Co., Inc.	26,306				26,306		26,306
	71,780	256	(3,381)	-	68,655 -	-	68,655
Holcim Philippines, Inc.							
Due from:							
Bulkcem Philippines, Inc.	14,321	387			14,708		14,708
Holcim Philippines Manufacturing Corp.	572,199	433,235	(719,883)		285,551		285,551
Calamba Aggregates Co., Inc.	30,073	818	(5,200)		25,691		25,691
Holcim Aggregates Corporation	10,705	151,839	(115,179)		47,365		47,365
Mabini Grinding Milling Corp.	-	528	-		528		528
	627,298	586,807	(840,262)	-	373,843	-	373,843
Advances to:							
Mabini Land Holdings Corporation	9,632	958	(75)		10,515		10,515
Mabini Grinding Milling Corp.	523,433	28,003	(176,484)		374,952		374,952
	533,065	28,961	(176,559)	-	385,467	-	385,467

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

Schedule D. **Intangible Assets**

For the Year Ended December 31, 2012

(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	P 7,982	P 29,205	P (3,477)	P	P	P 33,710
Mining Rights	179,544					179,544
Goodwill	2,635,738					2,635,738
	2,823,264	29,205 - -	(3,477) - -	- - -	- - -	2,848,992

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

Schedule E. **Long-Term Debt**

For the Year Ended December 31, 2012

(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, 2012
(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, 2012
(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, 2012

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		5,511,841,113	730,980	939,527,051
	10,000,000,000	6,452,099,144	-	5,511,841,113	730,980	939,527,051

-

Exhibit 3

SEC Form 17-Q

For the quarters ended

March 31, June 30 and September 30, 2012

COVER SHEET

0	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)

Glenn A. Agustin
(Contact Person)

459-3333
(Company Telephone Number)

0 3 **3 1**
Month *Day*
(Fiscal Year)

SEC FORM 17-Q
For the quarter ended March 31, 2012
(Form Type)

Month *Day*
(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 ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC 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, 2012

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 Manila, 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) 459-3334

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:

    Phili. 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 – Balance Sheets as of March 31, 2012, December 31, 2011 and January 1, 2011
Exhibit II – Income Statements for the quarters ended March 31, 2012 and 2011
Exhibit III – Statements of Changes in Stockholders' Equity for the quarters ended March 31, 2012 and 2011
Exhibit IV – Statements of Cash Flows for the quarters ended March 31, 2012 and 2011
Exhibit V – Aging of Trade and Other Receivables as of March 31, 2012

Exhibit I

HOLCIM PHILIPPINES, INC.
BALANCE SHEETS
March 31, 2012, December 31, 2011 and January 1, 2011
(In Thousand Pesos)

	31 Mar 2012	31 Dec 2011 Restated*	1 Jan 2011 Restated*
ASSETS			
Current Assets			
Cash and cash equivalents	1,338,585	879,047	2,040,091
Trade and other receivables-net	1,877,229	1,534,298	1,362,174
Inventories	1,879,369	1,899,702	1,999,502
Other current assets	521,278	500,884	467,567
Total Current Assets	**5,616,461**	**4,813,931**	**5,869,334**
Noncurrent assets			
Investments	336,145	356,776	349,461
Property, plant and equipment – net	15,807,761	16,051,653	16,618,404
Intangibles	2,851,619	2,823,263	2,825,552
Deferred tax assets	37,640	17,677	74,696
Other noncurrent assets	288,579	263,226	232,805
Total Noncurrent Assets	**19,321,744**	**19,512,595**	**20,100,918**
	24,938,205	**24,326,526**	**25,970,252**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables	3,195,488	2,993,242	2,733,220
Notes payable	300,380	1,000,000	-
Income tax payable	330,970	-	49,578
Derivative liabilities	3,994	-	-
Current portion of long-term debt	245,000	245,000	1,233,789
Total Current Liabilities	**4,075,832**	**4,238,242**	**4,016,587**
Noncurrent Liabilities			
Long term debt - net of current portion	669,251	729,888	1,952,439
Customer's deposits	374,448	369,740	428,898
Derivative liabilities	-	-	118,124
Retirement benefit liabilities	100,247	98,177	71,328
Provisions	126,388	128,242	88,285
Deferred tax liabilities	11,245	-	17,053
Other noncurrent liabilities	46,416	37,817	9,282
Total Noncurrent Liabilities	**1,327,995**	**1,363,864**	**2,685,409**
Equity Attributable to Equity Holders of the Parent			
Capital Stock	6,452,099	6,452,099	6,452,099
Additional paid-in capital	8,476,002	8,476,002	8,477,307
Cumulative translation adjustments	16,382	15,654	7,661
Retained earnings	4,579,278	3,770,277	4,323,284
Cost of treasury shares held	-	-	(1,305)
	19,523,761	**18,714,034**	**19,259,047**
Minority Interest	**10,617**	**10,388**	**9,210**
Total Stockholders' Equity	**19,534,378**	**18,724,420**	**19,268,256**
	24,938,205	**24,326,526**	**25,970,252**

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

HOLCIM PHILIPPINES, INC.
INCOME STATEMENTS
For the quarters ended March 31, 2012 and 2011
(In Thousand Pesos)

	Quarter ended	
	Jan-Mar 2012	**Jan-Mar 2011 Restated***
Net Sales	**6,613,822**	**5,654,557**
Cost of sales	4,540,949	3,694,024
Gross profit	**2,072,873**	**1,960,533**
Operating expenses	445,626	350,276
Operating EBITDA	**1,627,247**	**1,610,257**
Depreciation and amortization	351,450	327,314
Income from operations	**1,275,797**	**1,282,943**
Other income (expenses)		
Net financial income (expense)	(21,848)	(42,604)
Income (expenses) on NOA	(76,325)	(73,307)
Unusual items	(1,335)	27,520
Total	(99,508)	(88,391)
Income before income tax	**1,176,289**	**1,194,552**
Provision for income tax		
Current	375,772	303,055
Deferred	(8,718)	72,563
	367,054	375,618
Income Before Minority Interest	**809,235**	**818,934**
Minority Interest	(236)	(369)
Net income	**808,999**	**818,565**

Basic Earnings Per Share (EPS)		
Computation of EPS:		
(a) Net income applicable to common shareholders	809,235	818,934
(b) Common shares issued and outstanding	6,452,099	6,452,099
EPS [(a)/(b)]	**0.125**	**0.127**

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

Exhibit III

HOLCIM PHILIPPINES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the quarters ended March 31, 2012 and 2011
(In Thousand Pesos)

	Jan-Mar 2012	Jan-Mar 2011 Restated*
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	8,477,307
Issuances (Retirement)	-	-
Balance at end of period	8,476,002	8,477,307
Cumulative Translation Adjustments	16,382	12,540
Retained Earnings		
Balance at beginning of period	3,770,279	4,323,286
Impact of change in accounting policy*	-	-
Restated Balance at beginning of period	3,770,279	4,323,286
Net income	808,999	818,565
Cash dividends	-	-
Impact of change in accounting policy*	-	-
Balance at end of period	4,579,278	5,141,851
Treasury Shares		
Balance at beginning of period	-	(1,305)
Acquisition	-	-
Sale of shares held in treasury	-	-
Balance at end of period	-	(1,305)
	19,523,761	**20,082,492**

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

Exhibit IV

HOLCIM PHILIPPINES, INC.
STATEMENTS OF CASH FLOWS
For the quarters ended March 31, 2012 and 2011
(In Thousand Pesos)

	Jan-Mar 2012	Jan-Mar 2011 Restated*
Operating Activities		
Net Income for the period	**808,999**	**818,565**
Adjustments to reconcile net income to cash		
Depreciation and amortization	351,450	327,314
Other items (net)	463,134	452,785
Changes in current assets and liabilities	(259,555)	(684,412)
Cash provided by operating activities	**1,364,028**	**914,252**
Investing Activities		
(Additions) Deductions to Plant, property and equipment	(117,150)	66,023
De(In)crease in other investing activities	(29,240)	(316)
Cash provided by (used in) investing activities	**(146,390)**	**65,707**
Financing Activities		
Dividends paid	-	-
Proceeds (payment) of short-term loans	(699,620)	(21,844)
Proceeds (payment) of long-term loans	(56,519)	(156,254)
De(In)crease in other financing activities	-	-
Cash provided (used in) financing activities	**(756,139)**	**(178,098)**
Net increase (decrease) in cash and cash equivalents	**461,499**	**801,861**
Cash and cash equivalents, beginning	**879,047**	**2,040,091**
Effect of exchange rate changes on cash & cash equivalents	**(1,961)**	**(4,590)**
Cash and cash equivalents, end	**1,338,585**	**2,837,362**

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

Exhibit V

HOLCIM PHILIPPINES, INC
Aging of Trade and Other Receivables
As of March 31, 2012

	Total	Current	1-30 days	31-60 days	Over 60 days
Trade Receivables	P 1,929,761	P 1,603,294	P 91,491	P 42,337	P 192,639
Non-Trade Receivables	**120,203**	9,406	27,949	10,553	72,295
Total	**2,049,964**	1,612,700	119,440	52,890	264,934
Allowance for doubtful accounts	**172,735**				172,735
Net Receivables	**P 1,877,229**	**P 1,612,700**	**P 119,440**	**P 52,890**	**P 92,199**

Certified correct:

Glenn A. Agustin
Manager, Finance & Reporting

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

Results of Operations

The cement industry demand rose during the first quarter of 2012 compared to the same quarter last year. This was brought about by the sustained government spending, healthy construction activities nationwide from the private sector and the prevalence of favorable weather. Driven by the robust demand, Holcim Philippines posted a total net sales of Php6.6 billion, up from the Php5.7 billion reported in the same period of 2011. Note however that Q1 2012 price levels were still below the Q1 2011 levels. Cost of sales on the other hand was higher by Php847 million mainly due to higher production volume and increasing input cost bringing gross profit to Php2.07 billion. Operating expenses also increased on account of higher administration, selling and marketing expenses giving an operating EBITDA of Php1.63 billion for the first quarter of 2012. The company closed the quarter with a net income after tax of Php809 million.

Financial Position

The company's financial position remained healthy with total assets of Php24.9 billion, up by Php612 million from end of 2011 mainly due to the increase in cash and cash equivalents, trade and other receivables.

Cash Flow Generation

The company's cash requirements have been mainly sourced through cash flow from operations. Cash provided by operating activities for the three months ended March 31, 2012 amounted to Php1.36 billion. Cash used in investing activities amounted to Php 146 million while the cash used in financing activities as a result of short and long term loan payment was Php 756 million. These resulted to an ending balance for cash and cash equivalent of Php1.34 billion as of end of the first quarter of 2012.

Key Performance Indicators

The comparative financial KPI's of the Company for the quarters ended March 31, 2012 and 2011 are as follows:

Financial KPI	**Definition**	**For the quarter ended March 31**	
		2012	**2011 *Restated**
Profitability			
Return on Equity (ROE)	[Net Income] / Ave. Total Shareholders' Equity	16.9%	16.6%
Efficiency			
EBITDA Margin	Operating EBITDA / Net Sales	24.6%	28.48%
Liquidity			
Gearing	Net Financial Debt / Stockholders' Equity	1.28%	3.66%
EBITDA Net Interest Cover	Operating EBITDA / Net Interest	75.65	37.14

* See notes on Accounting Policies and Principles under Adoption of New Standards

Profitability and Efficiency

The improved operating performance of the company translated to improvement in profitability with ROE increasing to 16.9%. The increase in costs however lessened the improvement in operating EBITDA margin.

Liquidity

The company's liquidity position remained strong with lower gearing, significant cash balance, and a higher EBITDA net interest cover.

Notes to Financial Statements

Accounting Policies and Principles

These condensed consolidated interim financial statements have been prepared in accordance with PAS 34 *Interim Financial Reporting* and do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2011.

The accounting policies adopted in the preparation of condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2011, except for the adoption of the new standards and interpretations that are effective as of January 1, 2012, and the early adoption of certain new standards that are effective beginning January 1, 2013 enumerated below:

Amendments to Standards Effective 2012

Philippine Financial Reporting Standards (PFRS) 7, Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's consolidated financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The adoption of this amendment which is effective for annual periods beginning on or after July 1, 2011 has no significant impact to the Group. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Philippine Accounting Standards (PAS) 12, Income Taxes – Recovery of Underlying Assets
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset. The adoption of this amendment which is effective for annual periods beginning on or after January 1, 2012 has no significant impact to the Group's financial position or performance.

Early Adoption of New Standards Effective Subsequent to 2012

PFRS 10, Consolidated Financial Statements
PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 requires management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

PFRS 11, Joint Arrangements
PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers.* PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. As a result of early adoption of this new standard, the Company has assessed its investment in Trans-Asia Power Generation Corporation as a joint venture arrangement and has accounted for it using equity method. The Company believes that using equity accounting for this investment provides more relevant information about the financial position of the Company and to comply with the new standard. This change in accounting policy has been applied retrospectively and had no impact on net income and earnings per share for the quarter ended March 31, 2012 and 2011. The effect on the financial position was to recognize the investment as one line item under investments and advances and derecognize proportionate share in assets and liabilities of Trans-Asia Power Generation Corporation. Also, the effect on the statement of comprehensive income was to recognize share in net income from the joint venture and not to present a proportionate share in income and expenses on line-by-line basis. The adoption of PFRS 11 did not have impact on total equity and retained earnings as of March 31, 2012, December 31, 2011 and January 1, 2011.

PFRS 12, Disclosure of Interests with Other Entities
PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

PAS 27, Separate Financial Statements (as revised in 2011)
As a consequence of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

PAS 28, Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

PFRS 10, PFRS 11, PFRS 12, PAS 27 (as revised in 2011) and PAS 28 (as revised in 2011) are all effective for periods beginning January 1, 2012. These standards allow early adoption so long as all of these standards are early adopted at the same time. The early adoption of the aforementioned new and revised standards other than PFRS 11 did not have significant impact on the financial position and results of operation of the Group.

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.

Material Event Subsequent to the End of the Interim Period

There were no material events subsequent to the end of the interim period that have not been reflected in the interim financial statements.

<u>General Risk Management Approach</u>

The company is exposed to a variety of financial risk, including the effect of changes in debt structure and 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 foreign cross-currency swaps to hedge certain exposures. Therefore, the company does not enter into derivative or other financial transactions which are unrelated to its operating business. As such, a risk-adverse 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 excess liquidity.

The company's principal financial instruments, other than derivatives, comprise of cash and cash equivalents, AFS financial assets, notes payable and long-term debt. The main purpose of these financial instruments is to raise funds for the company's operations. The company also has various other financial assets and liabilities such as trade and other receivables, employee advance payments, restricted cash, trade and other payables and customer deposits which arise directly from operations.

The main risks arising from the company's financial instruments are market risks (foreign currency risk and interest rate risks), credit risk and liquidity risk. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Market Risks

The company is exposed to market risk, primarily relating to foreign currency and interest rate risks. To manage volatility relating to these exposures, the company enters into derivative financial instruments. The company's objective is to reduce, where appropriate, fluctuations in earnings and cash flows associated with changes in foreign currency and interest rate risk. The company, therefore, expects that any loss in value of those instruments generally would be offset by increases in the value of the underlying transactions.

Foreign Currency Risks

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 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. The company may hedge certain foreign currency borrowings or other instruments and are accounted for similarly to cash flow hedges. As such, foreign exchange gains or losses are recognized in equity and consolidated statements of income.

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 which are designed either as cash flow hedges or fair value hedges, as appropriate, but which does not include the hedging of forecasted transactions as it is not economical.

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. Given the Company's net borrowing position, 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 interest rate swap agreements, in which it exchanges periodic payments, based on the notional amounts and agreed-upon fixed and variable interest rates.

As of March 31, 2012, the Company has no financial instruments that are exposed to interest rate risk.

Credit Risk

Credit risk arises from the possibility that customers 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 to meet 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 exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated balance sheet.

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 comprise of cash and cash equivalents, AFS financial assets, financial assets at FVPL and certain derivative instruments, 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 to 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, 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 of March 31, 2012, the Company has credit facilities of ₱3.68 billion which has not been utilized.

Financial Instruments

The following is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the consolidated balance sheet as of March 31, 2012 and December 31, 2011:

	31 Mar 2012		31 Dec 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	1,338,585	1,338,585	879,047	879,047
Trade and other receivables - net	1,877,229	1,877,229	1,602,313	1,602,313
Total financial assets	3,215,814	3,215,814	2,481,360	2,481,360
Financial Liabilities				
Trade and other payables - net	3,199,482	3,199,482	3,061,257	3,061,257
Notes payable	300,380	300,380	1,000,000	1,000,000
Long-term debt	914,251	981,855	974,888	1,009,780
Customers' deposits	374,448	374,448	369,740	369,740
Derivative liabilities	-	-	-	-
Total financial liabilities	4,788,561	4,856,165	5,405,886	5,440,777

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 and Notes Payable. Due to the short-term nature of the transactions, the fair values of these instruments approximate the corresponding carrying values as of balance sheet date.

Long-term Debt. Fair value is based on the following:

Debt Type	Fair Value Assumptions
Fixed rate loans	Estimated fair value is based on the discounted value of future cash flows using discount rates ranging from 2.52% to 3.4% for similar types of loans.
Floating rate loans	The carrying value approximates fair value because of recent and regular (i.e. quarterly) repricing based on market conditions.

Derivatives. The fair values of cross-currency swaps are based on counterparty valuation.

Customers' Deposits. The carrying value approximates the fair value because of quarterly repricing based on market conditions.

Interim Disclosures

The following disclosures do not materially affect or are not applicable to the company's interim operations:

1. Unusual items that affect the 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 reported in prior financial years that have a material effect in the current period.

3. Issuances, repurchases of equity securities.

4. Dividend payments for ordinary and other shares.

5. Segment revenue and segment results for business segments and geographical segments.

6. Changes in contingent liabilities or contingent assets since the last annual balance sheet.

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

8. 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.

9. Events that will trigger direct or contingent material financial obligations to the company, including any default or acceleration of its existing obligations.

10. 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.

11. Material commitments for capital expenditures.

12. 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.

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

Material Changes in Balance Sheet Accounts

Cash and cash equivalents

The increase in cash and cash equivalents of ₱460 million was the result of higher cash generated from operating activities of Php1.36 billion offset by the use of funds for settlement of portion of existing loans and acquisition of property, plant and equipment.

Trade and other receivables-net

Trade and Other Receivables-Net increased by Php343million due to the higher sales in March 2012, compared to December 2011.

Investments

Investments decreased by Php20.6 million as a result of the recognition of the Company's share in net loss of its associate (TAPG) for the period January to March 2012.

Deferred tax assets

The net increase in deferred tax assets of Php20 million was due to the deferred taxes recognized for accruals of expense and recognition of allowance for doubtful accounts.

Other non-current assets-net

Other non-current assets consisted of security deposits and restricted portion of cash and cash equivalents. The increase compared to 2011 pertained to increase in security deposits and restricted cash.

Notes payable

The decrease of Php700 million was due to the payment of short term loan.

Income tax payable

The increase in income taxes payable pertained to the income taxes for the first quarter of 2012.

Long-term debt – net of current portion

Portion of the long-term debt was paid in 2012 resulting to a decrease in long-term debt by ₱60.6 million.

Deferred tax liabilities

The increase in net deferred tax liabilities was due to the amortization of deferred tax assets leading to net deferred tax liability position for one of the Company's subsidiaries.

Retained earnings

The increase in retained earnings represents net income of Php809 million for the first quarter of 2012.

Material Changes in Income Statement Accounts

Net sales

Driven by the robust demand, the Company recorded sales revenues of Php6.6 billion which was higher by Php959 million compared with the same quarter last year.

Cost of goods sold

Cost of sales increased by Php847 million due to higher sales volume and increase in input costs.

Operating Expenses

Compared with same period last year, operating expenses increased by about ₱95 million and this was brought about by the increase in expenses for third party services and marketing and sales.

Net financial expenses

Net financial expenses decreased by ₱21 million compared to the same period last year as a result of lower outstanding interest-bearing loans compared to 2011.

Unusual Items

The company recognized in 2012 loss on sale of various vehicles amounting to ₱1.3 million.

Provision for income tax

Improvement in operating performance of the company brought about by the robust market demand resulted in higher provision for taxes as compared to same period last year.

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.

Rowena C. Aspan	Glenn A. Agustin
Treasurer	Manager, Finance & Reporting
Date: April 30, 2012	Date: April 30, 2012

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SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills,Mandaluyong City, Metro Manila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

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Company Information

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Industry Classification	
Company Type	Stock Corporation

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COVER SHEET

0 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)

Glenn A. Agustin

(Contact Person)

459-3333

(Company Telephone Number)

0 6 3 0

Month *Day*

(Fiscal Year)

SEC FORM 17-Q

For the quarter ended June 30, 2012

(Form Type)

Month *Day*

(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 ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended June 30, 2012

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 Manila, 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) 459-3334

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:

    Phil. 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 – Balance Sheets as of June 30, 2012, December 31, 2011 and January 1, 2011
Exhibit II – Income Statements for the quarters ended June 30, 2012 and 2011
and for the six (6) months ended June 30, 2012 and 2011
Exhibit III – Statements of Changes in Stockholders' Equity for the six (6) months ended
June 30, 2012 and 2011
Exhibit IV – Statements of Cash Flows for the six (6) months ended
June 30, 2012 and 2011
Exhibit V – Aging of Accounts Receivable – Trade and Non-trade as of June 30, 2012

Exhibit I

HOLCIM PHILIPPINES, INC.
BALANCE SHEETS
June 30, 2012, December 31, 2011 and January 1, 2011
(In Thousand Pesos)

	30 Jun 2012	31 Dec 2011 Restated*	1 Jan 2011 Restated*
ASSETS			
Current Assets			
Cash and cash equivalents	1,170,378	879,047	2,040,091
Trade and other receivables-net	2,002,886	1,534,298	1,362,174
Inventories	2,443,392	1,899,702	1,999,502
Other current assets	537,470	500,884	467,567
Total Current Assets	**6,154,126**	**4,813,931**	**5,869,334**
Noncurrent assets			
Investments	323,613	356,776	349,461
Property, plant and equipment – net	15,522,348	16,051,653	16,618,404
Intangibles	2,850,720	2,823,263	2,825,552
Deferred tax assets	64,009	17,677	74,696
Other noncurrent assets	294,395	263,226	232,805
Total Noncurrent Assets	**19,055,085**	**19,512,595**	**20,100,918**
	25,209,211	**24,326,526**	**25,970,252**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables	4,159,664	2,993,242	2,733,220
Notes payable	700,000	1,000,000	-
Income tax payable	532,482	-	49,578
Current portion of long-term debt	-	245,000	1,233,789
Other current liabilities	380,792		
Total Current Liabilities	**5,772,938**	**4,238,242**	**4,016,587**
Noncurrent Liabilities			
Long term debt - net of current portion	-	729,888	1,952,439
Customer's deposits	-	369,740	428,898
Derivative liabilities	-	-	118,124
Retirement benefit liabilities	116,657	98,177	71,328
Provisions	136,065	128,242	88,285
Deferred tax liabilities	9,883	-	17,053
Other noncurrent liabilities	48,405	37,817	9,282
Total Noncurrent Liabilities	**311,010**	**1,363,864**	**2,685,409**
Equity Attributable to Equity Holders of the Parent			
Capital Stock	6,452,099	6,452,099	6,452,099
Additional paid-in capital	8,476,002	8,476,002	8,477,307
Cumulative translation adjustments	12,609	15,654	7,661
Retained earnings	4,173,562	3,770,277	4,323,284
Cost of treasury shares held	-	-	(1,305)
	19,114,272	**18,714,034**	**19,259,047**
Minority Interest	**10,991**	**10,388**	**9,210**
Total Stockholders' Equity	**19,125,263**	**18,724,420**	**19,268,256**
	25,209,211	**24,326,526**	**25,970,252**

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

Exhibit II

HOLCIM PHILIPPINES, INC.
INCOME STATEMENTS
For the quarters ended June 30, 2012 and 2011
And for the six (6) months ended June 30, 2012 and 2011
(In Thousand Pesos)

	Quarter ended		Six (6) Months Ended	
	30-Jun-12	**30-Jun-11 Restated***	**30-Jun-12**	**30-Jun-11 Restated***
Net Sales	**7,209,504**	**5,504,113**	**13,823,326**	**11,158,670**
Cost of sales	5,073,549	4,106,257	9,952,434	8,114,473
Gross profit	**2,135,955**	**1,706,947**	**4,611,008**	**3,667,480**
Operating expenses	400,249	358,018	859,389	721,415
Income from operations	**1,735,706**	**1,039,838**	**3,011,503**	**2,322,781**
Other income (expenses)				
Net financial income (expense)	16,035	(86,628)	(5,813)	(129,232)
Income (expenses) on NOA	(62,376)	(41,290)	(138,701)	(114,597)
Unusual items	22,359	(667)	21,024	26,853
Total	(23,982)	(128,585)	(123,490)	(216,976)
Income before income tax	**1,711,724**	**911,253**	**2,888,013**	**2,105,805**
Provision for income tax				
Current	531,775	321,403	907,547	624,458
Deferred	(27,731)	(32,729)	(36,449)	39,834
	504,044	288,674	871,098	664,292
Income Before Minority Interest	**1,207,680**	**622,579**	**2,016,915**	**1,441,513**
Minority Interest	(373)	(267)	(609)	(636)
Net income	**1,207,307**	**622,312**	**2,016,306**	**1,440,877**
Basic Earnings Per Share (EPS)				
Computation of EPS:				
(a) Net income applicable to common shareholders	**1,207,680**	**622,579**	**2,016,915**	**1,441,513**
(b) Common shares issued and outstanding	**6,452,099**	**6,452,099**	**6,452,099**	**6,452,099**
EPS [(a)/(b)]	**0.187**	**0.096**	**0.313**	**0.223**

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

Exhibit III

HOLCIM PHILIPPINES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the six (6) months ended June 30, 2012 and 2011
(In Thousand Pesos)

	Six (6) Months Ended	
	30-Jun-12	**30-Jun-11 Restated***
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	8,477,307
Issuances (Retirement)	-	-
Balance at end of period	8,476,002	8,477,307
Cumulative Translation Adjustments	12,609	19,166
Retained Earnings		
Balance at beginning of period	3,770,279	4,323,284
Impact of change in accounting policy*	-	-
Restated Balance at beginning of period	3,770,279	4,323,284
Net income	**2,016,306**	1,440,877
Cash dividends	(1,613,024)	(2,580,839)
Impact of change in accounting policy*	-	-
Balance at end of period	4,173,562	3,183,322
Treasury Shares		
Balance at beginning of period	-	(1,305)
Acquisition	-	-
Sale of shares held in treasury	-	-
Balance at end of period	-	(1,305)
	19,114,272	**18,130,589**

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

Exhibit IV

HOLCIM PHILIPPINES, INC.
STATEMENTS OF CASH FLOWS
For the six (6) months ended June 30, 2012 and 2011
(In Thousand Pesos)

	Six (6) Months Ended	
	30-Jun-12	**30-Jun-11 Restated***
Operating Activities		
Net Income for the period	**2,016,306**	**1,440,877**
Adjustments to reconcile net income to cash		
Depreciation and amortization	767,591	650,339
Other items (net)	631,644	559,133
Changes in current assets and liabilities	19,540	(693,619)
Cash provided by operating activities	**3,435,081**	**1,956,730**
Investing Activities		
(Additions) Deductions to Plant, property and equipment	(224,619)	9,064
De(In)crease in other investing activities	(34,967)	(10,367)
Cash provided by (used in) investing activities	**(259,586)**	**(1,303)**
Financing Activities		
Dividends paid	(1,613,024)	(2,585,888)
Proceeds (payment) of short-term loans	(288,901)	1,478,156
Proceeds (payment) of long-term loans	(980,000)	(281,106)
De(In)crease in other financing activities	-	-
Cash provided (used in) financing activities	**(2,881,925)**	**(1,388,838)**
Net increase (decrease) in cash and cash equivalents	**293,570**	**566,589**
Cash and cash equivalents, beginning	**879,047**	**2,040,091**
Effect of exchange rate changes on cash & cash equivalents	**(2,239)**	**(7,480)**
Cash and cash equivalents, end	**1,170,378**	**2,599,200**

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

Exhibit V

HOLCIM PHILIPPINES, INC
Aging of Trade and Other Receivables
As of June 30, 2012

	Total	Current	1-30 days	31-60 days	Over 60 days
Trade Receivables	**P 2,094,041**	P 1,723,088	P 115,615	P 73,314	P 182,023
Non-Trade Receivables	**98,182**	9,306	5,344	8,795	74,737
Total	**2,192,223**	1,732,395	120,959	82,109	264,934
Allowance for doubtful accounts	**(189,337)**				**(189,337)**
Net Receivables	**P 2,002,886**	**P 1,732,395**	**P 120,959**	**P 82,109**	**P 75,597**

Certified correct:

Glenn A. Agustin
Manager, Finance & Reporting

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

Results of Operations

The cement industry demand rose by a remarkable 23% for the 1st half of 2012 compared to the same period last year. The increase was brought about by the sustained government spending, healthy construction activities nationwide from the private sector and the prevalence of favorable weather. Driven by the robust demand, Holcim Philippines posted a total net sales Php13.8 billion compared with the Php11.16 billion reported in the same period of 2011. Market prices have also improved compared with last year but not in the range that recovers full variable cost increases since 2010. Cost of sales on the other hand was higher by Php1.8 billion mainly due to higher sales volume and increasing input cost bringing gross profit to Php4.6 billion. Operating expenses also increased on account of higher administration from projects and selling and marketing. As of June 30, 2012, net income after tax and after minority interest stood at 2.02 billion.

Financial Position

The company's financial position remained healthy with total assets of Php25.2 billion, up by Php883 million from end of 2011 mainly due to the increase in cash and cash equivalents, trade and other receivables, and inventories.

Cash Flow Generation

The company's cash requirements have been sourced through cash flow from operations. Cash provided by operating activities for the first half of 2012 amounted to Php3.4 billion. Cash used in financing activities as a result of loan and dividend payment was Php 2.9 billion while the cash used in investing activities mainly due to acquisition of property, plant and equipment, amounted to Php 260 million. These resulted to an ending balance for cash and cash equivalent of Php1.2 billion as of end of the first quarter of 2012.

Key Performance Indicators

The comparative financial KPI's of the Company for the quarters ended June 30, 2012 and 2011 are as follows:

Financial KPI	Definition	For the Six (6) Months ended June 30	
		2012	2011 *Restated
Profitability/Efficiency			
Return on Equity (ROE)	[Net Income] / Ave. Total Shareholders' Equity	21.3%	15.4%
Return on Assets (ROA)	Net Income / Average Total Assets	8.1%	5.5%
Liquidity/Solvency			
Gearing	Net Financial Debt / Stockholders' Equity	(.47%)	12.9%
Interest Rate Coverage	Income before Tax / Net Interest	105.2	24.6
Current Ratio	Current Assets / Current Liabilities	107%	116%

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

Profitability and Efficiency

The improved operating performance of the company translated to improvement in profitability with ROE increasing to 21.3% and ROA of 8.1%.

Liquidity and Solvency

The company's liquidity position remained strong with lower gearing, significant cash balance, and higher interest rate cover and current ratio.

Notes to Financial Statements

Accounting Policies and Principles

These condensed consolidated interim financial statements have been prepared in accordance with PAS 34 *Interim Financial Reporting* and do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2011.

The accounting policies adopted in the preparation of condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2011, except for the adoption of the new standards and interpretations that are effective as of January 1, 2012, and the early adoption of certain new standards that are effective beginning January 1, 2013 enumerated below:

Amendments to Standards Effective 2012

Philippine Financial Reporting Standards (PFRS) 7, Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's consolidated financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The adoption of this amendment which is effective for annual periods beginning on or after July 1, 2011 has no significant impact to the Group. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Philippine Accounting Standards (PAS) 12, Income Taxes – Recovery of Underlying Assets
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset. The adoption of this amendment which is effective for annual periods beginning on or after January 1, 2012 has no significant impact to the Group's financial position or performance.

Early Adoption of New Standards Effective Subsequent to 2012

PFRS 10, Consolidated Financial Statements
PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 requires management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

PFRS 11, Joint Arrangements
PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers.* PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. As a result of early adoption of this new standard, the Company has assessed its investment in Trans-Asia Power Generation Corporation as a joint venture arrangement and has accounted for it using equity method. The Company believes that using equity accounting for this investment provides more relevant information about the financial position of the Company and to comply with the new standard. This change in accounting policy has been applied retrospectively and had no impact on net income and earnings per share for the six (6) months ended June 30, 2012 and 2011. The effect on the financial position was to recognize the investment as one line item under investments and advances and derecognize proportionate share in assets and liabilities of Trans-Asia Power Generation Corporation. Also, the effect on the statement of comprehensive income was to recognize share in net income from the joint venture and not to present a proportionate share in income and expenses on line-by-line basis. The adoption of PFRS 11 did not have impact on total equity and retained earnings as of June 30, 2012, December 31, 2011 and January 1, 2011.

PFRS 12, Disclosure of Interests with Other Entities
PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

PAS 27, Separate Financial Statements (as revised in 2011)
As a consequence of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

PAS 28, Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

PFRS 10, PFRS 11, PFRS 12, PAS 27 (as revised in 2011) and PAS 28 (as revised in 2011) are all effective for periods beginning January 1, 2012. These standards allow early adoption so long as all of these standards are early adopted at the same time. The early adoption of the aforementioned new and revised standards other than PFRS 11 did not have significant impact on the financial position and results of operation of the Group.

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.

Material Event Subsequent to the End of the Interim Period

There were no material events subsequent to the end of the interim period that have not been reflected in the interim financial statements.

General Risk Management Approach

The company is exposed to a variety of financial risk, including the effect of changes in debt structure and 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 foreign cross-currency swaps to hedge certain exposures. Therefore, the company does not enter into derivative or other financial transactions which are unrelated to its operating business. As such, a risk-adverse 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 excess liquidity.

The company's principal financial instruments, other than derivatives, comprise of cash and cash equivalents, AFS financial assets, notes payable and long-term debt. The main purpose of these financial instruments is to raise funds for the company's operations. The company also has various other financial assets and liabilities such as trade and other receivables, employee advance payments, restricted cash, trade and other payables and customer deposits which arise directly from operations.

The main risks arising from the company's financial instruments are market risks (foreign currency risk and interest rate risks), credit risk and liquidity risk. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Market Risks

The company is exposed to market risk, primarily relating to foreign currency and interest rate risks. To manage volatility relating to these exposures, the company enters into derivative financial instruments. The company's objective is to reduce, where appropriate, fluctuations in earnings and cash flows associated with changes in foreign currency and interest rate risk. The company, therefore, expects that any loss in value of those instruments generally would be offset by increases in the value of the underlying transactions.

Foreign Currency Risks

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 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. The company may hedge certain foreign currency borrowings or other instruments and are accounted for similarly to cash flow hedges. As such, foreign exchange gains or losses are recognized in equity and consolidated statements of income.

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 which are designed either as cash flow hedges or fair value hedges, as appropriate, but which does not include the hedging of forecasted transactions as it is not economical.

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. Given the Company's net borrowing position, 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 interest rate swap agreements, in which it exchanges periodic payments, based on the notional amounts and agreed-upon fixed and variable interest rates.

As of June 30, 2012, the Company has no financial instruments that are exposed to interest rate risk.

Credit Risk

Credit risk arises from the possibility that customers 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 to meet 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 exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated balance sheet.

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 comprise of cash and cash equivalents, AFS financial assets, financial assets at FVPL and certain derivative instruments, 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 to 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, 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 of June 30, 2012, the Company has credit facilities of ₱3.37 billion which has not been utilized.

Financial Instruments

The following is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the consolidated balance sheet as of June 30, 2012 compared with the immediately preceding quarter end:

	30 June 2012		31 March 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	1,170,378	1,170,378	1,338,585	1,338,585
Trade and other receivables - net	2,002,886	2,002,886	1,877,229	1,877,229
Total financial assets	3,173,264	3,173,264	3,215,814	3,215,814
Financial Liabilities				
Trade and other payables - net	4,159,664	4,159,664	3,199,482	3,199,482
Notes payable	700,000	700,000	300,380	300,380
Long-term debt	-	-	914,251	981,855
Customers' deposits	380,792	380,792	374,448	374,448
Total financial liabilities	5,240,456	5,240,456	4,788,561	4,856,165

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 and Notes Payable. Due to the short-term nature of the transactions, the fair values of these instruments approximate the corresponding carrying values as of balance sheet date.

Long-term Debt. Fair value is based on the following:

Debt Type	Fair Value Assumptions
Fixed rate loans	Estimated fair value is based on the discounted value of future cash flows using discount rates for similar types of loans.
Floating rate loans	The carrying value approximates fair value because of recent and regular (i.e. quarterly) repricing based on market conditions.

As of June 30, 2012, the Company has paid all of its long-term debt.

Derivatives. The fair values of cross-currency swaps are based on counterparty valuation.

Customers' Deposits. The carrying value approximates the fair value because of quarterly repricing based on market conditions.

Retained Earnings

The BOD approved the declaration of cash dividends of P0.25 per common share (or a total of P1.6 billion) on May 17, 2012, payable to stockholders of record as of June 11, 2012. The dividends were paid in June 2012.

Interim Disclosures

The following disclosures do not materially affect or are not applicable to the company's interim operations:

1. Unusual items that affect the 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 reported in prior financial years that have a material effect in the current period.
3. Issuances, repurchases of equity securities.
4. Segment revenue and segment results for business segments and geographical segments.
5. Changes in contingent liabilities or contingent assets since the last annual balance sheet.
6. Existence of material contingencies and other events of transactions that are material to an understanding of the current interim period.
7. 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.
8. Events that will trigger direct or contingent material financial obligations to the company, including any default or acceleration of its existing obligations.
9. 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.
10. Material commitments for capital expenditures.
11. 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.
12. Significant elements of income or loss that did not arise from the Company's continuing operations.

Material Changes in Balance Sheet Accounts

Cash and cash equivalents

The increase in cash and cash equivalents of ₱294 million was the result of higher cash generated from operating activities of Php3.4 billion net of the use of funds for full settlement of existing loans and payment of dividends.

Trade and other receivables-net

Trade and Other Receivables-Net increased by Php469 million due to the higher sales in June 2012, compared to December 2011.

Inventories

Inventories was higher compared to year-end CY2011 generally due to higher spare parts inventory in preparation for the scheduled maintenance activities in the coming months.

Investments

Investments decreased by Php33.2 million as a result of the recognition of the Company's share in net loss of its associate (TAPG) for the period January to June 2012.

Deferred tax assets

The net increase in deferred tax assets of Php46 million was due to the deferred taxes recognized for accruals of expense and recognition of allowance for doubtful accounts.

Other non-current assets-net

Other non-current assets consisted of security deposits and restricted portion of cash and cash equivalents. The increase compared to 2011 pertained to increase in security deposits and restricted cash.

Trade and other payables

Trade and other payables consist of payables and advances from customers used for company operations. The increase of ₱1.2 billion was caused mainly by the accruals made for goods and services received where invoices are yet to be received and paid.

Notes payable

The decrease of Php300 million was due to the full settlement of the short term loan.

Income tax payable

The income taxes payable pertains to the income taxes for the second quarter of 2012. The increase was a result of higher income for the second quarter of the year as compared to the last quarter of 2011.

Long-term debt

Long-term debt was fully settled in May 2012.

Deferred tax liabilities

The increase in net deferred tax liabilities was due to the amortization of deferred tax assets leading to net deferred tax liability position for two of the Company's subsidiaries.

Retained earnings

The increase in retained earnings represents net income of Php2.0 billion for the first half of 2012 decreased by declaration of dividends amounting to Php1.6 billion.

Material Changes in Income Statement Accounts

Net sales

Driven by the robust demand, the Company recorded sales revenues for the quarter of Php7.2 billion which was higher by Php1.7 billion compared with the same quarter last year.

Cost of goods sold

Cost of sales increased by Php967 million due to higher volume sold and increase in input costs.

Operating Expenses

Compared with same period last year, operating expenses increased by about ₱42 million and this was brought about by the increase in expenses for providing higher service levels to meet the increased levels of operations.

Net financial Expenses

Net financial expenses decreased by ₱103 million compared to the same period last year mainly as a result of payment of long term debt.

Unusual Items

This pertained to the gain recognized on the sale of property, plant and equipment.

Provision for income tax

Improvement in operating performance of the company brought about by the robust market demand resulted in higher provision for taxes as compared to same period last year.

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.

Rowena C. Aspan	Glenn A. Agustin
Treasurer	Manager, Finance & Reporting
Date: July 30, 2012	Date: July 30, 2012

108302012000550

SECURITIES AND EXCHANGE COMMISSION

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August 30, 2012

MS. JUSTINA F. CALLANGAN
Acting Director
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills,
Mandaluyong City

Dear Ms. Callangan,

In response to your letter dated August 9, 2012, which specifies your review comments on Holcim Philippines, Inc.'s 2012 SEC 17Q Report filed with your office last July 30, 2012, we are submitting the following:

a. List of SEC comments on the report with management's response
b. Amended 2012 2nd Quarter SEC 17Q Report

We trust you will find everything in order.

Very truly yours,

Rowena C. Aspan
Treasurer

Item No.	PARTICULARS	SEC Remarks	MGT. Response
	PART I – Financial Information *Item 1. Financial Statements Required Under SRC Rule 68.1*		
1	Interim Statements of Comprehensive Income for the current financial year to date, with comparative Income Statements for the comparable interim periods (current year-to-date) of the immediately preceding year.	Not Complied With	Apart from the share in comprehensive income of a joint venture, the Company has no Other Comprehensive Income (OCI) for the current period. To comply with the requirement, a Statement of Comprehensive Income is added in the amended report. Please refer to page 5.
	FINANCIAL RISK DISCLOSURE		
2	Evaluate whether the company could provide clearer and more transparent disclosure regarding its financial instruments including but not limited to the following information: 1. A description of the financial instruments of the company and the classification and measurement applied for each. If material in amount, provide detailed explanation on complex securities particularly on derivatives and their impact on the financial condition of the company; 2. The amount and description of the company's investment in foreign securities; 3. The significant judgments made in classifying a particular financial instrument in the fair value hierarchy; 4. An explanation of how risk is incorporated in the valuation of assets or liabilities; 5. A comparison of the fair values as of date of the recent interim financial report and as of date of the preceding interim period, and the amount of gain or loss recognized for each of the said reports; and 6. The criteria used to determine whether the market for a financial instrument is active or inactive, as defined under PAS 39- Financial Instruments. If anyone of the foregoing disclosure is not applicable to the company, so state in the report and provide brief explanation.	Incomplete	The Company's financial assets and liabilities are reported under the Financial Instruments section. To comply with the requirement, a more detailed discussion and presentation of financial assets and liabilities is added in the disclosure. Please refer to pages 14 to 19. For the item not applicable (investment in foreign securities), a negative statement is also added in the disclosure noting that such is not applicable. Please refer to page 18.

Item No.	PARTICULARS	SEC Remarks	MGT. Response
	SEC MEMORANDUM CIRCULAR NO. 3 SERIES OF 2012		
3	*Disclosure if the Company will not early adopt PFRS 9*		
	Disclosure on whether or not the company conducted an evaluation on the possible financial impact of the adoption of PFRS 9. The reason for not conducting an impact study shall be indicated in the interim report.	Not complied with	The Company has decided not to early adopt, thus, has not conducted a quantification of full impact of this standard. The Company however will quantify the effect of this standard in conjunction with the other phases, when issued, to present a more comprehensive picture. Please refer to page 12.
	Disclosure if the company conducted an evaluation, the interim financial statements shall include a discussion on the qualitative and quantitative results of the company's impact evaluation.	Not complied with	Not applicable.
	Disclosure if the Company will early adopt PFRS 9		
4	Disclosure if the company early adopts PFRS 9, the interim financial statements shall include discussion on the qualitative and quantitative results of the company's impact evaluation.	Not complied with	Not applicable.
	ADDITIONAL REQUIREMENTS (SRC RULE 68, AS AMMENDED)		
5	A schedule showing financial soundness indicators in two comparative period as follows: 1) current/liquidity ratios; 2) solvency ratios, debt to equity ratio; 3) asset to equity ratio; 4) interest rate coverage ratio; 5) profitability ratio and 6) other relevant ratio as the Commission may prescribe.	Not complied with	The key performance indicators (KPIs) are already discussed in the Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations". Nonetheless, to comply with SEC's requirement to attach the same as a supplementary schedule, we have added a supplementary schedule consistent with what is disclosed in Item 2. Please refer to page 23.

COVER SHEET

0 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)

Glenn A. Agustin

(Contact Person)

459-3333

(Company Telephone Number)

06 30

Month *Day*

(Fiscal Year)

AMENDED SEC FORM 17-Q

For the quarter ended June 30, 2012

(Form Type)

Month *Day*

(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 ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

AMENDED SEC FORM 17-Q

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

1. For the quarterly period ended June 30, 2012

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 Manila, 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) 459-3334

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:

    Phil. 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 June 30, 2012, December 31, 2011 and January 1, 2011
Exhibit II – Consolidated Statements of Income for the quarters ended June 30, 2012 and 2011 and for the six (6) months ended June 30, 2012 and 2011
Exhibit III – Consolidated Statements of Comprehensive Income for the quarters ended June 30, 2012 and 2011 and for the six (6) months ended June 30, 2012 and 2011
Exhibit IV – Consolidated Statements of Changes in Stockholders' Equity for the six (6) months ended June 30, 2012 and 2011
Exhibit V – Consolidated Statements of Cash Flows for the six (6) months ended June 30, 2012 and 2011
Exhibit VI – Aging of Accounts Receivable – Trade and Non-trade as of June 30, 2012

Exhibit I

HOLCIM PHILIPPINES, INC.
CONSOLIDATED BALANCE SHEETS
June 30, 2012, December 31, 2011 and January 1, 2011
(In Thousand Pesos)

	30 Jun 2012	31 Dec 2011 Restated*	1 Jan 2011 Restated*
ASSETS			
Current Assets			
Cash and cash equivalents	₱1,170,378	₱879,047	₱2,040,091
Trade and other receivables-net	2,002,886	1,534,298	1,362,174
Inventories	2,443,392	1,899,702	1,999,502
Other current assets	537,470	500,884	467,567
Total Current Assets	**6,154,126**	**4,813,931**	**5,869,334**
Noncurrent assets			
Investments	323,613	356,776	349,461
Property, plant and equipment – net	15,522,348	16,051,653	16,618,404
Intangibles	2,850,720	2,823,263	2,825,552
Deferred tax assets	64,009	17,677	74,696
Other noncurrent assets	294,395	263,226	232,805
Total Noncurrent Assets	**19,055,085**	**19,512,595**	**20,100,918**
	₱25,209,211	**₱24,326,526**	**₱25,970,252**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables	₱4,159,664	₱2,993,242	₱2,733,220
Notes payable	700,000	1,000,000	-
Income tax payable	532,482	-	49,578
Current portion of long-term debt	-	245,000	1,233,789
Other current liabilities	380,792		
Total Current Liabilities	**5,772,938**	**4,238,242**	**4,016,587**
Noncurrent Liabilities			
Long term debt - net of current portion	-	729,888	1,952,439
Customer's deposits	-	369,740	428,898
Derivative liabilities	-	-	118,124
Retirement benefit liabilities	116,657	98,177	71,328
Provisions	136,065	128,242	88,285
Deferred tax liabilities	9,883	-	17,053
Other noncurrent liabilities	48,405	37,817	9,282
Total Noncurrent Liabilities	**311,010**	**1,363,864**	**2,685,409**
Equity Attributable to Equity Holders of the Parent			
Capital Stock	6,452,099	6,452,099	6,452,099
Additional paid-in capital	8,476,002	8,476,002	8,477,307
Cumulative translation adjustments	12,609	15,654	7,661
Retained earnings	4,173,562	3,770,277	4,323,284
Cost of treasury shares held	-	-	(1,305)
	19,114,272	**18,714,034**	**19,259,047**
Minority Interest	**10,991**	**10,388**	**9,210**
Total Stockholders' Equity	**19,125,263**	**18,724,420**	**19,268,256**
	₱25,209,211	**₱24,326,526**	**₱25,970,252**

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

Exhibit II

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF INCOME
For the quarters ended June 30, 2012 and 2011
And for the six (6) months ended June 30, 2012 and 2011
(In Thousand Pesos)

	Quarter ended		Six (6) Months Ended	
	30-Jun-12	30-Jun-11 Restated*	30-Jun-12	30-Jun-11 Restated*
Net Sales	**₱7,209,504**	**₱ 5,504,113**	**₱13,823,326**	**₱11,158,670**
Cost of sales	5,073,549	4,106,257	9,952,434	8,114,473
Gross profit	**2,135,955**	**1,706,947**	**4,611,008**	**3,667,480**
Operating expenses	400,249	358,018	859,389	721,415
Income from operations	**1,735,706**	**1,039,838**	**3,011,503**	**2,322,781**
Other income (expenses)				
Net financial income (expense)	16,035	(86,628)	(5,813)	(129,232)
Income (expenses) on NOA	(62,376)	(41,290)	(138,701)	(114,597)
Unusual items	22,359	(667)	21,024	26,853
Total	(23,982)	(128,585)	(123,490)	(216,976)
Income before income tax	**1,711,724**	**911,253**	**2,888,013**	**2,105,805**
Provision for income tax				
Current	531,775	321,403	907,547	624,458
Deferred	(27,731)	(32,729)	(36,449)	39,834
	504,044	288,674	871,098	664,292
Income Before Minority Interest	**1,207,680**	**622,579**	**2,016,915**	**1,441,513**
Minority Interest	(373)	(267)	(609)	(636)
Net income	**₱1,207,307**	**₱622,312**	**₱2,016,306**	**₱ 1,440,877**
Basic Earnings Per Share (EPS)				
Computation of EPS:				
(a) Net income applicable to common shareholders	**₱1,207,680**	**₱ 622,579**	**₱ 2,016,915**	**₱ 1,441,513**
(b) Common shares issued and outstanding	**6,452,099**	**6,452,099**	**6,452,099**	**6,452,099**
EPS [(a)/(b)]	**₱0.187**	**₱0.096**	**₱0.313**	**₱0.223**

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

Exhibit III

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the quarters ended June 30, 2012 and 2011
And for the six (6) months ended June 30, 2012 and 2011
(In Thousand Pesos)

	Quarter ended		Six (6) Months Ended	
	30-Jun-12	**30-Jun-11 Restated***	**30-Jun-12**	**30-Jun-11 Restated***
Net Income	**₱ 1,207,307**	**₱ 622,312**	**₱2,016,306**	**₱ 1,440,877**
Other Comprehensive Income (Losses)				
Net gains (losses) on cash flow hedges				
Change in fair value of cash flow hedges		9,876		15,225
Transferred to profit or loss		(5,304)		(10549)
Tax effect of changes in fair value of cash flow hedges and amounts transferred to profit or loss		(2,330)		(3,805)
Share in other comprehensive income of a Joint Venture	(3,773)	2,627	(3,045)	1,190
	(3,773)	**4,869**	**(3,045)**	**2,061**
Total Comprehensive Income	**₱1,203,534**	**₱ 627,181**	**₱2,013,261**	**₱1,442,938**
Attributable to:				
Equity holders of the Parent Company	₱1,203,161	₱626,914	₱2,012,652	₱1,442,302
Non-controlling interest	373	267	609	636
	₱1,203,534	**₱ 627,181**	**₱2,013,261**	**₱1,442,938**

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

Exhibit IV

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the six (6) months ended June 30, 2012 and 2011
(In Thousand Pesos)

	Six (6) Months Ended 30-Jun-12	30-Jun-11 Restated*
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	8,477,307
Issuances (Retirement)	-	-
Balance at end of period	8,476,002	8,477,307
Cumulative Translation Adjustments	12,609	19,166
Retained Earnings		
Balance at beginning of period	3,770,279	4,323,284
Impact of change in accounting policy*	-	-
Restated Balance at beginning of period	3,770,279	4,323,284
Net income	**2,016,306**	1,440,877
Cash dividends	(1,613,024)	(2,580,839)
Impact of change in accounting policy*	-	-
Balance at end of period	4,173,562	3,183,322
Treasury Shares		
Balance at beginning of period	-	(1,305)
Acquisition	-	-
Sale of shares held in treasury	-	-
Balance at end of period	-	(1,305)
	₱ 19,114,272	**₱ 18,130,589**

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

Exhibit V

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six (6) months ended June 30, 2012 and 2011
(In Thousand Pesos)

	Six (6) Months Ended	
	30-Jun-12	**30-Jun-11 Restated***
Operating Activities		
Net Income for the period	**₱ 2,016,306**	**₱ 1,440,877**
Adjustments to reconcile net income to cash		
Depreciation and amortization	767,591	650,339
Other items (net)	631,644	559,133
Changes in current assets and liabilities	19,540	(693,619)
Cash provided by operating activities	**3,435,081**	**1,956,730**
Investing Activities		
(Additions) Deductions to Plant, property and equipment	(224,619)	9,064
De(In)crease in other investing activities	(34,967)	(10,367)
Cash provided by (used in) investing activities	**(259,586)**	**(1,303)**
Financing Activities		
Dividends paid	(1,613,024)	(2,585,888)
Proceeds (payment) of short-term loans	(288,901)	1,478,156
Proceeds (payment) of long-term loans	(980,000)	(281,106)
De(In)crease in other financing activities	-	-
Cash provided (used in) financing activities	**(2,881,925)**	**(1,388,838)**
Net increase (decrease) in cash and cash equivalents	**293,570**	**566,589**
Cash and cash equivalents, beginning	**879,047**	**2,040,091**
Effect of exchange rate changes on cash & cash equivalents	**(2,239)**	**(7,480)**
Cash and cash equivalents, end	**₱ 1,170,378**	**₱ 2,599,200**

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

Exhibit VI

HOLCIM PHILIPPINES, INC
Aging of Trade and Other Receivables
As of June 30, 2012

	Total	Current	1-30 days	31-60 days	Over 60 days
Trade Receivables	**₱ 2,094,041**	₱ 1,723,088	₱ 115,615	₱ 73,314	₱ 182,023
Non-Trade Receivables	**98,182**	9,306	5,344	8,795	74,737
Total	**2,192,223**	1,732,395	120,959	82,109	264,934
Allowance for doubtful accounts	**(189,337)**				**(189,337)**
Net Receivables	**₱ 2,002,886**	**₱ 1,732,395**	**₱ 120,959**	**₱ 82,109**	**₱ 75,597**

Certified correct:

Glenn A. Agustin
Manager, Finance & Reporting

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

Results of Operations

The cement industry demand rose by a remarkable 23% for the 1st half of 2012 compared to the same period last year. The increase was brought about by the sustained government spending, healthy construction activities nationwide from the private sector and the prevalence of favorable weather. Driven by the robust demand, Holcim Philippines posted a total net sales Php13.8 billion compared with the Php11.16 billion reported in the same period of 2011. Market prices have also improved compared with last year but not in the range that recovers full variable cost increases since 2010. Cost of sales on the other hand was higher by Php1.8 billion mainly due to higher sales volume and increasing input cost bringing gross profit to Php4.6 billion. Operating expenses also increased on account of higher administration from projects and selling and marketing. As of June 30, 2012, net income after tax and after minority interest stood at 2.02 billion.

Financial Position

The company's financial position remained healthy with total assets of Php25.2 billion, up by Php883 million from end of 2011 mainly due to the increase in cash and cash equivalents, trade and other receivables, and inventories.

Cash Flow Generation

The company's cash requirements have been sourced through cash flow from operations. Cash provided by operating activities for the first half of 2012 amounted to Php3.4 billion. Cash used in financing activities as a result of loan and dividend payment was Php 2.9 billion while the cash used in investing activities mainly due to acquisition of property, plant and equipment, amounted to Php 260 million. These resulted to an ending balance for cash and cash equivalent of Php1.2 billion as of end of the first quarter of 2012.

Key Performance Indicators

The comparative financial KPI's of the Company for the quarters ended June 30, 2012 and 2011 are as follows:

		For the Six (6) Months ended June 30	
Financial KPI	**Definition**	**2012**	**2011 *Restated**
Profitability/Efficiency			
Return on Equity (ROE)	[Net Income] / Ave. Total Shareholders' Equity	21.3%	15.4%
Return on Assets (ROA)	Net Income / Average Total Assets	8.1%	5.5%
Liquidity/Solvency			
Gearing	Net Financial Debt / Stockholders' Equity	(.47%)	12.9%
Interest Rate Coverage	Income before Tax / Net Interest	105.2	24.6
Current Ratio	Current Assets / Current Liabilities	107%	116%

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

Profitability and Efficiency

The improved operating performance of the company translated to improvement in profitability with ROE increasing to 21.3% and ROA of 8.1%.

Liquidity and Solvency

The company's liquidity position remained strong with lower gearing, significant cash balance, and higher interest rate cover and current ratio.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

These condensed consolidated interim financial statements have been prepared in accordance with PAS 34 *Interim Financial Reporting* and do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2011.

The accounting policies adopted in the preparation of condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2011, except for the adoption of the new standards and interpretations that are effective as of January 1, 2012, and the early adoption of certain new standards that are effective beginning January 1, 2013 enumerated below:

Amendments to Standards Effective 2012

Philippine Financial Reporting Standards (PFRS) 7, Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's consolidated financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The adoption of this amendment which is effective for annual periods beginning on or after July 1, 2011 has no significant impact to the Group. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Philippine Accounting Standards (PAS) 12, Income Taxes – Recovery of Underlying Assets
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset. The adoption of this amendment which is effective for annual periods beginning on or after January 1, 2012 has no significant impact to the Group's financial position or performance.

Early Adoption of New Standards Effective Subsequent to 2012

PFRS 10, Consolidated Financial Statements
PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 requires management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

PFRS 11, Joint Arrangements
PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. As a result of early adoption of this new standard, the Company has assessed its investment in Trans-Asia Power Generation Corporation as a joint venture arrangement and has accounted for it using equity method. The Company believes that using equity accounting for this investment provides more relevant information about the financial position of the Company and to comply with the new standard. This change in accounting policy has been applied retrospectively and had no impact on net income and earnings per share for the six (6) months ended June 30, 2012 and 2011. The effect on the financial position was to recognize the investment as one line item under investments and advances and derecognize proportionate share in assets and liabilities of Trans-Asia Power Generation Corporation. Also, the effect on the statement of comprehensive income was to recognize share in net income from the joint venture and not to present a proportionate share in income and expenses on line-by-line basis. The adoption of PFRS 11 did not have impact on total equity and retained earnings as of June 30, 2012, December 31, 2011 and January 1, 2011.

PFRS 12, Disclosure of Interests with Other Entities
PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

PAS 27, Separate Financial Statements (as revised in 2011)
As a consequence of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

PAS 28, Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

PFRS 10, PFRS 11, PFRS 12, PAS 27 (as revised in 2011) and PAS 28 (as revised in 2011) are all effective for periods beginning January 1, 2012. These standards allow early adoption so long as all of these standards are early adopted at the same time. The early adoption of the aforementioned new and revised standards other than PFRS 11 did not have significant impact on the financial position and results of operation of the Group.

New Accounting Standards, Interpretations, and Amendments Not Yet Adopted

Effective in 2013

PFRS 13, "Fair Value Measurement"
This standard establishes a single source of guidance for fair value measurement and eliminates inconsistencies dispersed in various existing PFRS. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Company is currently assessing the impact of the standard on financial position and performance.

Amendment to PAS 1, "Financial Statements Presentation - Presentation of Items of Other Comprehensive Income"
The amendment changes the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance.

Amendment to PAS 19, "Employee Benefits"
The amendment removes the corridor approach in recognizing actuarial gains and losses. It also requires presentation of remeasurements on defined benefit plans in other comprehensive income

and improves disclosure requirements. The Company is in the process of assessing the impact of the amendment on financial position and performance.

Effective in 2014

Amendment to PAS 32, "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities"
The amendment clarifies the meaning of "currently has enforceable right to set-off" and also clarifies the application of the PAS 32 offsetting criteria to settlement systems (such as clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is not expected to have any impact on the net assets of the Company, any changes in offsetting is expected to impact leverage ratios regulatory capital requirements.

Effective in 2015

PFRS 9, "Financial Instruments: Classification and Measurement"
PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting, impairment and derecognition of financial assets will be addressed. The completion of this project is expected in 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of financial assets but will potentially have no impact on classification and measurement of financial liabilities. The Company has decided not to early adopt for its 2012 financial reporting, thus, has not conducted a quantification of full impact of this standard. The Company will quantify the effect of this standard in conjunction with the other phases, when issued, to present a more comprehensive picture.

2. *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.

3. *Material Event Subsequent to the End of the Interim Period*

There were no material events subsequent to the end of the interim period that have not been reflected in the interim financial statements.

4. *Financial Risk Management Objectives and Policies*

General Risk Management Approach

The company is exposed to a variety of financial risk, including the effect of changes in debt structure and 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 foreign cross-currency swaps to hedge certain exposures. Therefore, the company does not enter into derivative or other financial transactions which are unrelated to its operating business. As such, a risk-adverse 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 excess liquidity.

The company's principal financial instruments, other than derivatives, comprise of cash and cash equivalents, AFS financial assets, notes payable and long-term debt. The main purpose of these financial instruments is to raise funds for the company's operations. The company also has various other financial assets and liabilities such as trade and other receivables, employee advance payments, restricted cash, trade and other payables and customer deposits which arise directly from operations.

The main risks arising from the company's financial instruments are market risks (foreign currency risk and interest rate risks), credit risk and liquidity risk. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Market Risks

The company is exposed to market risk, primarily relating to foreign currency and interest rate risks. To manage volatility relating to these exposures, the company enters into derivative financial instruments. The company's objective is to reduce, where appropriate, fluctuations in earnings and cash flows associated with changes in foreign currency and interest rate risk. The company, therefore, expects that any loss in value of those instruments generally would be offset by increases in the value of the underlying transactions.

Foreign Currency Risks

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 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. The company may hedge certain foreign currency borrowings or other instruments and are accounted for similarly to cash flow hedges. As such, foreign exchange gains or losses are recognized in equity and consolidated statements of income.

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 which are designed either as cash flow hedges or fair value hedges, as appropriate, but which does not include the hedging of forecasted transactions as it is not economical.

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. Given the Company's net borrowing position, 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 interest rate swap agreements, in which it exchanges periodic payments, based on the notional amounts and agreed-upon fixed and variable interest rates.

As of June 30, 2012, the Company has no financial instruments that are exposed to interest rate risk.

Credit Risk

Credit risk arises from the possibility that customers 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 to meet 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 exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated balance sheet.

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 comprise of cash and cash equivalents, AFS financial assets, financial assets at FVPL and certain derivative instruments, 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 to 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, 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 of June 30, 2012, the Company has credit facilities of ₱3.37 billion which has not been utilized.

5. Financial Instruments

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 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 fair value through profit or loss (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 investments 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, re-evaluates 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.

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; or
- 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; or
- 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)" 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. The carrying values of financial assets (liabilities) under this category amounted to ₱21.8 million and (₱4 million) as of June 30 and March 31, 2012.

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. The Company has no outstanding cross-currency swaps as of June 30 and March 31, 2012.

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

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

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

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

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

The combined carrying values of financial assets under this category amounted to ₱3,384 million and ₱ 3,419 million as of June 30 and March 31, 2012.

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 method of any difference between the initially recognized amount and the maturity amount less allowance for impairment. For investments carried at amortized cost, gains and losses are recognized in the consolidated statement of income when the investment are derecognized or impaired, as well as through the amortization process. Where the Company sells other than an insignificant amount of HTM investments, the entire category will be tainted and reclassified as AFS financial assets. Assets under this category are classified as current assets if maturity is within twelve (12) months from balance sheet date and as non-current if maturity is more than a year from balance sheet date.

The Company has no HTM investments as at June 30 and March 31, 2012.

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. AFS financial assets that are unquoted are carried at cost less any impairment in value. The unrealized gains and losses arising from the change in fair value of AFS financial assets are reported in the consolidated statements of comprehensive income. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within twelve months from balance sheet date.

The Company classified its investments in quoted and unquoted ordinary shares of stocks of various companies and club shares as AFS financial assets. The carrying values of financial assets under this category amounted to ₱3,934 as of June 30 and March 31, 2012.

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, trade and other payables, long-term debt and customers' deposits 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 method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

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

The combined carrying values of financial liabilities under this category amounted to ₱4,938 million and ₱4,605 million as of June 30 and March 31, 2012.

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. 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 included 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.

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. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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, in a subsequent period, the amount of 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.

Assets Carried at Cost. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The carrying amount is reduced through an allowance account.

AFS Financial Assets. In the case of 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 other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed in the consolidated statement of income. Increases in fair value after impairment are recognized in other comprehensive 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.

Investment in Foreign Securities
The Company does not have any investment in foreign securities as of June 30 and March 31, 2012.

Comparison of Carrying Amounts and Fair Values of Financial Assets and Liabilities

The following is a comparison, by class and category, of carrying amounts and fair values of all of the Company's financial instruments as at June 30, 2012 and March 31, 2012:

	30 June 2012		31 March 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Financial assets at FVPL				
Derivative assets[a]	₱21,787	₱21,787	₱–	₱–
	21,787	21,787	–	–
AFS investments[b]				
Quoted shares	176	176	176	176
Unquoted shares	3,758	3,758	3,758	3,758
	3,934	3,934	3,934	3,934
Loans and receivables				
Cash and cash equivalents	1,170,378	1,170,378	1,338,585	1,338,585
Trade and other receivables - net of allowance for doubtful accounts	2,002,886	2,002,886	1,877,229	1,877,229
Advances to employees [a]	44,984	44,984	45,450	45,450
Guarantee deposits[c]	53,343	53,343	52,893	52,893
Refundable deposits[c]	48,474	48,474	48,474	48,474
Restricted cash[c]	63,714	63,714	56,860	56,860
	3,383,778	3,383,778	3,419,491	3,419,491
Total financial assets	₱3,409,499	₱3,409,499	₱3,423,425	₱3,423,425
Financial Liabilities				
Financial liabilities at FVPL				
Derivative liabilities[d]	₱–	₱–	₱3,994	₱3,994
Other financial liabilities				
Notes payable	700,000	700,000	–	–
Trade and other payables	3,857,340	3,857,340	3,016,310	3,016,310
Long-term debt	–	–	914,251	981,855
Customers' deposits	380,792	380,792	374,448	374,448
	4,938,132	4,938,132	4,605,389	4,672,993
Total financial liabilities	₱4,938,132	₱4,938,132	₱4,609,383	₱4,676,987

[a] *Included under "Other current assets" account in the consolidated balance sheets.*
[b] *Included under "Investments and advances" account in the consolidated balance sheets.*
[c] *Included under "Other noncurrent assets" account in the consolidated balance sheets.*
[d] *Included under "Other current liabilities" account in the consolidated balance sheets.*

Fair Value of Financial Instruments
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, 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 of end of each reporting period.

Derivative Assets and Liabilities. The fair values of the embedded currency forwards are calculated by reference to current forward exchange rates while the fair value of cross-currency swaps are based on market values provided by counterparty banks.

Held for Trading Financial Assets and 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 impairment.

Guarantee Deposits, Refundable Deposits and Customer's Deposits. These are carried at cost since there is no reliable basis for fair value measurement.

Long-term Debt. Fair value is based on the following:

Debt Type	Fair Value Assumptions
Fixed rate loans	Estimated fair value is based on the discounted value of future cash flows using discount rates for similar types of loans.
Floating rate loans	The carrying value approximates fair value because of recent and regular (i.e. quarterly) repricing based on prevailing market rates.

As of June 30 2012, the Company has paid all of its long-term debt.

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 June 30, 2012 and March 31, 2012:

	30 June 2012			31 March 2012		
	Level 1[(1)]	Level 2[(2)]	Total	Level 1[(1)]	Level 2[(2)]	Total
			(In Thousands)			
Financial Assets at FVPL						
Derivative financial assets	₱–	₱21,787	₱21,787	₱–	₱–	₱–
AFS financial assets -						
Quoted equity securities	176	–	176	176	–	176
Total	**₱176**	**₱21,787**	**₱21,963**	**₱176**	**₱–**	**₱176**
Financial Assets at FVPL						
Derivative financial liabilities	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,994**	**₱3,994**

[(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.*

As at June 30 and March 31, 2012, 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 2012.

Derivative Financial Instruments

Derivative financial instruments as at June 30, 2012 and March 31, 2012 consisted of embedded currency forwards with total outstanding notional amount of US$11.1 million and US$9.2 million respectively.

For the periods ended June 30, 2012 and March 31, 2012, the Company recognized foreign exchange gains (losses) from embedded derivatives amounting to (₱7.9 million) and ₱25.8 million respectively.

6. Retained Earnings

The BOD approved the declaration of cash dividends of P0.25 per common share (or a total of P1.6 billion) on May 17, 2012, payable to stockholders of record as of June 11, 2012. The dividends were paid in June 2012.

Interim Disclosures

The following disclosures do not materially affect or are not applicable to the company's interim operations:

1. Unusual items that affect the 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 reported in prior financial years that have a material effect in the current period.

3. Issuances, repurchases of equity securities.

4. Segment revenue and segment results for business segments and geographical segments.

5. Changes in contingent liabilities or contingent assets since the last annual balance sheet.

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

7. 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.

8. Events that will trigger direct or contingent material financial obligations to the company, including any default or acceleration of its existing obligations.

9. 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.

10. Material commitments for capital expenditures.

11. 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.

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

13. Effect of changes in composition of the Company during the interim period, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations.

Material Changes in Balance Sheet Accounts

Cash and cash equivalents

The increase in cash and cash equivalents of ₱294 million was the result of higher cash generated from operating activities of Php3.4 billion net of the use of funds for full settlement of existing loans and payment of dividends.

Trade and other receivables-net

Trade and Other Receivables-Net increased by Php469 million due to the higher sales in June 2012, compared to December 2011.

Inventories

Inventories was higher compared to year-end CY2011 generally due to higher spare parts inventory in preparation for the scheduled maintenance activities in the coming months.

Investments

Investments decreased by Php33.2 million as a result of the recognition of the Company's share in net loss of its associate (TAPG) for the period January to June 2012.

Deferred tax assets

The net increase in deferred tax assets of Php46 million was due to the deferred taxes recognized for accruals of expense and recognition of allowance for doubtful accounts.

Other non-current assets-net

Other non-current assets consisted of security deposits and restricted portion of cash and cash equivalents. The increase compared to 2011 pertained to increase in security deposits and restricted cash.

Trade and other payables

Trade and other payables consist of payables and advances from customers used for company operations. The increase of ₱1.2 billion was caused mainly by the accruals made for goods and services received where invoices are yet to be received and paid.

Notes payable

The decrease of Php300 million was due to the full settlement of the short term loan.

Income tax payable

The income taxes payable pertains to the income taxes for the second quarter of 2012. The increase was a result of higher income for the second quarter of the year as compared to the last quarter of 2011.

Long-term debt

Long-term debt was fully settled in May 2012.

Deferred tax liabilities

The increase in net deferred tax liabilities was due to the amortization of deferred tax assets leading to net deferred tax liability position for two of the Company's subsidiaries.

Retained earnings

The increase in retained earnings represents net income of Php2.0 billion for the first half of 2012 decreased by declaration of dividends amounting to Php1.6 billion.

Material Changes in Income Statement Accounts

Net sales

Driven by the robust demand, the Company recorded sales revenues for the quarter of Php7.2 billion which was higher by Php1.7 billion compared with the same quarter last year.

Cost of goods sold

Cost of sales increased by Php967 million due to higher volume sold and increase in input costs.

Operating Expenses

Compared with same period last year, operating expenses increased by about ₱42 million and this was brought about by the increase in expenses for providing higher service levels to meet the increased levels of operations.

Net financial Expenses

Net financial expenses decreased by ₱103 million compared to the same period last year mainly as a result of payment of long term debt.

Unusual Items

This pertained to the gain recognized on the sale of property, plant and equipment.

Provision for income tax

Improvement in operating performance of the company brought about by the robust market demand resulted in higher provision for taxes as compared to same period last year.

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

Financial KPI	Definition	For the Six (6) Months Ended June 30	
		2012	2011 *Re-stated
Current/Liquidity ratio Current Ratio	Current Assets / Current Liabilities	107%	116%
Solvency ratio/Debt-to-equity ratio Gearing	Net Financial Debt / Stockholder's Equity	(.47%)	12.9%
Asset to Equity Ratios Asset to Equity Ratio/ Equity Multiplier	Total Assets / Stockholder's Equity	132%	147%
Interest Rate Coverage Ratio Interest Rate Coverage	Income before Tax / Net Interest	105.2	24.6
Profitability Ratios Return on Assets	Net Income / Average Total Assets	8.1%	5.5%
Return on Equity	Net Income / Average Total Equity	21.3%	15.4%

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.

Rowena C. Aspan Treasurer Date: August 30, 2012	Glenn A. Agustin Manager, Finance & Reporting Date: August 30, 2012

110302012000009

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
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Company Information

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

Document Information

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Department	CFD
Remarks	

COVER SHEET

0	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)

Glenn A. Agustin
(Contact Person)

459-3333
(Company Telephone Number)

09 **30**
Month *Day*
(Fiscal Year)

SEC FORM 17-Q
For the quarter ended September 30, 2012
(Form Type)

Month *Day*
(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 ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2012

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 Manila, 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) 459-3334

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:

    Phil. 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 September 30, 2012, December 31, 2011 and January 1, 2011

Exhibit II – Consolidated Statements of Income for the quarters ended September 30, 2012 and 2011 and for the nine (9) months ended September 30, 2012 and 2011

Exhibit III – Consolidated Statements of Comprehensive Income for the quarters ended September 30, 2012 and 2011 and for the nine (9) months ended September 30, 2012 and 2011

Exhibit IV – Consolidated Statements of Changes in Stockholders' Equity for the nine (9) months ended September 30, 2012 and 2011

Exhibit V – Consolidated Statements of Cash Flows for the nine (9) months ended September 30, 2012 and 2011

Exhibit VI – Aging of Accounts Receivable – Trade and Non-trade as of September 30, 2012

Exhibit I

HOLCIM PHILIPPINES, INC.
CONSOLIDATED BALANCE SHEETS
September 30, 2012, December 31, 2011 and January 1, 2011
(In Thousand Pesos)

	30 Sep 2012	31 Dec 2011 Restated*	1 Jan 2011 Restated*
ASSETS			
Current Assets			
Cash and cash equivalents	₱748,061	₱879,047	₱2,040,091
Trade and other receivables-net	1,951,811	1,534,298	1,362,174
Inventories	2,340,243	1,899,702	1,999,502
Other current assets	543,280	500,884	467,567
Total Current Assets	**5,583,395**	**4,813,931**	**5,869,334**
Noncurrent assets			
Investments	334,454	356,776	349,461
Property, plant and equipment – net	15,629,634	16,051,653	16,618,404
Intangibles	2,849,856	2,823,263	2,825,552
Deferred tax assets	108,431	17,677	74,696
Other noncurrent assets	293,580	263,226	232,805
Total Noncurrent Assets	**19,215,955**	**19,512,595**	**20,100,918**
	₱24,799,350	**₱24,326,526**	**₱25,970,252**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables	₱3,918,846	₱2,993,242	₱2,733,220
Notes payable	300,010	1,000,000	-
Income tax payable	264,821	-	49,578
Current portion of long-term debt	-	245,000	1,233,789
Other current liabilities	382,013		
Total Current Liabilities	**4,865,690**	**4,238,242**	**4,016,587**
Noncurrent Liabilities			
Long term debt - net of current portion	-	729,888	1,952,439
Customer's deposits	-	369,740	428,898
Derivative liabilities	-	-	118,124
Retirement benefit liabilities	104,386	98,177	71,328
Provisions	148,707	128,242	88,285
Deferred tax liabilities	5,849	-	17,053
Other noncurrent liabilities	31,206	37,817	9,282
Total Noncurrent Liabilities	**290,148**	**1,363,864**	**2,685,409**
Equity Attributable to Equity Holders of the Parent			
Capital Stock	6,452,099	6,452,099	6,452,099
Additional paid-in capital	8,476,002	8,476,002	8,477,307
Cumulative translation adjustments	14,089	15,654	7,661
Retained earnings	4,690,123	3,770,277	4,323,284
Cost of treasury shares held	-	-	(1,305)
	19,632,313	**18,714,032**	**19,259,046**
Minority Interest	**11,199**	**10,388**	**9,210**
Total Stockholders' Equity	**19,643,512**	**18,724,420**	**19,268,256**
	₱24,799,350	**₱24,326,526**	**₱25,970,252**

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

Exhibit II

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF INCOME
For the quarters ended September 30, 2012 and 2011
And for the nine (9) months ended September 30, 2012 and 2011
(In Thousand Pesos)

	Quarter ended		Nine (9) Months Ended	
	30-Sep-12	30-Sep-11 Restated*	30-Sep-12	30-Sep-11 Restated*
Net Sales	**₱6,390,557**	**₱ 5,338,230**	**₱20,213,883**	**₱16,496,859**
Cost of sales	5,179,274	4,065,405	15,131,709	12,179,813
Gross profit	**1,211,283**	**1,272,825**	**5,082,174**	**4,317,046**
Operating expenses	430,400	424,588	1,289,788	1,145,877
Income from operations	**780,883**	**848,237**	**3,792,386**	**3,171,169**
Other income (expenses)				
Net financial income (expense)	402	11,282	(5,411)	(117,964)
Income (expenses) on NOA	(50,590)	(51,055)	(189,291)	(165,652)
Unusual items	2,445	(746)	23,469	26,107
Total	(47,743)	(40,519)	(171,223)	(257,509)
Income before income tax	**733,140**	**807,718**	**3,621,153**	**2,913,660**
Provision for income tax				
Current	264,826	174,311	1,172,373	798,728
Deferred	(48,456)	7,066	(84,905)	46,900
	216,370	181,377	1,087,468	845,628
Income Before Minority Interest	**516,770**	**626,341**	**2,533,685**	**2,068,032**
Minority Interest	(209)	(431)	(818)	(1,067)
Net income	**₱516,561**	**₱625,910**	**₱2,532,867**	**₱ 2,066,965**
Basic/Diluted Earnings Per Share (EPS) Attributable to Equity Holders of the Parent Company				
Computation of EPS:				
(a) Net income applicable to common shareholders of Parent Company	**₱516,561**	**₱ 625,910**	**₱ 2,532,867**	**₱ 2,066,965**
(b) Common shares issued and outstanding	**6,452,099**	**6,452,099**	**6,452,099**	**6,452,099**
EPS [(a)/(b)]	**₱0.080**	**₱0.097**	**₱0.393**	**₱0.320**

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

Exhibit III

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the quarters ended September 30, 2012 and 2011
And for the nine (9) months ended September 30, 2012 and 2011
(In Thousand Pesos)

	Quarter ended		**Nine (9) Months Ended**	
	30-Sep-12	**30-Sep-11 Restated***	**30-Sep-12**	**30-Sep-11 Restated***
Net Income	**₱ 516,770**	**₱ 626,341**	**₱2,533,685**	**₱ 2,068,032**
Other Comprehensive Income (Losses)				
Net gains (losses) on cash flow hedges				
Change in fair value of cash flow hedges		5,188		20,413
Transferred to profit or loss		(7,147)		(17,696)
Tax effect of changes in fair value of cash flow hedges and amounts transferred to profit or loss		588		(815)
Share in other comprehensive income of a Joint Venture	1,480	(3,923)	(1,565)	(5,360)
	1,480	**(5,924)**	**(1,565)**	**(3,458)**
Total Comprehensive Income	**₱518,250**	**₱621,047**	**₱2,532,120**	**₱2,064,574**
Attributable to:				
Equity holders of the Parent Company	₱518,041	₱620,616	₱2,531,302	₱2,063,507
Non-controlling interest	209	431	818	1,067
	₱518,250	**₱ 621,047**	**₱2,532,120**	**₱2,064,574**

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the nine (9) months ended September 30, 2012 and 2011
(In Thousand Pesos)

	Nine (9) Months Ended	
	30-Sep-12	**30-Sep-11 Restated***
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	8,477,307
Issuances (Retirement)	-	-
Balance at end of period	8,476,002	8,477,307
Cumulative Translation Adjustments	14,089	5,641
Retained Earnings		
Balance at beginning of period	3,770,279	4,323,284
Impact of change in accounting policy*	-	-
Restated Balance at beginning of period	3,770,279	4,323,284
Net income	2,532,867	2,066,965
Cash dividends	(1,613,023)	(2,580,839)
Impact of change in accounting policy*	-	-
Balance at end of period	4,690,123	3,809,410
Treasury Shares		
Balance at beginning of period	-	(1,305)
Acquisition	-	-
Sale of shares held in treasury	-	-
Balance at end of period	-	(1,305)
	₱ 19,632,313	**₱ 18,743,152**

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

Exhibit V

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine (9) months ended September 30, 2012 and 2011
(In Thousand Pesos)

	Nine (9) Months Ended	
	30-Sep-12	**30-Sep-11 Restated***
Operating Activities		
Net Income for the period	**₱ 2,532,867**	**₱ 2,066,965**
Adjustments to reconcile net income to cash		
Depreciation and amortization	1,105,372	977,511
Other items (net)	316,973	502,065
Changes in current assets and liabilities	(108,594)	(957,246)
Cash provided by operating activities	**3,846,618**	**2,589,295**
Investing Activities		
(Additions) Deductions to Plant, property and equipment	(658,800)	(233,285)
De(In)crease in other investing activities	(34,079)	(25,706)
Cash provided by (used in) investing activities	**(692,879)**	**(258,991)**
Financing Activities		
Dividends paid	(1,613,024)	(2,558,339)
Proceeds (payment) of short-term loans	(687,655)	1,478,156
Proceeds (payment) of long-term loans	(980,000)	(1,455,945)
De(In)crease in other financing activities	-	-
Cash provided (used in) financing activities	**(3,280,679)**	**(2,536,128)**
Net increase (decrease) in cash and cash equivalents	**(126,940)**	**(205,824)**
Cash and cash equivalents, beginning	**879,047**	**2,040,091**
Effect of exchange rate changes on cash & cash equivalents	**(4,046)**	**(7,201)**
Cash and cash equivalents, end	**₱ 748,061**	**₱ 1,827,066**

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

Exhibit VI

HOLCIM PHILIPPINES, INC
Aging of Trade and Other Receivables
As of September 30, 2012
(In Thousand Pesos)

	Total	Current	1-30 days	31-60 days	Over 60 days
Trade Receivables	**₱ 2,023,384**	₱ 1,659,818	₱ 119,532	₱ 74,507	₱ 169,527
Non-Trade Receivables	**52,456**	5,107	4,095	12,312	30,942
Total	**2,075,840**	1,664,925	123,627	86,819	200,469
Allowance for doubtful accounts	**(124,029)**	**(5,643)**	**(417)**	**(1,032)**	**(116,937)**
Net Receivables	**₱ 1,951,811**	**₱ 1,659,282**	**₱ 123,210**	**₱ 85,787**	**₱ 83,532**

Certified correct:

Glenn A. Agustin
Manager, Finance & Reporting

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

Results of Operations

The cement industry demand grew by 20% for the period January to September 2012 compared with the same period last year. The increase was brought about mainly by the sustained government infrastructure spending and healthy construction activities nationwide from the private sector. With the robust demand, revenue generation increased to Php20.2 billion for the period January to September 2012, from the Php16.5 billion in the same period last year. Market prices have also improved compared with last year but not in the range that recovers full variable cost increases since 2010. Cost of sales was higher by Php2.95 billion mainly due to higher sales volume and cost bringing gross profit to Php5.1 billion. Operating expenses also increased on account of higher administration cost, from projects and selling and marketing expenses. As of September 30, 2012, net income after tax and after minority interest stood at Php2.53 billion.

Financial Position

The company's financial position remained healthy. Current ratio and gearing were 115% and (0.34%), respectively, which reflect the Company's strong liquidity and solvency positions. Total assets amounted to Php24.8 billion, up by Php473 million from end of 2011.

Cash Flow Generation

The company's cash requirements have been sourced through cash flow from operations. Cash provided by operating activities for the first nine months of 2012 amounted to Php3.8 billion. Cash used in financing activities as a result of loan and dividend payment was Php 3.3 billion while the cash used in investing activities amounted to Php 693 million. These resulted to an ending balance for cash and cash equivalent of Php748 million as of end of the third quarter of 2012.

Key Performance Indicators

The comparative financial KPI's of the Company for the quarters ended September 30, 2012 and 2011 are as follows:

		For the Nine (9) Months ended September 30	
Financial KPI	**Definition**	**2012**	**2011 *Restated**
Profitability/Efficiency			
Return on Equity (ROE)	[Net Income] / Ave. Total Shareholders' Equity	17.6%	14.5%
Return on Assets (ROA)	Net Income / Average Total Assets	13.7%	10.6%
Liquidity/Solvency			
Gearing	Net Financial Debt / Stockholders' Equity	(0.34%)	9.79%
Interest Rate Coverage	Income before Tax / Net Interest	117.7	22.3
Current Ratio	Current Assets / Current Liabilities	115%	112%

* See notes on Accounting Policies and Principles under Early Adoption of New Standards

Profitability and Efficiency

The improved operating performance of the company translated to improvement in profitability with ROE increasing to 17.6% and ROA of 13.7%.

Liquidity and Solvency

The company's liquidity position remained strong with lower gearing, significant cash balance, and higher interest rate cover and current ratio.

Outlook

The company expects the growth of demand to continue and anticipates the annual growth rate of domestic sales of cement in 2012 to be around 14%. In 2013, growth is expected due to good business and political climate, and would be supported by the implementation of the Private-Public Partnership (PPP) projects, and the successful conduct of the 2013 local election.

To meet the foreseen surge in demand in the coming years, the company, in the short term, is rehabilitating its idle grinding plant in Mabini, Batangas, which is expected to be operational by the 3rd quarter of 2013. In the medium term, the company plans to put up a new integrated cement plant. It intends to make a proposal to its Board of Directors in the first half of 2013.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

These condensed consolidated interim financial statements have been prepared in accordance with PAS 34 *Interim Financial Reporting* and do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2011.

The accounting policies adopted in the preparation of condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2011, except for the adoption of the new standards and interpretations that are effective as of January 1, 2012, and the early adoption of certain new standards that are effective beginning January 1, 2013 enumerated below:

Amendments to Standards Effective 2012

Philippine Financial Reporting Standards (PFRS) 7, Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's consolidated financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The adoption of this amendment which is effective for annual periods beginning on or after July 1, 2011 has no significant impact to the Group. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Philippine Accounting Standards (PAS) 12, Income Taxes – Recovery of Underlying Assets
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset. The adoption of this amendment which is effective for annual periods beginning on or after January 1, 2012 has no significant impact to the Group's financial position or performance.

Early Adoption of New Standards Effective Subsequent to 2012

PFRS 10, Consolidated Financial Statements
PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities.* PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 requires management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

PFRS 11, Joint Arrangements
PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-Controlled Entities - Non-monetary Contributions by Venturers.* PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. As a result of early adoption of this new standard, the Company has assessed its investment in Trans-Asia Power Generation Corporation as a joint venture arrangement and has accounted for it using equity method. The Company believes that using equity accounting for this investment provides more relevant information about the financial position of the Company and to comply with the new standard. This change in accounting policy has been applied retrospectively and had no impact on net income and earnings per share for the nine (9) months ended September 30, 2012 and 2011. The effect on the financial position was to recognize the investment as one line item under investments and advances and derecognize proportionate share in assets and liabilities of Trans-Asia Power Generation Corporation. Also, the effect on the statement of comprehensive income was to recognize share in net income from the joint venture and not to present a proportionate share in income and expenses on line-by-line basis. The adoption of PFRS 11 did not have impact on total equity and retained earnings as of September 30, 2012, December 31, 2011 and January 1, 2011.

PFRS 12, Disclosure of Interests with Other Entities
PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

PAS 27, Separate Financial Statements (as revised in 2011)
As a consequence of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

PAS 28, Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

PFRS 10, PFRS 11, PFRS 12, PAS 27 (as revised in 2011) and PAS 28 (as revised in 2011) are all effective for periods beginning January 1, 2012. These standards allow early adoption so long as all of these standards are early adopted at the same time. The early adoption of the aforementioned new and revised standards other than PFRS 11 did not have significant impact on the financial position and results of operation of the Group.

<u>New Accounting Standards, Interpretations, and Amendments Not Yet Adopted</u>

Effective in 2013

PFRS 13, "Fair Value Measurement"
This standard establishes a single source of guidance for fair value measurement and eliminates inconsistencies dispersed in various existing PFRS. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Company is currently assessing the impact of the standard on financial position and performance.

Amendment to PAS 1, "Financial Statements Presentation - Presentation of Items of Other Comprehensive Income"

The amendment changes the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance.

Amendment to PAS 19, "Employee Benefits"
The amendment removes the corridor approach in recognizing actuarial gains and losses. It also requires presentation of remeasurements on defined benefit plans in other comprehensive income and improves disclosure requirements. The Company is in the process of assessing the impact of the amendment on financial position and performance.

Effective in 2014

Amendment to PAS 32, "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities"
The amendment clarifies the meaning of "currently has enforceable right to set-off" and also clarifies the application of the PAS 32 offsetting criteria to settlement systems (such as clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is not expected to have any impact on the net assets of the Company, any changes in offsetting is expected to impact leverage ratios regulatory capital requirements.

Effective in 2015

PFRS 9, "Financial Instruments: Classification and Measurement"
PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting, impairment and derecognition of financial assets will be addressed. The completion of this project is expected in the 4th quarter of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of financial assets but will potentially have no impact on classification and measurement of financial liabilities. The Company has decided not to early adopt for its 2012 financial reporting, thus, has not conducted a quantification of full impact of this standard. The Company will quantify the effect of this standard in conjunction with the other phases, when issued, to present a more comprehensive picture.

2. 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.

3. Material Event Subsequent to the End of the Interim Period

There were no material events subsequent to the end of the interim period that have not been reflected in the interim financial statements.

4. Financial Risk Management Objectives and Policies

General Risk Management Approach

The company is exposed to a variety of financial risk, including the effect of changes in debt structure and 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 foreign cross-currency swaps to hedge certain exposures. Therefore, the company does not enter into derivative or other financial transactions which are unrelated to its operating business. As such, a risk-adverse 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 excess liquidity.

The company's principal financial instruments, other than derivatives, comprise of cash and cash equivalents, AFS financial assets, notes payable and long-term debt. The main purpose of these financial instruments is to raise funds for the company's operations. The company also has various other financial assets and liabilities such as trade and other receivables, employee advance payments, restricted cash, trade and other payables and customer deposits which arise directly from operations.

The main risks arising from the company's financial instruments are market risks (foreign currency risk and interest rate risks), credit risk and liquidity risk. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Market Risks

The company is exposed to market risk, primarily relating to foreign currency and interest rate risks. To manage volatility relating to these exposures, the company enters into forward bookings and other appropriate hedging instruments, when necessary, and these are based on underlying transaction as required by existing company policy. The company's objective is to reduce, where appropriate, fluctuations in earnings and cash flows associated with changes in foreign currency and interest rate risk. The company, therefore, expects that the loss in value of those instruments generally would be offset by increases in the value of the underlying transactions.

Foreign Currency Risks

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 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. The company may hedge certain foreign currency borrowings or other instruments and are accounted for similarly to cash flow hedges. As such, foreign exchange gains or losses are recognized in equity and consolidated statements of income.

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 which are designed either as cash flow hedges or fair value hedges, as appropriate, but which does not include the hedging of forecasted transactions as it is not economical.

As of September 30, 2012, the Company has 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. Given the Company's net borrowing position, 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 interest rate swap agreements, in which it exchanges periodic payments, based on the notional amounts and agreed-upon fixed and variable interest rates.

As of September 30, 2012, the Company has no significant financial instruments that are exposed to interest rate risk.

Credit Risk

Credit risk arises from the possibility that customers 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 to meet 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 exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated balance sheet.

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 comprise of cash and cash equivalents, AFS financial assets, financial assets at FVPL and certain derivative instruments, 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 to 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, 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 of September 30, 2012, the Company has credit facilities of ₱2.48 billion which has not been utilized.

5. Financial Instruments

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 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 fair value through profit or loss (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 investments 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, re-evaluates 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.

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; or
- 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; or
- 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 "Net financial income (expense)" 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. The carrying values of financial assets (liabilities) under this category amounted to ₱14.9 million and (₱21.8 million) as of September 30 and June 30, 2012.

<u>Derivative Financial Instruments and Hedge Accounting</u>
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. The Company has no outstanding cross-currency swaps as of September 30 and June 30, 2012.

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

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

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

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

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

The combined carrying values of financial assets under this category amounted to ₱2.9 billion and ₱ 3.4 billion as of September 30 and June 30, 2012.

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 method of any difference between the initially recognized amount and the maturity amount less allowance for impairment. For investments carried at amortized cost, gains and losses are recognized in the consolidated statement of income when the investment are derecognized or impaired, as well as through the amortization process. Where the Company sells other than an insignificant amount of HTM investments, the entire category will be tainted and reclassified as AFS financial assets. Assets under this category are classified as current assets if maturity is within twelve (12) months from balance sheet date and as non-current if maturity is more than a year from balance sheet date.

The Company has no HTM investments as at September 30 and June 30, 2012.

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. AFS financial assets that are unquoted are carried at cost less any impairment in value. The unrealized gains and losses arising from the change in fair value of AFS financial assets are reported in the consolidated statements of comprehensive income. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within twelve months from balance sheet date.

The Company classified its investments in quoted and unquoted ordinary shares of stocks of various companies and club shares as AFS financial assets. The carrying values of financial assets under this category amounted to ₱3.9 million as of September 30 and June 30, 2012.

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, trade and other payables, long-term debt and customers' deposits 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 method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

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

The combined carrying values of financial liabilities under this category amounted to ₱4.6 billion and ₱ 4.9 billion as of September 30 and June 30, 2012.

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. 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 included 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.

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. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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, in a subsequent period, the amount of 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.

Assets Carried at Cost. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The carrying amount is reduced through an allowance account.

AFS Financial Assets. In the case of 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 other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed in the consolidated statement of income. Increases in fair value after impairment are recognized in other comprehensive 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.

Investment in Foreign Securities
The Company does not have any investment in foreign securities as of September 30 and June 30, 2012.

Comparison of Carrying Amounts and Fair Values of Financial Assets and Liabilities

The following is a comparison, by class and category, of carrying amounts and fair values of all of the Company's financial instruments as at September 30, 2012 and June 30, 2012:

	30 September 2012		30 June 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
Financial Assets				
Financial assets at FVPL				
Derivative assets[a]	₱14,927	₱14,927	₱21,787	₱21,787
	14,927	14,927	21,787	21,787
AFS investments[b]				
Quoted shares	176	176	176	176
Unquoted shares	3,758	3,758	3,758	3,758
	3,934	3,934	3,934	3,934
Loans and receivables				
Cash and cash equivalents	748,061	748,061	1,170,378	1,170,378
Trade and other receivables - net of allowance for doubtful accounts	1,951,811	1,951,811	2,002,886	2,002,886
Advances to employees [a]	36,428	36,428	44,984	44,984
Guarantee deposits[c]	53,842	53,842	53,343	53,343
Refundable deposits[c]	48,474	48,474	48,474	48,474
Restricted cash[c]	63,905	63,905	63,713	63,713
	2,902,521	2,902,521	3,383,778	3,383,778
Total financial assets	₱2,921,382	₱2,921,382	₱3,409,499	₱3,409,499
Financial Liabilities				
Financial liabilities at FVPL				
Derivative liabilities[d]	₱–	₱–	₱–	₱–
Other financial liabilities				
Notes payable	300,010	300,010	700,000	700,000
Trade and other payables	3,918,846	3,918,846	3,857,340	3,857,340
Long-term debt	–	–	–	–
Customers' deposits	382,013	382,013	380,792	380,792
	4,600,869	4,600,869	4,938,132	4,938,132
Total financial liabilities	₱4,600,869	₱4,600,869	₱4,938,132	₱4,938,132

[a] *Included under "Other current assets" account in the consolidated balance sheets.*
[b] *Included under "Investments and advances" account in the consolidated balance sheets.*
[c] *Included under "Other noncurrent assets" account in the consolidated balance sheets.*
[d] *Included under "Other current liabilities" account in the consolidated balance sheets.*

Fair Value of Financial Instruments
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, 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 of end of each reporting period.

Derivative Assets and Liabilities. The fair values of the embedded currency forwards are calculated by reference to current forward exchange rates while the fair value of cross-currency swaps are based on market values provided by counterparty banks.

Held for Trading Financial Assets and 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 impairment.

Guarantee Deposits, Refundable Deposits and Customer's Deposits. These are carried at cost since there is no reliable basis for fair value measurement.

Long-term Debt. Fair value is based on the following:

Debt Type	Fair Value Assumptions
Fixed rate loans	Estimated fair value is based on the discounted value of future cash flows using discount rates for similar types of loans.
Floating rate loans	The carrying value approximates fair value because of recent and regular (i.e. quarterly) repricing based on prevailing market rates.

As of September 30 2012, the Company has paid all of its long-term debt.

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 September 30, 2012 and June 30, 2012:

	30 September 2012			30 June 2012		
	Level 1[1]	Level 2[2]	Total	Level 1[1]	Level 2[2]	Total
			(In Thousands)			
Financial Assets at FVPL						
Derivative financial assets	₱–	₱14,927	₱14,927	₱–	₱21,787	₱21,787
AFS financial assets -						
Quoted equity securities	176	–	176	176	–	176
Total	**₱176**	**₱14,927**	**₱15,103**	**₱176**	**₱21,787**	**₱21,963**
Financial Liabilities at FVPL						
Derivative financial liabilities	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**

(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.

As at September 30 and June 30, 2012, 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 2012.

Derivative Financial Instruments
Derivative financial instruments as at September 30, 2012 and June 30, 2012 consisted of embedded currency forwards with total outstanding notional amount of US$10.5 million and US$11.1 million respectively.

For the periods ended September 30, 2012 and June 30, 2012, the Company recognized foreign exchange gains (losses) from embedded derivatives amounting to ₱11.1 million and ₱17.9 million respectively.

6. Dividends

The BOD approved the declaration of cash dividends of P0.25 per common share (or a total of P1.6 billion) on May 17, 2012, payable to stockholders of record as of June 11, 2012. The dividends were paid in June 2012.

Interim Disclosures

The following disclosures do not materially affect or are not applicable to the company's interim operations:

1. Unusual items that affect the 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 reported in prior financial years that have a material effect in the current period.

3. Issuances, repurchases of equity securities.

4. Segment revenue and segment results for business segments and geographical segments.

5. Changes in contingent liabilities or contingent assets since the last annual balance sheet.

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

7. 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.

8. Events that will trigger direct or contingent material financial obligations to the company, including any default or acceleration of its existing obligations.

9. 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.

10. Material commitments for capital expenditures.

11. 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.

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

13. Effect of changes in composition of the Company during the interim period, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations.

Material Changes in Balance Sheet Accounts
(As of Sept. 30, 2012 versus December 31, 2011)

15% decrease in Cash and cash equivalents
Mainly due to payment of dividends, loans and use of funds for capital expenditures. See Consolidated Statement of Cash Flows under Exhibit V for details.

27% increase in Trade and other receivables-net
Primarily due to higher sales in September 2012 compared with sales in December 2011.

23% increase in Inventories
Mainly due to higher spare parts inventory in preparation for the scheduled maintenance activities in the coming months

8% increase in Other current assets
Largely driven by the increase in prepaid expenses.

6% decrease in Investments
Mainly the result of the recognition of the company's share in net loss of its associate, Trans Asia Power Generation Corporation (TAPG) for the period January to September 2012.

513% increase in deferred tax assets
Mainly due to accrual of expenses, which are future tax deductible items.

12% increase in Other non-current assets-net
The increase pertained to increase in security deposits and restricted cash.

31% increase in Trade and other payables
Mainly due to increase in trade payables and recognition of various accruals.

70% decrease in Notes payable
Due to the full settlement of the short term loan.

100% increase in Income tax payable
Primarily due to higher taxable income for the third quarter of the year. The Company was in a net income tax asset position as of December 31, 2011.

100% increase in Other current liabilities
Consist largely of customers deposits reclassified in 2012 as current liabilities, previously booked as non-current liabilities.

100% decrease in long-term debt
Mainly the result of debt settlement in May 2012.

100% decrease in Customer's deposits
The decrease was brought about by the re-classification to "Other current liabilities"

6% increase in Retirement benefit liabilities
Mainly due to higher employee pension liability for the Company's defined benefit incentive for its employees

16% increase in Provisions
Mostly contributed by the increase in liability for site restoration costs

100% increase in deferred tax liabilities
Largely due to the amortization of deferred tax assets leading to net deferred tax liability position for two of the company's subsidiaries.

17% decrease in other non-current liabilities
Result of settlement of litigation cases.

10% decrease in Cumulative translation adjustments
Due to the decrease in share in the available –for-sale asset reserve of the Company's investment in TAPG.

24% increase in Retained earnings
Represents net income of Php2.5 billion for the first three quarters of 2012 decreased by payment of dividends amounting to Php1.6 billion.

Material Changes in Income Statement Accounts
(January to September 2012 versus same period 2011)

23% increase in Net sales
Driven mainly by robust demand for cement and improved prices.

24% in cost of sales
Mainly due to higher volume sold and increase in input costs.

13% increase in Operating Expenses
Largely brought about by the increase in expenses for providing higher service levels to meet the increased level of operations.

95% decrease in Net financial Expenses
Mainly due to lower interest expenses following the payment of loans.

14% increase in expenses on Non-Operating Assets
Result of higher expenses for the Company's trademark/branding fees.

10% decrease in Unusual Items
Largely due to the lower gain realized on the sale of property, plant and equipment.

29% increase in Provision for income tax
Mainly due to higher taxable income

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

Financial KPI	Definition	For the Nine (9) Months Ended September 30	
		2012	2011 *Re-stated
Current/Liquidity ratio Current Ratio	Current Assets / Current Liabilities	115%	112%
Solvency ratio/Debt-to-equity ratio Gearing	Net Financial Debt / Stockholder's Equity	(0.34%)	9.79%
Asset to Equity Ratios Asset to Equity Ratio/ Equity Multiplier	Total Assets / Stockholder's Equity	126%	139%
Interest Rate Coverage Ratio Interest Rate Coverage	Income before Tax / Net Interest	117.7	22.3
Profitability Ratios Return on Assets	Net Income / Average Total Assets	13.7%	10.6%
Return on Equity	Net Income / Average Total Equity	17.6%	14.5%

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.

Rowena C. Aspan	Glenn A. Agustin
Treasurer	Manager, Finance & Reporting
Date: October 30, 2012	Date: October 30, 2012

Exhibit 4

Schedule of Pending Material Legal Proceedings

PENDING MATERIAL LEGAL PROCEEDINGS (Parent)

1. **People v. Aurora Ayllon**
(Norzagaray MTC Branch 01)

This case for trespassing was filed against Ayllon for entering Quarry Site No. 2 of UCC at Brgy. Matictic, Norzagaray, Bulacan with armed men in violation of the "No Trespassing" sign, to harass the quarrying activities of the former Union Cement Corporation (UCC) in connection with a pending civil case filed by her. UCC won said civil case. Ayllon was convicted in July 2010 by the MTC. She filed an appeal before the Regional Trial Court.

Status: Ayllon's appeal is pending decision.

2. **Rita De Silva-Pitel v. Herminio Santiago, et al.**
(RTC Malolos Branch 79 – Civil Case No. 248-M-2002)

Nature: This is a case for nullification of certificates of title over real properties and damages. UCC filed a Motion for Intervention and a Motion to Dismiss as the case affects three (3) lots it had purchased from two of the defendants.

Status: The case was dismissed. Pitel filed an appeal before the Court of Appeals. After Holcim filed an Appellee's Brief, the appeal is now submitted for decision.

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

This case involves money claims against a cargo forwarder due to short delivery of polyslings.

Status: In July 2010, the RTC ordered RMR to pay UCC P1.3Million. UCC is in the process of executing this decision.

4. **People v. Bernard Mirto**
(Court of Appeals – GR CR HC No. 03444)

This is an appeal by Mirto from his conviction for qualified theft by the Tuguegarao RTC Branch 5 involving part of the stolen ₱6.57M.

Status: The Court of Appeals affirmed the conviction. Mirto's Motion for Reconsideration has since been denied. Mirto went up to the Supreme Court, where the case is still pending.

5. **People v. Bernard Mirto**
(Court of Appeals – GR CR CH No. 03607)

This is an appeal by Mirto from his conviction for Qualified Theft by the Tuguegarao RTC Branch 2 involving part of the stolen ₱6.57M.

Status: The Court of Appeals affirmed Mirto's conviction. The Court of Appeals re-sent the Resolution to Mirto at the Bureau of Corrections in Muntinlupa on November 15, 2012 because the Resolution was initially sent to Tuguegarao. The Resolution sent to Mirto's lawyer was received on October 03, 2012.

6. **People v. Bernard Mirto**
(Court of Appeals – GR CR No. 32392)

This is an appeal by Mirto from his conviction for Qualified Theft by the Tuguegarao RTC Branch 1 involving part of the stolen ₱6.57M.

Status: The Court of Appeals affirmed Mirto's conviction. Entry of Judgment was issued by the Court of Appeals on April 05, 2012.

7. **Jesus Bernardo M. Palma III, Noel T. Quiambao, Lelito Flores, Ceferino Arthur D. Badelles v. Holcim Philippines, Inc.**
(NLRC National Capital Region - NLRC NCR Case No. 10-14857-09)

This is a labor case for illegal dismissal filed by former employees. After the case was dismissed for technicality, only Palma and Flores re-filed the complaint.

Status: In May 2011, the Labor Arbiter held that Palma and Flores were illegally dismissed. The decision ordered the payment of backwages and their reinstatement. The Company filed an appeal before the NLRC (Commission Level), which affirmed the decision of the Labor Arbiter. The Company moved to reconsider the decision. In the meantime, Flores and Company entered into a compromise and Flores withdrew his complaint for illegal dismissal. In December 2011, the NLRC resolved the Motion for Reconsideration, approving Flores' withdrawal from the case, but affirming the illegal dismissal of Palma. The NLRC modified its earlier decision by removing the reinstatement aspect and replacing it with an order to pay separation pay. The Company filed a Petition for Certiorari before the Court of Appeals. In view of the parties' compromise, the Company filed a Motion to Withdraw the petition. On September 10, 2012, the Court of Appeals granted the Motion to Withdraw.

8. **Maria Teresa C. Palma and Zherill R. Flores v. Holcim Philippines, Inc., Ian S. Thackwray and Zita D. Balogo**
(Quezon City RTC - Civil Case No. Q-09-66037)

This is a civil case for damages filed by spouses of former employees.

Status: The company's Motion to Dismiss the case was denied; hence, the company was compelled to file an Answer. Due to compromise, in 2011, the case was dimissed insofar as Flores was concerned, while In 2012, the case was dismissed insofar as Palma was concerned.

9. **Gilbert A. Chua, Francois Lopez, Rhona Valenzuela v. Holcim Philippines, Inc., Ian S. Thackwray, Zita D. Balogo**
(NLRC National Capital Region - NLRC NCR Case No. NCR-11-15387-09)

This is a labor case for illegal dismissal filed by former employees.

Status: Insofar as Chua is concerned, the case was compromised and dismissed in the early stages of the proceedings. As to Lopez and Valenzuela, the Labor Arbiter dismissed the case, prompting them to file an appeal before the NLRC (Commission Level). The NLRC dismissed the appeal. Complainants filed a Petition before the Court of Appeals, but this was denied for non-filing of a Motion for Reconsideration. Complainants filed a Petition for Review before the Supreme Court. On February 06, 2012, the Supreme Court denied the Petition.

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

This is a criminal complaint for estafa, falsification and Qualified Theft filed against a former employee (request for cash advance). The City Prosecutor dismissed the complaint for lack of probable cause.

Status: The company filed a Motion for Reconsideration, which was denied in September 2010. The company filed a Petition for Review before the Department of Justice, which is still pending. Subsequently, the company filed a motion for early resolution of the petition.

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

This is a criminal complaint for estafa filed against former employees. The City Prosecutor's Office of Makati City filed 75 Informations for 75 counts of estafa.

Status: Mediation over, the case has been raffled to RTC Makati Branch 133. The next hearing is on February 05, 2013 for the company's presentation of evidence.

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

This is a criminal complaint for estafa filed against former employees. The City Prosecutor's Office of Makati City filed 1 Information for 1 count of estafa.

Status: The case has been raffled to MTC Makati Branch 63. Due to their failure to appear during the August 13, 2012 hearing, the Court issued warrants for the arrest of Valenzuela and San Juan. They filed motions to lift the warrants, but the Court has yet to rule on these motions. The next hearing is on May 30, 2013 for the Company's presentation of evidence.

13. **Holcim Philippines, Inc. v. Jocelyn Suavillo, Rhona M. Valenzuela and Joseph R. San Juan**
(Taguig City Prosecutor's Office - IS No. XV016-INV-09L-01068)
RTC Taguig Branch 271

This is a criminal complaint for 4 counts of estafa filed against former employees.

Status: In September 2010, the City Prosecutor's Office recommended the filing of Informations against Suavillo, Valenzuela and San Juan. The next hearing is on January 22 and 30, 2013 for Holcim's presentation of evidence.

14. **Holcim Philippines, Inc. v. Joseph R. San Juan**
(Makati City Prosecutor's Office - IS No. XV-05-INV-09L-03483)
RTC Makati Branch 142

This is a criminal complaint for estafa filed against a former employee.

Status: In September 2010, the City Prosecutor's Office recommended the filing of Information against San Juan. Pre-trial has been set on February 13, 2013.

15. **Holcim Philippines, Inc. v. Noel T. Quiambao**
(Provincial Prosecutor's Office, San Fernando, La Union)
RTC La Union

This is a criminal complaint for estafa filed against a former employee.

Status: The case has been archived since the warrant of arrest could not be served.

16. **Holcim Philippines, Inc. v. Francois Lopez**
RTC 44 Initao, Misamis Oriental
MCTC, Manticao, Misamis Oriental
(Office of the Provincial Prosecutor of Misamis Oriental, IS No. X-05-INV-09L-00498)

This are criminal complaints for estafa filed against a former employee, which were raffled to the RTC of Initao, Misamis Oriental and the MCTC of Manticao, Misamis Oriental. In view of the parties' compromise, these cases have been dismissed in 2012.

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

Nature: Collection case for unpaid products.

Status: After the court denied the Sps. Losloso's Motion to Dismiss and Motion to Inhibit, the spouses filed petitions before the Court of Appeals, which are still pending. In the meantime, the proceedings before the RTC are held in abeyance pending the resolution of the said incidents before the Court of Appeals

18. **Joseph San Juan v. Holcim Philippines, Inc./Ian Thackwray**
(NLRC-National Capital Region, NLRC-NCR Case 01-00325-10)

Nature: This is a labor case for illegal dismissal.

Status: In August 2010, the Labor Arbiter dismissed the case. San Juan filed an appeal and the NLRC (Commission Level) affirmed the Labor Arbiter's Decision. In September 2011, San Juan filed a Petition before the Court of Appeals to which the company filed a comment. The company has filed a Memorandum before the Court of Appeals.

19. **Holcim Philippines, Inc. represented by Emerald K. de Veyra v. Jesus Bernardo M. Palma**
RTC Branch 44, Initao, Misamis Oriental (Office of the Provincial Prosecutor, Misamis Oriental)

This is a criminal case for estafa filed against a former employee.

Status: In November 2010, the Office of the Provincial Prosecutor of Misamis Oriental recommended the filing of 2 counts of estafa against Palma. In 2012, the case was dismissed in view of the compromise of the civil aspect.

PENDING MATERIAL LEGAL PROCEEDINGS (Subsidiaries)

20. **Petition for the Cancellation/Revocation and/or Termination of Mineral Production Sharing Agreement No. 108-98-IV issued to Sulu Resources Development Corporation, Maximo Awayan [Petitioner]**
Mines and Geosciences Bureau, Department of Environment and Natural Resources (Formerly DENR POA Case No. 2008-2)

In his Petition (the "Petition for Cancellation"), Maximo Awayan, who claimed to be the surface owner of a portion of the area covered by Mineral Production Sharing Agreement No. 108-98 IV dated April 7, 1998 (the "Sulu MPSA") of Sulu Resources Development Corporation ("Sulu") (this company was subsequently renamed Holcim Aggregates Corporation and now known as Holcim Mining and Development Corporation), prayed for the cancellation of the Sulu MPSA. He principally claimed that Sulu had failed to complete its exploration activities and to commence commercial production within the prescribed period and that Sulu had also failed to comply with the applicable reportorial requirements.

The Petition for Cancellation was previously docketed by the Panel of Arbitrators as DENR POA Case No. 2008-2. However, in an Order dated February 12, 2009, the Panel of Arbitrators allowed petitioner to "withdraw" the Petition for Cancellation, which was subsequently re-filed with the MGB.

In an Order dated September 18, 2009, the DENR cancelled the Sulu MPSA. In a second Order dated November 20, 2009, the DENR denied Sulu's Motion for Reconsideration. Sulu filed an appeal with the Office of the President. This was denied in March 2010.

Status:

Sulu filed a Petition before the Court of Appeals. In August 2011, the Court of Appeals granted the company's petition. Accordingly, the Orders dated September 18, 2009 and November 2009, issued by then DENR Secretary Lito Atienza were reversed and set aside, thus, declaring that the MPSA is in full force and effect. In September 2011, Awayan filed a motion for reconsideration and a supplemental motion for reconsideration. On February 02, 2012, both motion and supplemental motion were denied by the Court of Appeals.

Awayan thereafter filed a Petition for Review on Certiorari dated March 7, 2012 with the Supreme Court, which was docketed as SC G.R. No. 200474. On June 26, 2012, Sulu filed its Comment. Awayan's Petition for Review is still pending resolution by the Supreme Court.

TAX CASES

1. The Company has a protest case with the Central Board of Assessment Appeals involving back taxes of real property for its Line 2 machinery and equipment at the Bulacan Plant for the period January 1999 to December 2010 amounting to Php637.4 million. In October 2012, the company withdrew the protest case.

2. The Company has a protest case with the Local Board of Assessment Appeals involving back taxes of real property for the additional Line 2 machinery and equipment at the Bulacan Plant for the taxable years 2000 to 2010 amounting to Php176.9 million. In October 2012, the company withdrew the protest case.

3. The Company also filed a judicial protest before the Court of Tax Appeals involving deficiency income taxes for the period June 1 to December 31, 1999 in the amount of Php97.7 million. In January 2012, the CTA granted the company's request to cancel and set aside the said deficiency taxes.

Exhibit 5

SEC Form 17-C

101202012001234

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931 to 39 Fax:(632)725-5293 Email: mis@sec.gov.ph

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Company Information

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

Document Information

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Remarks	

Holcim

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CERTIFICATION

Pursuant to the provisions of our Corporate Governance Manual required under Securities and Exchange Commission Memorandum Circular No. 2 dated April 05, 2002, I hereby certify that:

1. Compliance with SEC Memorandum Circular No. 2 dated April 05, 2002 as well as all relevant Circulars on Corporate Governance have been monitored;

2. There is substantial compliance by Holcim Philippines, Inc. (the "Corporation") its directors, officers and employees with the leading practices and principles on good corporate governance as embodied in the company's Manual;

3. The following are the major deviations from the adopted Manual on Corporate Governance with the corresponding explanation/s for each deviation:

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE

A. BOARD OF DIRECTORS

Board roles, responsibilities, and skills		
1. The Board has independent director/s. (In case of registered/listed company, at least two or 20% of the members of such Board, whichever is the lesser)	5	
2. The Board has a balance of executive and non-executive directors, including independent non-executives such that no individual or small group of individuals can dominate the Board's decision-making.	5	
3. The Board has guidelines for its directors on the number of memberships in other corporate Boards, which are being followed.	4	No guidelines developed - The Nomination Committee ensures that the membership of the directors in other corporate boards do not result in any issues of conflict of interest.
4. The Board has, collectively, a mix of appropriate skills, knowledge and experience.	5	
5. The powers, roles, responsibilities and accountabilities between the Board, the Chief Executive Officer and management are clearly defined.	5	

6. The roles and responsibilities between the Board, the Chief Executive Officer and management are clearly segregated.	5	
7. The Board establishes the corporation's vision and mission, strategic objectives, policies and procedures that guide and direct the activities of the company and the means to attain the same as well as the mechanism for monitoring management's performance.	5	
8. There is a good understanding of management's responsibilities in relation to internal control.	5	
9. The decisions that are being made by the Board are clearly documented and understood.	5	

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	RATING	COMPLIANCE AREA EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
Independence		
10. The majority of the Board are independent of the Chief Executive Officer, management team and commercial dealings with the organization.	5	
11. There are sufficient numbers on the Board to achieve independence, but not too many to become inefficient.	5	
Board Resources		
12. The Board members have access to independent professional advice to enable them to discharge their duties.	5	
13. The corporate secretary has the primary role of supporting the Board and chairperson.	5	
Board Performance		
14. There are mechanisms to monitor the performance of the Board and individual Board members.	5	
Board Committees		
15. The company has an audit committee.	5	
16. It has a nomination and election committee.	5	
17. It has a compensation committee that monitors compensation, benefits, and succession planning to perform the task of monitoring.	5	

B. **MANAGEMENT**

Code of Conduct		
18. There is a written Code of Conduct to be followed by the Board, Chief Executive Officer and staff.	4	Code of Behavior applies to employees while the Manual of Good Corporate Governance applies to directors.
19. The Code of Conduct is communicated and understood by the Board, Chief Executive Officer and staff.	4	Both the Code of Behavior and Manual of Good Corporate Governance have been cascaded.
20. There are appropriate policies and procedures necessary to identify any potential conflicts of interest.	5	
21. There are adequate policies and procedures, which deal with potential conflicts of interest, once identified.	5	
Strategy Setting and Planning		
22. The company has an overall organizational plan, which is supported by a business plan, budgets and marketing plan (if necessary).	5	

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
23. It has clearly defined performance measures (operational and financial) that are incorporated into the plans.	5	
24. The Board approves the budget set by management and revisions thereto.	5	
Financial and Operational Reporting		
25. The reports contain performance measures, financial and non-financial, which enable the efficiency and effectiveness of the organization to be assessed.	5	
26. The reports are tailored to particular levels of responsibilities.	5	
27. The reports efficiently and effectively communicate key financial data.	5	
28. The financial reports show a comparison between year-to-date, budget, last year-to-date and full-year data.	5	

29. The financial reports are supported by explanations of significant variations.	5	
30. The financial reports are provided to the Board prior to Board meetings.	5	
31. The Chief Executive Officer receives periodic financial reports at least on a monthly basis.	5	
32. The financial reports are derived directly from the underlying accounting systems and have a quality assurance process over the compilation of the reports.	5	

C. **ORGANIZATIONAL AND PROCEDURAL CONTROLS**

33. The roles of the Chairman and CEO are not separate but there are adequate checks and balances to help ensure that independent, outside views, perspectives, and that judgment are given proper hearing in the Board.	5	
34. There is a process of selection to ensure a mix of competent directors as well as qualified CEO and senior officers.	5	
35. There is a professional development program for employees and officers and a succession plan for senior management.	5	

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
36. There is a sound system of procedural and financial delegations approved by the Board. It promotes efficiency as well as control.	5	
37. There are appropriate decision-making processes adopted by the Board. There is a clear distinction between what decisions should be made by the Board and those decisions that should be made by the organization's management.	5	
38. There is a process governing policy development, implementation and review, which ensures that Board approves new policy.	5	
39. There are written policies and strategic guidelines on major capital expenditures.	5	

40. There is a process to ensure that the corporation complies with all relevant laws, regulations, and codes of best business practices.	5	
41. There is a clear policy on relating with the corporation's major and other stakeholders to keep them fully informed of corporate activities in a regular and timely manner.	5	
42. The company has formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and of officers.	5	
43. There is a risk management process that ensures that company's risks are mitigated through risk management strategies.	5	
44. The company has a common language to communicate risks across in the organization.	5	
45. It has an effective oversight structure for risk management in the organization.	5	
46. There are procedure/s for the Board to review the risk management strategies and assess whether they are working effectively.	5	
47. There is a process which determines whether a director conducts fair business transactions, devotes necessary time and attention to discharge his duties, act judiciously, exercises independent judgment, has working legal knowledge affecting the company, observes confidentiality and ensures soundness, effectiveness and adequacy of company's control environment.	4	No guidelines developed. The Nomination Committee ensures that the directors nominated and elected perform in accordance with the said standards membership of the directors.

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
Nomination and Election Committee		
48. The Nomination Committee has at least three (3) voting (one of whom must be independent) and one (1) non-voting Director.	5	
49. It pre-screens and shortlists all candidates nominated to become a member of the board of directors in accordance with the following qualifications and disqualifications:	5	

Qualifications o Holder of at least one (1) share of stock of the Corporation; o He is at least a college graduate or has sufficient experience in managing the business to substitute for such formal education; o He is at least twenty one (21) years old; o He has proven to possess integrity and probity; and o He is assiduous. Disqualifications o Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions; o Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas; o Any person judicially declared to be insolvent; o Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and		

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
o Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.	4	The Manual of Good Corporate Governance provides all grounds except the ground on being under preventive suspension.

Any of the following is a ground for the temporary disqualification of a director: o Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification is in effect as long as his refusal persists; o Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election; o Dismissal/termination from directorship in another listed corporation for cause. This disqualification is in effect until he has cleared himself of any involvement in the alleged irregularity; o Being under preventive suspension by the Corporation; o If the independent director becomes an officer or employee of the same corporation he is automatically disqualified from being an independent director; o Conviction that has not yet become final which is referred to in the grounds for the disqualification of directors.		
50. The Nomination Committee considers the following guidelines in the determination of the number of directorships for the Board: ▪ The nature of the business of the Corporations in which he is a director; ▪ Age of the director; ▪ Number of directorships/active memberships and officerships in other corporations or organizations; and • Possible conflict of interest. The optimum number relates to the capacity of a director to perform his duties diligently in general.	4	No formal guidelines.

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
Compensation and Remuneration Committee		
51. The Compensation or Remuneration Committee is composed of at least three (3) members, one of whom is an independent director.	5	
52. It has established a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the corporation's culture, strategy and control environment.	5	
53. It has developed a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others, compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.	5	
54. It disallows any director to decide his or her own remuneration.	5	
55. It provides in the corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.	5	
56. It reviews (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.	3	The Corporation's Code of Behavior is going through some modifications. Once finalized, this shall be presented for the evaluation of the Compensation and Remuneration Committee.
57. In the absence of such Personnel Handbook, the Committee will develop such, covering the same parameters of governance stated above.	5	

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE

Corporate Secretary		
58. The Corporate Secretary is a Filipino citizen. He possesses administrative skills and some legal skills. He also has some financial and accounting skills.	5	
59. The Corporate Secretary's various duties include: • Gathering and analyzing of all documents, records and other information essential to the conduct of his duties and responsibilities to the corporation. • As to agenda, getting a complete schedule thereof at least for the current year and put the Board on notice before every meeting. • Assisting the Board in making business judgment in good faith and in the performance of their responsibilities and obligations. • Attendance in all Board meetings and maintenance of the records of the same.	5	

D. **INDEPENDENT AUDIT MECHANISM**

Audit Committee		
60. There is a charter for the audit committee covering such responsibilities as: • management and financial reporting; • compliance with laws and regulations; • maintenance of an effective audit function; • suitable risk management and internal control frameworks; • membership; • frequency of meetings; • committee authority; and • Board reporting obligations.	5	
61. The audit committee includes an independent director.	5	
62. The members of the audit committee have adequate financial and accounting expertise.	5	
63. The audit committee has unlimited access to internal and external auditors and to senior management.	5	

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	RATING	COMPLIANCE AREA EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
64. The audit committee has direct access to the Chief Executive Officer, Chief Financial Officer and external auditor and internal audit.	5	
65. The audit committee meets at least quarterly.	5	
66. Audit committee reviews the status of all internal audit and external audit recommendations and their implementation.	5	
67. The audit committee reviews and approves the audit scope and frequency, and the annual internal audit plan.	5	
68. The audit committee monitors and evaluates the adequacy and effectiveness of the corporation's internal control system.	5	
69. It develops a transparent financial management system that ensures the integrity of internal control activities throughout the company through a step-by-step procedures and policies handbook that is used by the entire organization.	5	
70. The Audit Committee elevates to international standards the accounting and auditing processes, practices and methodologies, and develops the following in relation to this reform: a. A definitive timetable within which the accounting system of the corporation will be 100% International Accounting Standard (IAS) compliant. b. An accountability statement that specifically identifies officers and/or personnel directly responsible for the accomplishment of such task.	5	
71. It checks all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.	5	
72. It performs oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the corporation, and crisis management.	5	

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
Internal Auditor		
73. The company has an independent internal audit function which is being performed by an Internal Auditor or Group of Internal Auditor, through which its Board, senior management, and stockholders are provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.	5	
74. The internal auditor reports to the Audit Committee.	5	
75. The minimum internal control mechanisms for management's operational responsibility centers on the CEO, being ultimately accountable for the Corporation's organizational and procedural controls.	5	
76. The scope and particulars of the company's organizational and procedural controls are based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.	5	
77. The internal audit examinations covers, at least: • the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems (including reliability and integrity of financial and operational information); • effectiveness and efficiency of operations; • safeguarding of assets; and • compliance with laws, rules, regulations and contracts.	5	
78. The internal audit activities are being conducted in accordance with the Standards for the Professional Practice of Internal Auditing.	5	
79. The status reports summarize recommendations, officers responsible and implementation dates.	5	
80. The Chief Audit Executive reports directly to the Audit Committee.	5	

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	RATING	COMPLIANCE AREA: EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
81. The internal auditors have free and full access to all the company's records, properties, and personnel relevant to the internal audit activity.	5	
82. The Chief Audit Executive renders to the Audit Committee and senior management an annual report on the internal audit department's activities, purpose, authority, responsibility, and performance relative to audit plans and strategies approved by the Audit Committee.	5	
External Audit		
83. The handling audit partner or auditing firm is rotated every five years or earlier.	5	
84. There is a process that the reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor are reported in the company's annual and current reports. Said report includes a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.	5	
85. The external auditor of the company does not at the same time provide the services of an internal auditor to the same client. The corporation ensures that other non-audit work shall not be in conflict with the functions of the external auditor.	5	
86. The company allows that when its external auditor believes that the statements made in the company's annual report, information statement or proxy statement filed during his engagement are incorrect or incomplete, he shall present his views in said reports.	5	

E. **DISCLOSURE AND TRANSPARENCY**

87. There is a policy that requires the corporation to publicly discloses all material information, i.e., anything that could potentially affect share price as well as other information. Information that affect share price includes: • earning results; • acquisition or disposal of assets;	5	

• board changes; • related party transactions; • such material events or information as determined by the Commission.		

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
Other information that should be disclosed includes: • shareholdings of directors, • changes of ownership, • remuneration of all directors and senior management, • corporate strategy, off balance sheet transactions.	5	

F. SHAREHOLDERS' BENEFITS

88. The company has an existing mechanism, which ensures that all stockholders' rights i.e. voting, pre-emptive, inspection, information, dividends and appraisal rights, are being exercised.	4	Existing mechanism is not formalized.
89. It has an existing grievance procedure or system through which a stockholder may complain.	3	Grievance procedure is informal.

G. COMPLIANCE SYSTEM AND OTHERS

Compliance Officer		
90. The company has designated a compliance officer.	5	
91. He holds the position of a Vice President or its equivalent. He has a direct reporting responsibility to the Chairman of the Board.	5	
92. He performs the following duties: o Monitors compliance with the provisions and requirements of this Manual; o Appears before the Securities and Exchange Commission upon summon on similar matters that need to be clarified by the same;	5	

o Determines violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board; o Issues a certification every January 30th of the year on the extent of the Corporation's compliance with its Manual for the completed year, explaining the reason/s of the latter's deviation from the same; and o Identifies, monitors and controls compliance risks.		Adopted Manual states that certification is issued 45 days prior to the annual shareholders meeting.

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	RATING	COMPLIANCE AREA EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
Evaluation Procedure		
93. There is an established evaluation procedure, which determines and measures compliance with the Manual.	5	
94. Any violation of the Manual is subject to a penalty as approved by the Board of Directors.	5	
Training		
95. Funds are allocated for the purpose of conducting workshop or seminar to operationalize the company's Manual.	5	
96. There is a requirement that directors, before assuming as such, are trained on corporate governance leading practices and principles by an institutional training provider accredited by the Securities and Exchange Commission.	5	
Communications		
97. The company's Manual is available for inspection by any of its stockholder at reasonable hours on business days.	5	
98. The contents of the Manual have been disseminated to all employees and related parties and such persons are enjoined to comply with the same.	5	
99. Adequate printed copies of the Manual are reproduced and distributed to each department of the company.	5	

4. A majority of the members of the Board of Directors have completed and were duly certified to have attended a special seminar on Corporate Governance.

MA. ALLEN M. ARBIS
Compliance Officer

ATTESTED BY:

MAGDALENO B. ALBARRACIN, JR.
President

SUBSCRIBED AND SWORN to before me this JAN 16 2012 at TAGUIG CITY with the presentation of her Passport No. XX4091465 issued at DFA-Manila on July 3, 2009.

JONATHAN FERNANDEZ
NOTARY PUBLIC
APPOINTMENT NO. 107 (2011-2012) TAGUIG
UNTIL DECEMBER 31, 2012
PTR NO: 0795768; 01-04-2012; BAGUIO CITY
LIFETIME IBP NO. 806097; Bag-Beng Chapter
ROLL NO. 52589
MCLE COMPLIANCE NO. IV-003272
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SECURITIES AND EXCHANGE COMMISSION

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Company Information

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

Document Information

Document ID	101302012001464
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Remarks	certification

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 3444

www.holcim.com/ph

CERTIFICATION

I, MA. ALLEN M. ARBIS, as Corporate Secretary of Holcim Philippines, Inc. (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, with office address at 7[th] Floor Two World Square, McKinley Hill, Fort Bonifacio, Taguig City, after being duly sworn in accordance with law, hereby certify that the following is a true and correct record of attendance of the members of the Board of Directors of the Corporation for the period January 2011 to November 2011:

Name of Director	Date of Meeting				
	Jan. 21	March 31	May 12	July 28	Nov. 21
Oscar J. Hilado	√	√	√	√	√
Magdaleno B. Albarracin, Jr.	√	√	x	√	√
Thomas Aebischer*	x	x	x	√	x
Ramon R. del Rosario, Jr.	√	√	√	√	√
Jose L. Cuisia, Jr.	√	√	x	√	√
Ian S. Thackwray	√	√	x	√	√
Atsushi Kato	√	√	√	√	√
Andres G. Gatmaitan	√	√	√	√	√
Tomas I. Alcantara	√	√	x	√	x
Roland van Wijnen	√	√	√	√	√
Eduardo A. Sahagun	√	√	√	√	√

Legend:

√ - *Present* x - *Absent*

This certification is being issued in compliance with the requirements of the Securities and Exchange Commission in connection with the implementation of the Code on Corporate Governance and the Corporation's duly adopted Manual on Corporate Governance.

Ma. Allen M. Arbis

MA. ALLEN M. ARBIS
Corporate Secretary

ATTESTED BY:

OSCAR J. HILADO
Chairman of the Board

SUBSCRIBED AND SWORN to before me this JAN 30 2012 with the presentation of her Passport No. XX4091465 issued at DFA Manila on July 3, 2009.

Doc. No. 175;
Page No. 36;
Book No. II;
Series of 2012.

Notary Public

JONATHAN G. FERNANDEZ
NOTARY PUBLIC
APPOINTMENT NO. 107 (2011-2012) TAGUIG
UNTIL DECEMBER 31, 2012
PTR NO: 0795768; 01-04-2012; BAGUIO CITY
LIFETIME IBP NO. 806097; Bag-Beng Chapter
ROLL NO. 52589
MCLE COMPLIANCE NO. IV-003272
7th Floor Two World Square,
Mckinley Hill, Ft. Bonifacio, Taguig City

* Elected as Director on May 12, 2011.

102142012001099

SECURITIES AND EXCHANGE COMMISSION

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

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

Document Information

Document ID	102142012001099
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Department	CFD
Remarks	

COVER SHEET

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S.E.C. Registration Number

HOLCIM PHILIPPINES, INC.

(Company's Full Name)

7TH FLR. TWO WORLD SQUARE
MCKINLEY HILL FORT BONIFACIO
TAGUIG CITY

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

MA. ALLEN M. ARBIS
Contact Person

(02) 4593333
Company Telephone Number

1	2		3	1

Month Day
Fiscal Year

17C
FORM TYPE

any day in April/May
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Domestic

Foreign

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **February 13, 2012**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **26126** 3. BIR Tax Identification No. **000-121-507**

4. **Holcim Philippines, Inc.**
   Exact name of registrant as specified in its charter

5. Province, country or other jurisdiction of Incorporation 6. (SEC Use Only) Industry Classification Code:

7. **7th Floor Two World Square, McKinley Hill,**
   Fort Bonifacio, Taguig City **1200**
   Address of principal office Postal Code

8. **(632) 4593333**
   Registrant's telephone number, including area code

9. **Union Cement Corporation**
   Former name or former address, if changed since last report

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

Title of Each Class	Number of Shares of Common Stock Outstanding
COMMON	*6,452,099,144*

11. Indicate the item numbers reported herein: *Item 9* (Other Events)

Item 9 (Other Events)

At the regular meeting of the Board of Directors (the "Board") of Holcim Philippines, Inc. (HLCM) held today, February 13, 2012, at the Board Room, 7th Floor Two World Square, McKinley Hill, Fort Bonifacio, Taguig City, the Board approved the following resolutions:

(a) Amendment of Articles II and III of the Amended By-laws

- the amendment to HLCM's Amended By-laws to include the specific provisions on the Nomination and Election of Independent Directors (as set out in Securities Regulations Code Rule 38) as mandated by SEC Memorandum Circular No. 16.

(b) Postponement and setting of date of annual stockholders' meeting and record date

- the postponement of HLCM's annual stockholders' meeting, which pursuant to its By-laws should be held on the second Thursday of May of each year to the following Thursday, to May 17, 2012. The record date for the annual stockholders' meeting is set on April 17, 2012.

The Board delegated to the Corporate Secretary the responsibility of confirming the agenda, venue and time of the annual stockholders' meeting.

(c) Appointment of external auditor

- a resolution to propose SyCip Gorres Velayo & Co. as HLCM's external auditor for the year 2012.

(d) Approval of Audited Financial Statements

- HLCM's Audited Financial Statements for fiscal year 2011, which shall be duly filed with the Commission together with the SEC Form 17-A.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HOLCIM PHILIPPINES, INC.
Registrant

Ma. Allen M. Arbis

MA. ALLEN M. ARBIS
Corporate Secretary & Compliance Officer

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY)SS.

FEB 13 2012

SUBSCRIBED AND SWORN to me this ____________ 2012 at Taguig City, affiant exhibited to me her Passport No. XX4091465 issued at DFA-Manila on July 3, 2009.

Doc. No. 197;
Page No. 41;
Book No. II;
Series of 2012.

JONATHAN O. FERNANDEZ
NOTARY PUBLIC
APPOINTMENT NO. 107 (2011-2012) TAGUIG
UNTIL DECEMBER 31, 2012
PTR NO: 0795768; 01-04-2012; BAGUIO CITY
LIFETIME IBP NO. 806097; Bag-Beng Chapter
ROLL NO. 52589
MCLE COMPLIANCE NO. IV-003272
7th Floor Two World Square,
Mckinley Hill, Ft. Bonifacio, Taguig City

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **March 26, 2012**
Date of Report (Date of earliest event reported)

2. SEC Identification Number **26126** 3. BIR Tax Identification No. **000-121-507**

4. **Holcim Philippines, Inc.**
Exact name of registrant as specified in its charter

5. Province, country or other jurisdiction of Incorporation Code: 6. (SEC Use Only) Industry Classification

7. **7th Floor Two World Square, McKinley Hill Fort Bonifacio, Taguig City**
Address of principal office
1634
Postal Code

8. **(632) 4593333**
Registrant's telephone number, including area code

9. **Union Cement Corporation**
Former name or former address, if changed since last report

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

Title of Each Class	Number of Shares of Common Stock Outstanding
COMMON	*6,452,099,144*

11. Indicate the item numbers reported herein: *Item 9* (Other Events)

Date **March 26, 2012**

Item 9 (Other Events)

Pursuant to the delegation by the Board of Directors (the "Board") of Holcim Philippines, Inc. to the Corporate Secretary of the responsibility of confirming the agenda, venue and time of the annual stockholders' meeting, the undersigned confirms the following details of the Annual Stockholders' Meeting to be held on May 17, 2012:

Date: May 17, 2012, Thursday

Time: 10:00 a.m.

Place: Ballrooms B & C, Marriott Manila
No. 10 Newport Boulevard, Newport City Complex
Pasay City 1309, Metro Manila

The record date for the annual stockholders' meeting is set on April 17, 2012.

The following items will be included in the agenda for the Annual Meeting:

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 12, 2011
4. Approval of the Annual Report and the Audited Financial Statements of the Company as of December 31, 2011
5. Approval and ratification of all acts, contracts, investments and resolutions of the Board of Directors, Committees and Management since the last annual meeting
6. Election of the members of the Board of Directors
7. Appointment of External Auditor
8. Approval of Amendments to Articles II and III of the Amended By-laws (to include the specific provisions on the Nomination and Election of Independent Directors as set out in Securities Regulations Code Rule 38)
9. Other matters
10. Adjournment

Further details on the agenda shall be provided in the Information Statement to be distributed to the stockholders within the period required under the Securities Regulation Code.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HOLCIM PHILIPPINES, INC.
Registrant

KRISTINE N.L. EVANGELISTA
Assistant Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

**CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER**

1. **April 30, 2012**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **26126** 3. BIR Tax Identification No. **000-121-507**

4. **Holcim Philippines, Inc.**
   Exact name of registrant as specified in its charter

5. Province, country or other jurisdiction of Incorporation Code: 6. ☐ (SEC Use Only) Industry Classification

7. **7th Floor Two World Square, McKinley Hill**
   Fort Bonifacio, Taguig City
   Address of principal office **1634** Postal Code

8. **(632) 4593333**
   Registrant's telephone number, including area code

9. **Union Cement Corporation**
   Former name or former address, if changed since last report

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

Title of Each Class	Number of Shares of Common Stock Outstanding
COMMON	*6,452,099,144*

11. Indicate the item numbers reported herein: *Item 9* (Other Events)

Item 9 (Other Events)

Please be advised that Mr. Atsushi Kato, an independent member of the Board of Directors of Holcim Philippines, Inc., has tendered his resignation with effect today, April 30, 2012. Attached is a copy of his letter of resignation.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HOLCIM PHILIPPINES, INC.
Registrant

KRISTINE N.L. EVANGELISTA
Assistant Corporate Secretary

April 27 2012

Mr. Oscar J. Hilado
Chairman

Magdaleno B. Albarracin, Jr.
President and Director

Roland van Wijnen
Chief Operating Officer and Director

Holcim Philippines, Inc.
7F Two World Square
McKinley Hill, Taguig City 1634
Philippines

Dear Messrs. Hilado, Albarracin and van Wijnen:

I wish to inform you that I am resigning as a member of the Board of Directors of Holcim Philippines, Inc. effective April 30, 2012. Thereafter, I will no longer participate in the meetings of the Board of Directors and the Board Committees of which I am a member of.

It was a privilege to serve the Company since July 2005. I thank all my colleagues in the Board for their support during this period.

I wish the Company all the best in the future.

Very truly yours,

Atsushi Kitta

Cc:
Ma. Allen Arbis, Corporate Secretary

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. May 17, 2012
   Date of Report (Date of earliest event reported)

2. SEC Identification Number 26126   3. BIR Tax Identification No. 000-121-507-000

4. Holcim Philippines, Inc.
   Exact name of issuer as specified in its charter

5. Philippines
   Province, country or other jurisdiction of incorporation

6. ______ (SEC Use Only)
   Industry Classification Code:

7. 7th Floor Two World Square, McKinley Hill, Fort Bonifacio, Taguig City   1634
   Address of principal office   Postal Code

8. (632) 4593333
   Issuer's telephone number, including area code

9. ____________________
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC 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. Indicate the item numbers reported herein: Item 9. Other Events

Item 9. Other Events

I. Regular Meeting of the Board of Directors

At the Regular Meeting of the Board of Directors (the "Board") of Holcim Philippines, Inc. (the "Company") held today, May 17, 2012, at Conference Rooms 3 & 4, Marriott Manila, No. 10 Newport Boulevard, Newport City Complex, Pasay City 1309, Metro Manila, the Board approved the declaration of a cash dividend in the amount of Php0.25 per share to all stockholders of record as of June 11, 2012. Payment date will not be later than June 25, 2012.

II. Annual Stockholders Meeting

The following matters were taken up in the Annual Stockholders Meeting of the Company held today, May 17, 2012, at Ballrooms B & C, Marriott Manila, No. 10 Newport Boulevard, Newport City Complex, Pasay City 1309, Metro Manila, at 10:00 am, Philippine time:

1. Approval of the Minutes of the Annual Meeting held on May 12, 2011;

2. Approval of Annual Report and the Audited Financial Statements of the Company as of December 31, 2011;

3. Approval and ratification of all acts, contracts, investments and resolutions of the Board of Directors, Committees and Management since the last annual meeting;

4. Election of the following as members of the Board of Directors for the year 2012 and until their successors shall have been duly elected and qualified;

    a) Oscar J. Hilado
    b) Ian S. Thackwray
    c) Magdaleno B. Albarracin, Jr.
    d) Roland van Wijnen
    e) Eduardo A. Sahagun
    f) Ramon R. Del Rosario, Jr.
    g) Jose L. Cuisia, Jr.
    h) Tomas I. Alcantara
    i) Thomas Aebischer
    j) Yasuo Kitamoto (Independent)
    k) Andres G. Gatmaitan (Independent)

5. Approval of appointment of SyCip Gorres Velayo & Co. as External Auditor of the Company for the year 2012.

6. Approval of Amendments to Articles II and III of the Amended By-laws (to include the specific provisions on the Nomination and Election of Independent Directors as set out in Securities Regulations Code Rule 38). The approval of the amendments is subject to any revisions or adjustments thereto as may be required by the Securities and Exchange Commission.

III. Organizational Meeting of the Board of Directors

At the Organizational Meeting of the Board held today, May 17, 2012, at Conference Rooms 3 & 4, Marriott Manila, No. 10 Newport Boulevard, Newport City Complex, Pasay City 1309, Metro Manila, the following officers were elected to serve for the year 2012, until their successors shall have been duly elected and qualified:

Position		Name
Chairman	-	Oscar J. Hilado
Vice Chairman	-	Ian S. Thackwray
President	-	Magdaleno B. Albarracin, Jr.
Chief Operating Officer	-	Roland van Wijnen
Senior Vice President - Commercial	-	Eduardo A. Sahagun
Senior Vice President - Manufacturing	-	Andre Caluori
Vice President - Operations (Bulacan Plant)	-	Federico V. Santiago
Vice President - Operations (Davao Plant)	-	Joseph Bernal
Vice President - Operations (Lugait Plant)	-	Lorenzo D. Pendang
Vice President - Operations (La Union Plant)	-	Andrew White
Vice President - Aggregates and Business Development	-	Jocelyn J. Perez
Vice President - Procurement	-	Paul G. Serrano
Vice President - Geocycle	-	Ernesto C. Paredes
Vice President - Human Resources	-	Elena Antonia de Fiesta
Vice President - Corporate Communications	-	Ma. Socorro V. Prado
Vice President - Corporate Occupational Health & Safety	-	Carmela Dolores S. Calimbas
Vice President - Legal Affairs / Corporate Secretary / Compliance Officer	-	Ma. Allen M. Arbis
Treasurer	-	Rowena C. Aspan
Assistant Corporate Secretary	-	Kristine N. L. Evangelista

In the same meeting, the following members of the Committees of the Board were also elected:

Executive Committee
1) Ian S. Thackwray - Chairman
2) Oscar J. Hilado - Member
3) Magdaleno B. Albarracin, Jr. - Member
4) Roland van Wijnen - Member

Audit Committee
1) Andres G. Gatmaitan (Independent) - Chairman
2) Thomas Aebischer - Member
3) Ramon R. del Rosario, Jr. - Member
4) Jose L. Cuisia, Jr. - Member
5) Yasuo Kitamoto (Independent) - Member

Nomination Committee
1) Oscar J. Hilado - Chairman
2) Yasuo Kitamoto (Independent) - Member
3) Ian S. Thackwray - Member

Compensation Committee
1) Magdaleno B. Albarracin, Jr. - Chairman
2) Ian S. Thackwray - Member
3) Andres G. Gatmaitan (Independent) - Member

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 hereunto duly authorized.

Holcim Philippines, Inc. Issuer	May 17, 2012 Date
Kristine N. L. Evangelista Assistant Corporate Secretary	

109112012000578

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills,Mandaluyong City, Metro Manila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

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Company Information

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Industry Classification	
Company Type	Stock Corporation

Document Information

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Document Code	17-C
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Department	CFD
Remarks	

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

**CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER**

1. **September 10, 2012**
Date of Report (Date of earliest event reported)

2. SEC Identification Number **26126** 3. BIR Tax Identification No. **000-121-507**

4. **Holcim Philippines, Inc.**
Exact name of registrant as specified in its charter

5. Province, country or other jurisdiction of Incorporation Code: 6. (SEC Use Only) Industry Classification

7. **7th Floor Two World Square, McKinley Hill**
Fort Bonifacio, Taguig City
Address of principal office
1634
Postal Code

8. **(632) 4593333**
Registrant's telephone number, including area code

9. **Union Cement Corporation**
Former name or former address, if changed since last report

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

Title of Each Class	Number of Shares of Common Stock Outstanding
COMMON	*6,452,099,144*

11. Indicate the item numbers reported herein: *Item 9* (Other Events)

Item 9 (Other Events)

Please be advised that at the special meeting of the Board of Directors of Holcim Philippines, Inc. (HLCM) held today at the Board Room, 7th Floor Two World Square, McKinley Hill, Fort Bonifacio, Taguig City, Mr. Magdaleno B. Albarracin, Jr., President and director of HLCM, tendered his resignation as President of HLCM effective December 31, 2012. Mr. Albarracin shall remain a member of HLCM's Board of Directors. Attached is a copy of the letter of resignation.

At the meeting, Mr. Roland Van Wijnen, Chief Operating Officer (COO) and member of the Board of Directors of HLCM, tendered his resignation as COO of HLCM effective January 31, 2013, which date coincides with the completion of his three-year term as COO. Mr. Van Wijnen shall remain a member of HLCM's Board of Directors. Attached is a copy of the letter of resignation.

At the meeting, the Board of Directors elected Mr. Eduardo A. Sahagun, incumbent member of the Board, as Chief Executive Officer and President of HLCM effective January 1, 2013. Mr. Sahagun shall also continue to serve as a member of HLCM's Board of Directors. Mr. Albarracin resigned to allow the election of Mr. Sahagun.

The Board of Directors also elected Mr. William C. Sumalinog, incumbent Regional Sales Manager-Mindanao, as Vice President-Commercial of HLCM effective January 1, 2013.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HOLCIM PHILIPPINES, INC.
Registrant

KRISTINE N.L. EVANGELISTA
Assistant Corporate Secretary

September 7, 2012

To the Chairman

To the Members of the Board of Directors

To the Corporate Secretary

Holcim Philippines, Inc.
7F Two World Square
McKinley Hill, Taguig City

Gentlemen:

I wish to inform you that I am resigning as President of Holcim Philippines, Inc. effective December 31, 2012.

I shall continue to discharge my duties as a member of Holcim Philippines, Inc.'s Board of Directors for the duration of my term.

Very truly yours,

Magdaleno B. Albarracin, Jr.

Received:
9/10/12

September 6, 2012

To the Chairman and Members
of the Board of Directors of
Holcim Philippines, Inc.
7F Two World Square
McKinley Hill, Taguig City 1634
Philippines

Gentlemen:

I hereby inform you that I am resigning as Chief Operating Officer (COO) of Holcim Philippines, Inc. (the Company) with effect as of January 31, 2013. I wish to thank all my colleagues in the Board and management for their support during my term as COO.

I shall, however, remain as a member of the Company's Board of Directors for the remainder of my term.

Very truly yours,

Roland van Wijnen

Cc:
Ma. Allen M. Arbis
Corporate Secretary

Received:
Ma. allen M. Arbis
9/10/12

110052012000909

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Company Name	HOLCIM PHILIPPINES, INC.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	110052012000909
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Document Code	17-C
Period Covered	October 05, 2012
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Department	CFD
Remarks	

COVER SHEET

2 6 1 2 6

S.E.C. Registration Number

HOLCIM PHILIPPINES, INC.

(Company's Full Name)

7TH FLR. TWO WORLD SQUARE
MCKINLEY HILL FORT BONIFACIO
TAGUIG CITY

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

MA. ALLEN M. ARBIS

Contact Person

(02) 4593333

Company Telephone Number

1 2 | 3 1
Month | Day

Fiscal Year

17-C

FORM TYPE

any day in April/May

Month Day

Annual Meeting

Secondary License Type, If Applicable

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. October 5, 2012
   Date of Report (Date of earliest event reported)

2. SEC Identification Number 026126   3. BIR Tax Identification No. 000-121-507-000

4. Holcim Philippines, Inc.
   Exact name of issuer as specified in its charter

5. Manila, Philippines
   Province, country or other jurisdiction of incorporation

6. [   ] (SEC Use Only)
   Industry Classification Code:

7. 7th Floor Two World Square, McKinley Hill, Fort Bonifacio, Taguig City 1634
   Address of principal office   Postal Code

8. (632) 459-3333
   Issuer's telephone number, including area code

9. N/A
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC 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	6,452,099,144

11. Indicate the item numbers reported herein: Item 9 (b)

In compliance with SEC Memorandum Circular No. 4, Series of 2012 ("MC No. 4"), Holcim Philippines, Inc. ("HLCM") discloses that the oversight functions of the Audit Committee as prescribed in the Revised Code of Corporate Governance and in MC No. 4 are already provided in HLCM's Revised Manual of Good Corporate Governance (the "HLCM Manual"). HLCM implements the Audit Committee provisions found in the HLCM Manual.

Attached to this report is an assessment conducted by HLCM's Audit Committee on its performance based on the Audit Committee provisions found in the HLCM Manual.

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 hereunto duly authorized.

HOLCIM PHILIPPINES, INC.
Issuer

ANDRES G. GATMAITAN
Chairman, Audit Committee

MA. ALLEN M. ARBIS
Compliance Officer

5 October 2012

Holcim Philippines, Inc.
Audit Committee – Assessment Worksheet

Responsibilities under the Code	Specific Areas/Dimensions (Non-Exclusive List)	ASSESSMENT		
		Is this part of the Audit Committee's Charter? (Yes or No)	Has this been implemented? (If yes, cite reference document)	Follow up Actions Needed*
Setting of Committee Structure and Operation	1. Committee size 2. Independence requirement 3. Qualifications, skills and attributes of members and Chair 4. Financial knowledge of Members and chair 5. Succession plan for members and Chair 6. Meetings (frequency, etc.) 7. Reporting to the Board and issuance of certifications on critical compliance issues 8. Evaluations 9. Resources including access to outside advisors 10. Training and educations	Yes Yes Yes Yes Yes Yes Yes Yes Yes No	For Areas/ Dimensions 1-7: - Sections 3 and 4, HPHI Audit Committee Charter - Minutes of Audit Committee Meetings	
Oversight on Financial Reporting and Disclosures	1. Extent of understanding of the company's business and industry in which it operates 2.Compliance with financial reporting regulations 3. Recognition of management's responsibility over the financial statements 4. Appropriates of accounting policies adopted by management 5. Reasonableness of estimates, assumptions, and judgments used in the preparation of financial statements	Yes Yes Yes Yes Yes	For Areas/Dimensions 1-6, 8-14: - Section 5b, HPHI Audit Committee Charter - SEC Forms 17-Q and 17-A	

* The HPHI Audit Committee Charter is currently being revised/updated on the basis of audit findings made by External Quality Assessor. The updated version will also include the matters that need to be addressed resulting from this assessment.

Responsibilities under the Code	Specific Areas/Dimensions (Non-Exclusive List)	ASSESSMENT		
		Is this part of the Audit Committee's Charter? (Yes or No)	Has this been implemented? (If yes, cite reference document)	Follow up Actions Needed*
	6. Identification of material errors and fraud, and sufficiency of risk controls	Yes		
	7. Actions or measures in case of finding of error or fraud in financial reporting	Yes		
	8. Review of unusual or complex transactions including all related party transactions	No		
	9. Determination of impact of new accounting standards and interpretations	Yes		
	10. Assessment of financial annual and interim reports as to completeness, clarity, consistency and accuracy of disclosures of material information including on subsequent events and related party transactions.	Yes		
	11. Review and approval of management representation letter before submission to external auditor.	Yes		
	12. Communication of the AudCom with legal counsel, covering litigation, claims, contingencies or other significant legal issues that impact financial statements	Yes		
	13. Fair and balance review of financial reports	Yes		
	14. Assessment of correspondence between the company and regulators regarding financial statement filings and disclosures	Yes		

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Responsibilities under the Code	Specific Areas/Dimensions (Non-Exclusive List)	ASSESSMENT		
		Is this part of the Audit Committee's Charter? (Yes or No)	**Has this been implemented? (If yes, cite reference document)**	**Follow up Actions Needed***
Oversight on Risk Management and Internal Controls	1.Obtaining management's assurance on the state of internal controls	Yes	Areas/Dimensions 1-3, 6-8: HPHI Audit Committee Minutes of Meetings.	
	2. Review of internal auditors evaluation of internal controls	Yes		
	3. Evaluation of internal control issues raised by external auditors	Yes		
	4. Assessment of control environment including IT systems and functions	No		
	5.Setting a framework for fraud prevention and detection including whistle blower program	No, but covered by a corporate policy		
	6. Deliberation on findings of weaknesses in controls and reporting process	Yes		
	7. Understanding and assessment of identified risks	Yes		
	8. Evaluation of sufficiency and effectiveness of risk management processes and policies	Yes		
	9. Preparation and implementation of a Business Continuity Plan	No		
	10. Promotion of risk awareness in the organization	No		

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Responsibilities under the Code	Specific Areas/Dimensions (Non-Exclusive List)	ASSESSMENT		
		Is this part of the Audit Committee's Charter? (Yes or No)	Has this been implemented? (If yes, cite reference document)	Follow up Actions Needed*
Oversight on Management and Internal Audit	1. Evaluation of compliance with the Code of Conduct for management 2. Communication with management and Internal auditor 3. Assessment of adequacy of resources and independence of internal Auditor 4. Qualifications of an Internal Auditor 5. In-house or outsource internal audit function 6. Compliance with International Standards on the Professional Practice of Internal Auditing 7. Review and approval of internal audit annual plan 8. Extent and scope of internal audit work 9. Reporting process	Yes Yes Yes No Yes No Yes Yes Yes	Areas/Dimensions 1-3,5,7-9: HPHI Audit Committee Minutes of Meetings	
Oversight on External Audit	1. Assessment of independence and professional qualifications and competence of external auditor 2. Engagement and rotation process of external auditor or firm 3. Review and approval of scope of work and fees of external auditor 4. Assessment of non-audit services 5. Understanding disagreements between the auditor and management 6. Actions on the findings of external auditor	Yes Yes Yes Yes Yes Yes	Areas/Dimensions 1-4,6-10: - HPHI Audit Committee Minutes of Meeting - SEC Forms 17-A Meeting Minutes Audit Reports	

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Responsibilities under the Code	Specific Areas/Dimensions (Non-Exclusive List)	ASSESSMENT		
		Is this part of the Audit Committee's Charter? (Yes or No)	Has this been implemented? (If yes, cite reference document)	Follow up Actions Needed*
	7. Management's competence regarding financial reporting responsibilities including aggressiveness and reasonableness of decisions	Yes		
	8. Evaluation of performance of external audit-reappointment and resignation	Yes		
	9. Compliance of external auditor with auditing standards	Yes		
	10. Completeness and timelines of communication with external auditor as to critical policies, alternative treatments, observations on internal controls, audit adjustments, independence, limitations on the audit work set by the management, and other material issues that affect the audit and financial reporting	Yes		

Certified Correct:

Andres G. Gatmaitan
Chairman

Ma. Allen M. Arbis
Compliance Officer

* The HPHI Audit Committee Charter is currently being revised/updated on the basis of audit findings made by External Quality Assessor. The updated version will also include the matters that need to be addressed resulting from this assessment.

Corporate Governance Scorecard

101302013002198

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills,Mandaluyong City, Metro Manila Philippines
Tel (632) 726-0931 to 39 Fax (632) 725-5293 Email mis@sec.gov.ph

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Company Information

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Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	101302013002198
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Remarks	

COVER SHEET

2	6	1	2	6

S.E.C. Registration Number

HOLCIM PHILIPPINES, INC.

(Company's Full Name)

7TH FLR. TWO WORLD SQUARE
MCKINLEY HILL FORT BONIFACIO
TAGUIG CITY

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

MA. ALLEN M. ARBIS
Contact Person

(02) 4593333
Company Telephone Number

1 2	3 1
Month	*Day*

Fiscal Year

Certification
FORM TYPE

any day in April/May
Month *Day*
Annual Meeting

Secondary License Type, If Applicable

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

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CERTIFICATION

Pursuant to the provisions of our Corporate Governance Manual required under Securities and Exchange Commission Memorandum Circular No. 2 dated April 05, 2002, I hereby certify that:

1. Compliance with SEC Memorandum Circular No. 2 dated April 05, 2002 as well as all relevant Circulars on Corporate Governance have been monitored;

2. There is substantial compliance by Holcim Philippines, Inc. (the "Corporation") its directors, officers and employees with the leading practices and principles on good corporate governance as embodied in the company's Manual;

3. The following are the major deviations from the adopted Manual on Corporate Governance with the corresponding explanation/s for each deviation:

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE

A. BOARD OF DIRECTORS

Board roles, responsibilities, and skills		
1. The Board has independent director/s. (In case of registered/listed company, at least two or 20% of the members of such Board, whichever is the lesser)	5	
2. The Board has a balance of executive and non-executive directors, including independent non-executives such that no individual or small group of individuals can dominate the Board's decision-making.	5	
3. The Board has guidelines for its directors on the number of memberships in other corporate Boards, which are being followed.	4	No formal guidelines. The Nomination Committee ensures that the membership of the directors in other corporate boards do not result in any issues of conflict of interest.
4. The Board has, collectively, a mix of appropriate skills, knowledge and experience.	5	
5. The powers, roles, responsibilities and accountabilities between the Board, the Chief Executive Officer and management are clearly defined.	5	
6. The roles and responsibilities between the Board, the Chief Executive Officer and management are clearly segregated.	5	

7. The Board establishes the corporation's vision and mission, strategic objectives, policies and procedures that guide and direct the activities of the company and the means to attain the same as well as the mechanism for monitoring management's performance.	5	
8. There is a good understanding of management's responsibilities in relation to internal control.	5	
9. The decisions that are being made by the Board are clearly documented and understood.	5	

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	**COMPLIANCE AREA**	
	RATING	**EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE**
Independence		
10. The majority of the Board are independent of the Chief Executive Officer, management team and commercial dealings with the organization.	5	
11. There are sufficient numbers on the Board to achieve independence, but not too many to become inefficient.	5	
Board Resources		
12. The Board members have access to independent professional advice to enable them to discharge their duties.	5	
13. The corporate secretary has the primary role of supporting the Board and chairperson.	5	
Board Performance		
14. There are mechanisms to monitor the performance of the Board and individual Board members.	5	
Board Committees		
15. The company has an audit committee.	5	
16. It has a nomination and election committee.	5	
17. It has a compensation committee that monitors compensation, benefits, and succession planning to perform the task of monitoring.	5	

B. MANAGEMENT

Code of Conduct		
18. There is a written Code of Conduct to be followed by the Board, Chief Executive Officer and staff.	4	The HPHI Way (formerly the Code of Behavior) applies to employees while the Manual of Good Corporate Governance applies to directors, Chief Executive Officer, Corporate Secretary and Compliance Officer.
19. The Code of Conduct is communicated and understood by the Board, Chief Executive Officer and staff.	4	Both the HPHI Way and Manual of Good Corporate Governance have been cascaded.
20. There are appropriate policies and procedures necessary to identify any potential conflicts of interest.	5	
21. There are adequate policies and procedures, which deal with potential conflicts of interest, once identified.	5	
Strategy Setting and Planning		
22. The company has an overall organizational plan, which is supported by a business plan, budgets and marketing plan (if necessary).	5	

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
23. It has clearly defined performance measures (operational and financial) that are incorporated into the plans.	5	
24. The Board approves the budget set by management and revisions thereto.	5	
Financial and Operational Reporting		
25. The reports contain performance measures, financial and non-financial, which enable the efficiency and effectiveness of the organization to be assessed.	5	
26. The reports are tailored to particular levels of responsibilities.	5	
27. The reports efficiently and effectively communicate key financial data.	5	

28. The financial reports show a comparison between year-to-date, budget, last year-to-date and full-year data.	5	
29. The financial reports are supported by explanations of significant variations.	5	
30. The financial reports are provided to the Board prior to Board meetings.	5	
31. The Chief Executive Officer receives periodic financial reports at least on a monthly basis.	5	
32. The financial reports are derived directly from the underlying accounting systems and have a quality assurance process over the compilation of the reports.	5	

C. ORGANIZATIONAL AND PROCEDURAL CONTROLS

33. The roles of the Chairman and CEO are not separate but there are adequate checks and balances to help ensure that independent, outside views, perspectives, and that judgment are given proper hearing in the Board.	5	
34. There is a process of selection to ensure a mix of competent directors as well as qualified CEO and senior officers.	5	
35. There is a professional development program for employees and officers and a succession plan for senior management.	5	

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
36. There is a sound system of procedural and financial delegations approved by the Board. It promotes efficiency as well as control.	5	
37. There are appropriate decision-making processes adopted by the Board. There is a clear distinction between what decisions should be made by the Board and those decisions that should be made by the organization's management.	5	
38. There is a process governing policy development, implementation and review, which ensures that Board approves new policy.	5	

39. There are written policies and strategic guidelines on major capital expenditures.	5	
40. There is a process to ensure that the corporation complies with all relevant laws, regulations, and codes of best business practices.	5	
41. There is a clear policy on relating with the corporation's major and other stakeholders to keep them fully informed of corporate activities in a regular and timely manner.	5	
42. The company has formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and of officers.	5	
43. There is a risk management process that ensures that company's risks are mitigated through risk management strategies.	5	
44. The company has a common language to communicate risks across in the organization.	5	
45. It has an effective oversight structure for risk management in the organization.	5	.
46. There are procedure/s for the Board to review the risk management strategies and assess whether they are working effectively.	5	
47. There is a process which determines whether a director conducts fair business transactions, devotes necessary time and attention to discharge his duties, act judiciously, exercises independent judgment, has working legal knowledge affecting the company, observes confidentiality and ensures soundness, effectiveness and adequacy of company's control environment.	4	No guidelines developed. The Nomination Committee ensures that the directors nominated and elected perform in accordance with the said standards membership of the directors.

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	**EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE**

Nomination and Election Committee		
48. The Nomination Committee has at least three (3) voting (one of whom must be independent) and one (1) non-voting Director.	5	

49. It pre-screens and shortlists all candidates nominated to become a member of the board of directors in accordance with the following qualifications and disqualifications: Qualifications o Holder of at least one (1) share of stock of the Corporation; o He is at least a college graduate or has sufficient experience in managing the business to substitute for such formal education; o He is at least twenty one (21) years old; o He has proven to possess integrity and probity; and o He is assiduous. Disqualifications o Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions; o Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas; o Any person judicially declared to be insolvent; o Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and	5	

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	**EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE**
o Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the	4	The Manual of Good Corporate Governance provides all grounds

Corporation Code, committed within five (5) years prior to the date of his election or appointment. Any of the following is a ground for the temporary disqualification of a director: ○ Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification is in effect as long as his refusal persists; ○ Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election; ○ Dismissal/termination from directorship in another listed corporation for cause. This disqualification is in effect until he has cleared himself of any involvement in the alleged irregularity; ○ Being under preventive suspension by the Corporation; ○ If the independent director becomes an officer or employee of the same corporation he is automatically disqualified from being an independent director; ○ Conviction that has not yet become final which is referred to in the grounds for the disqualification of directors.		except the ground on being under preventive suspension.
50. The Nomination Committee considers the following guidelines in the determination of the number of directorships for the Board: ▪ The nature of the business of the Corporations in which he is a director; ▪ Age of the director; ▪ Number of directorships/active memberships and officerships in other corporations or organizations; and • Possible conflict of interest. The optimum number relates to the capacity of a director to perform his duties diligently in general.	4	No formal guidelines.

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE

Compensation and Remuneration Committee		
51. The Compensation or Remuneration Committee is composed of at least three (3) members, one of whom is an independent director.	5	
52. It has established a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the corporation's culture, strategy and control environment.	5	
53. It has developed a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others, compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.	5	
54. It disallows any director to decide his or her own remuneration.	5	
55. It provides in the corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.	5	
56. It reviews (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.	5	
57. In the absence of such Personnel Handbook, the Committee will develop such, covering the same parameters of governance stated above.	5	

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
Corporate Secretary		
58. The Corporate Secretary is a Filipino citizen. He possesses administrative skills and some legal skills. He also has some financial and accounting skills.	5	
59. The Corporate Secretary's various duties include: ▪ Gathering and analyzing of all documents, records and other information essential to the conduct of his duties and responsibilities to the corporation. ▪ As to agenda, getting a complete schedule thereof at least for the current year and put the Board on notice before every meeting. ▪ Assisting the Board in making business judgment in good faith and in the performance of their responsibilities and obligations. ▪ Attendance in all Board meetings and maintenance of the records of the same.	5	

D. <u>INDEPENDENT AUDIT MECHANISM</u>

Audit Committee		
60. There is a charter for the audit committee covering such responsibilities as: • management and financial reporting; • compliance with laws and regulations; • maintenance of an effective audit function; • suitable risk management and internal control frameworks; • membership; • frequency of meetings; • committee authority; and • Board reporting obligations.	5	
61. The audit committee includes an independent director.	5	
62. The members of the audit committee have adequate financial and accounting expertise.	5	
63. The audit committee has unlimited access to internal and external auditors and to senior management.	5	

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
64. The audit committee has direct access to the Chief Executive Officer, Chief Financial Officer and external auditor and internal audit.	5	
65. The audit committee meets at least quarterly.	5	
66. Audit committee reviews the status of all internal audit and external audit recommendations and their implementation.	5	
67. The audit committee reviews and approves the audit scope and frequency, and the annual internal audit plan.	5	
68. The audit committee monitors and evaluates the adequacy and effectiveness of the corporation's internal control system.	5	
69. It develops a transparent financial management system that ensures the integrity of internal control activities throughout the company through a step-by-step procedures and policies handbook that is used by the entire organization.	5	
70. The Audit Committee elevates to international standards the accounting and auditing processes, practices and methodologies, and develops the following in relation to this reform: a. A definitive timetable within which the accounting system of the corporation will be 100% International Accounting Standard (IAS) compliant. b. An accountability statement that specifically identifies officers and/or personnel directly responsible for the accomplishment of such task.	5	
71. It checks all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.	5	
72. It performs oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the corporation, and crisis management.	5	

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
Internal Auditor		
73. The company has an independent internal audit function which is being performed by an Internal Auditor or Group of Internal Auditor, through which its Board, senior management, and stockholders are provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.	5	
74. The internal auditor reports to the Audit Committee.	5	
75. The minimum internal control mechanisms for management's operational responsibility centers on the CEO, being ultimately accountable for the Corporation's organizational and procedural controls.	5	
76. The scope and particulars of the company's organizational and procedural controls are based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.	5	
77. The internal audit examinations covers, at least: • the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems (including reliability and integrity of financial and operational information); • effectiveness and efficiency of operations; • safeguarding of assets; and • compliance with laws, rules, regulations and contracts.	5	
78. The internal audit activities are being conducted in accordance with the Standards for the Professional Practice of Internal Auditing.	5	
79. The status reports summarize recommendations, officers responsible and implementation dates.	5	
80. The Chief Audit Executive reports directly to the Audit Committee.	5	

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE
81. The internal auditors have free and full access to all the company's records, properties, and personnel relevant to the internal audit activity.	5	
82. The Chief Audit Executive renders to the Audit Committee and senior management an annual report on the internal audit department's activities, purpose, authority, responsibility, and performance relative to audit plans and strategies approved by the Audit Committee.	5	
External Audit		
83. The handling audit partner or auditing firm is rotated every five years or earlier.	5	
84. There is a process that the reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor are reported in the company's annual and current reports. Said report includes a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.	5	
85. The external auditor of the company does not at the same time provide the services of an internal auditor to the same client. The corporation ensures that other non-audit work shall not be in conflict with the functions of the external auditor.	5	
86. The company allows that when its external auditor believes that the statements made in the company's annual report, information statement or proxy statement filed during his engagement are incorrect or incomplete, he shall present his views in said reports.	5	

E. <u>DISCLOSURE AND TRANSPARENCY</u>

87. There is a policy that requires the corporation to publicly discloses all material information, i.e., anything that could potentially affect share price as well as other information. Information that affect share price includes: • earning results; • acquisition or disposal of assets;	5	

• board changes; • related party transactions; • such material events or information as determined by the Commission.		

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	**EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE**
Other information that should be disclosed includes: • shareholdings of directors, • changes of ownership, • remuneration of all directors and senior management, • corporate strategy, off balance sheet transactions.	5	

F. SHAREHOLDERS' BENEFITS

88. The company has an existing mechanism, which ensures that all stockholders' rights i.e. voting, pre-emptive, inspection, information, dividends and appraisal rights, are being exercised.	4	Existing mechanism is not formalized.
89. It has an existing grievance procedure or system through which a stockholder may complain.	3	Grievance procedure is informal.

G. COMPLIANCE SYSTEM AND OTHERS

Compliance Officer		
90. The company has designated a compliance officer.	5	
91. He holds the position of a Vice President or its equivalent. He has a direct reporting responsibility to the Chairman of the Board.	5	
92. He performs the following duties: o Monitors compliance with the provisions and requirements of this Manual; o Appears before the Securities and Exchange Commission upon summon on similar matters that need to be clarified by the same;	5	

o Determines violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board; o Issues a certification every January 30th of the year on the extent of the Corporation's compliance with its Manual for the completed year, explaining the reason/s of the latter's deviation from the same; and o Identifies, monitors and controls compliance risks.		

LEADING PRACTICES AND PRINCIPLES ON GOOD CORPORATE GOVERNANCE	COMPLIANCE AREA	
	RATING	**EXPLANATION/ REASON FOR THE DEVIATION/ INCOMPLETENESS/ DELAY IN COMPLIANCE**
Evaluation Procedure		
93. There is an established evaluation procedure, which determines and measures compliance with the Manual.	5	
94. Any violation of the Manual is subject to a penalty as approved by the Board of Directors.	5	
Training		
95. Funds are allocated for the purpose of conducting workshop or seminar to operationalize the company's Manual.	5	
96. There is a requirement that directors, before assuming as such, are trained on corporate governance leading practices and principles by an institutional training provider accredited by the Securities and Exchange Commission.	5	
Communications		
97. The company's Manual is available for inspection by any of its stockholder at reasonable hours on business days.	5	
98. The contents of the Manual have been disseminated to all employees and related parties and such persons are enjoined to comply with the same.	5	
99. Adequate printed copies of the Manual are reproduced and distributed to each department of the company.	5	

4. A majority of the members of the Board of Directors have completed and were duly certified to have attended a special seminar on Corporate Governance.

MA. ALLEN M. ARBIS
Compliance Officer

ATTESTED BY:

EDUARDO A. SAHAGUN
President & Chief Executive Officer

SUBSCRIBED AND SWORN to before me this JAN 28 2013 at MAKATI CITY with the presentation of her Passport No. XX4091465 issued at DFA-Manila on July 3, 2009.

Notary Public
MIGUEL ROMUALDO T. SANIDAD
NOTARY PUBLIC
Until December 31, 2013
Appointment No. M-42 (2012-2013)
IBP No. 883076/ 1-10-2012/ Makati Chapter
PTR No. 3187750/ 1-10-2012/ Makati City
Roll No. 33861

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