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)

Dennis G. Segovia	**459-3333**
(Contact Person)	(Company Telephone Number)

1 2 **3 1**	**SEC FORM 17-A**	**0 5** **2 4**
Month *Day*	For the year ended December 31, 2019	*Month* *Day*
(Fiscal Year)	(Form Type)	(Annual Meeting)

(Secondary License Type, If Applicable)

CFD	**–**
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

5,273		
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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended ....December 31, 2019................

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..	6,452,099,144........................

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

Yes [X] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:
_x_ Philippine Stock Exchange, Inc._______ ___ Common Shares ___

12. Check whether the issuer:

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

Yes [X] No [ ]

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

Yes [X]   No [ ]

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

PhP12,516,892,056 (920,359,710 common shares @ PhP13.60 per share, the closing price at which stock was sold on December 27, 2019).

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

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

Not Applicable

Yes [ ]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. The following documents are incorporated by reference:

(a) Audited Consolidated Financial Statements as of December 31, 2019 and 2018 and for the three years in the period ended December 31, 2019 - Exhibit 1
(b) Statement of Management’s Responsibility for Consolidated Financial Statements as of December 31, 2019 and 2018 and for the three years in the period ended December 31, 2019 – part of Exhibit 1
(c) Supplementary Schedules to the Audited Consolidated Financial Statements – Exhibit 2
(d) SEC Form 17-Q – Exhibit 3
(e) Legal Proceedings and Pending Legal Cases – Exhibit 4
(f) SEC Form 17-C – Exhibit 5

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

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

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

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

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

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

(1) History and Business Development

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

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

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

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

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

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

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

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

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

As of December 31, 2019, HPI is 60.55% owned by Union Cement Holdings Corporation (UCHC), 18.11% owned by Holderfin B.V. (Holderfin), and 7.08% owned by Cemco while the remainder of its shares is owned by the public. HPI common shares are listed in the PSE.

The Company's Subsidiaries

Holcim Philippines Manufacturing Corporation (HPMC)

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

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

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

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

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

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

Excel Concrete Logistics, Inc. (ECLI)

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

Holcim Philippines Business Services Center, Inc. (HPBSCI)

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

HuBB Stores and Services Inc. (HSSI)

HuBB Stores and Services Inc. was incorporated and registered with the SEC on June 2, 2014. HSSI was set up to engage in the business of buying, selling and distributing construction and building materials, and to operate, maintain and franchise stores for the sale and distribution of said materials.

Mabini Grinding Mill Corporation (MGMC)

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

Bankruptcy Proceedings

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

Material Reclassification, Merger, Consolidation

The Company is not a party to any merger or consolidation for the period ending December 31, 2019.

In May 2019, the Company's major stockholders, namely Holderfin B.V., Cemco Holdings, Inc. and Union Cement Holdings Corporation entered into an agreement for the sale and purchase of shares in the Company subject to the approval of the Philippine Competition Commission (PCC) and customary transaction closing conditions.

(2) General Business Description

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

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

(a) *Product Lines*

HPI manufactures four (4) main cement product brands namely: Holcim Premium (Type 1 Portland cement), Holcim 4X (Type 1 high performance Portland cement), Holcim Excel (Type 1P Blended cement), Holcim WallRight (Type S Masonry cement) and the recently introduced, Holcim Solido (Type IP Blended cement). Its products are sold mostly in bags except for Holcim 4X (mainly bulk). Other packaging formats include tonner, jumbo bags and bulk. HPI also sells to cement producers a semi-finished product called clinker, which is sold only in bulk. It has expanded its product portfolio offering aggregates and dry mix mortar products such as Holcim Tile Adhesive and Holcim Skim Coat.

It has extended its portfolio by selling dry mix mortar products such as Holcim Tile Adhesive, Holcim Skim Coat and Holcim Cementitious Waterproofing.

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

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

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

Holcim 4X

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

Holcim Premium

Holcim Premium is an ASTM Type I Portland Cement. It is used for general concrete construction. To make Portland cement, powdered limestone, silica and iron-rich materials are homogenized and burnt at 1500^{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 Solido is a premium quality ASTM Type IP Cement which is Portland cement combined with advanced mineral additives. It is sold in bulk, tonner bags and 40-kg bags and used for roads and general concrete applications. Advance mineral additives are inter-ground with higher composition of Portland cement clinker to improve durability of concrete.

Holcim Excel

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

Holcim WallRight Cement

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

Clinker

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

SF Crete Technology

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

Aggregates

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

Holcim Tile Adhesive

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

Holcim Skim Coat

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

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

Table 1 – Revenue by Product Line

	Calendar Year Ended	Calendar Year Ended	Calendar Year Ended
(In Thousand Pesos)	**December 31, 2019**	December 31, 2018	December 31, 2017
Cement and cementitious materials	**₱30,885,687**	₱33,227,519	₱31,686,117
Others	**2,601,084**	2,395,594	3,054,644
Total	**₱33,486,771**	₱35,623,113	₱34,740,761

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, 2019, 2018 and 2017 are as follows:

Table 2 – Export Revenue

	Calendar Year Ended	Calendar Year Ended	Calendar Year Ended
(In Thousand Pesos)	**December 31, 2019**	December 31, 2018	December 31, 2017
Total Export Revenues	**NIL**	NIL	₱9,264
% to Total Revenues	**NIL**	NIL	0.03%
Breakdown of Export Revenues per Region (in %)			
Southeast Asia			
Eastern Asia			
Oceania	**NIL**	NIL	0.03%
North America			
Western Europe			
Middle East			
Total % to Total Revenues	**NIL**	NIL	0.03%

(b) Marketing and Distribution

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

(c) New Product

Holcim Solido, which was first introduced in 2018 was launched nationally in 2019 in line with the government's "Build, Build, Build" infrastructure program. It is a special blended cement product focused on durability in structures but with lower impact to the environment.

(d) Competition

There are eight integrated cement manufacturers in the Philippines that include Holcim, Republic Cement, Cemex, Taiheiyo, Northern Cement, Eagle Cement, Goodfound and Mabuhay. These manufacturers operate a total of 16 integrated cement plants and 3 cement grinding plants all over the country. Big Boss Cement, a new entrant recently opened a cement grinding plant in Pampanga this year.

The positive long-term prospect of cement demand in the country has attracted new investments in the cement industry. Existing manufacturers announced plans to add new capacities and new entrants joined in building new cement facilities. Affiliates of the SM Group, Big Boss Cement and Petra Cement, are building cement grinding plants in Pampanga and Zamboanga del Norte, respectively. Another new entrant, Century Peak Cement is constructing an integrated plant in Cebu. More new cement projects have been announced by various companies although actual development has yet to take place.

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

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

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

(e) Sources and Availability of Raw Materials and Supplies

<u>Raw Materials</u>

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

<u>Energy Supply</u>

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

The Bulacan plant's peak demand is currently at 35 megawatts ("MW") while La Union plant's peak demand is currently at 15 MW. On August 12, 2011, a 15-year Energy Services Agreement (ESA) was signed with Trans-Asia Oil and Energy Development Corp. (TA Oil), now AC Energy Philippines, Inc. (ACEPI) for the supply of both Bulacan Line 2 and La Union plants starting in 2014. In the new ESA, electricity supply will be coming from the 135 MW Puting Bato coal-fired power plant in Calaca, Batangas owned by South Luzon Thermal

Energy Corporation, a joint venture company of TA Oil and Ayala's AC Energy Holdings. Included in the agreement is the provision of back-up supply from the Diesel Power Plants in Bulacan (TA Power) and in Bacnotan (CIP/TA Oil). In essence, power supply for the Company's Bulacan and La Union Plants is assured over a long-term period notwithstanding the uncertainties of how the Luzon grid supply situation will move. Electricity fee is structured according to time-of-use (TOU) rate with provisions to rate increases based on fuel purchased for the power plant.

The Davao plant's total power requirement is 22 MW. The plant primarily sourced its electricity from the National Power Corporation (NPC) through the Mindanao Grid which generates a substantial portion of its power through hydroelectric power plants. Effective September 26, 2013, Davao plant became a captive customer of Davao Light and Power Company (DLPC), the Distribution Utility (DU) which holds the franchise for power distribution in the area pursuant to Energy Regulatory Commission Resolution No. 27, Series of 2010.

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

Mabini Grinding plant which is a 6MW capacity establishment has qualified as a "Contestable Customer (CC)" when the Retail Competition and Open Access (RCOA) was implemented last June 26, 2013. As a result, a 10-year Power Supply Agreement with TA Oil was signed and took effect on June 26, 2014 in lieu of an agreement with distribution utility Department of Energy (DOE) Batangas Electric Cooperative, Inc. (BATELEC II).

On November 29, 2017, DOE issued a Department Circular 2017-12-0013 lowering minimum demand to 500-749 kW to qualify as a CC. This will allow captive customers in Luzon-Visayas Grid to shift to a Retail Electricity Supplier (RES) and avail of competitive rates from RES suppliers or from the Wholesale Electricity Spot Market (WESM) by 26th June 2018. At the moment, no other facilities of HPI qualified as contestable customer in Luzon-Visayas Grid aside from La Union, Bulacan, and Mabini.

Coal and Fuel Supply

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

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

For local coal requirements, the Company entered into a 2-year contract with Semirara Mining & Power Corporation covering 2017-2018. In 2019, a new contract was entered into with the same parties for another one year.

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

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

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

(f) Dependence on a Single or a Few Customers

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

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

(g) Related Party Transactions

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

(h) Trademarks, Licenses, Concessions, Labor Contracts

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

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

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

(i) Governmental Approval of Principal Products

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

(j) Research and Development

The Company is engaged in research and development for improving the production process used in its plants and for improving the quality and strength of its products. The Company spent a total of ₱113.4 million research and development costs in last three years as follows:

Table 3 – Research and Development Costs

Period Covered	Amount (‘000 Pesos)	Percentage to Revenues
CY ended December 31, 2019	₱ 37,688	0.11%
CY ended December 31, 2018	37,919	0.11%
CY ended December 31, 2017	37,780	0.11%
Total	₱113,387	

(k) Costs and Effects of Compliance with Environmental Laws

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

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

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

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

(l) Employees

As of December 31, 2019, HPI and subsidiaries had a total of 1,191 officers and regular employees broken down as follows:

Table 4 – Officers and Employees

Location	HPI	Subsidiaries	Total
Head Office*	371	6	377
Bulacan Plant	219	0	219
La Union Plant	158	0	158
Davao Plant	195	0	195
Lugait Plant	71	124	195
Calumpit	39	0	39
Calaca	8	0	8
Total	1,061	130	1,191

** Includes HSSI and Mabini plant*

Overall, the number of employees in 2019 was lower than previous year due to the decrease in the number of employees by January 2019 as a result of the restructuring that was implemented at the end of 2018 despite the increase in head office employees from the integration of the Business Service Center of HEABS to HPI in July 2019.

The focus on people and organization programs continues to be strengthened with emphasis on performance management, learning and development, and employee recognition. The talent review and succession planning process covered more than double the number of employees reviewed in the previous year to ensure ready-now talents for critical positions. More importantly learning and development plans for each employee were signed off to enable them to be fully equipped for their current roles and prepared for future roles. A monthly People Review across all functions ensured that these development plans, as well as all other all people and organization initiatives, are monitored and followed through in each function. Movements of more than one-third of the total employee population are testaments to the company's commitment to employees' career and development.

HPI cement plant supervisory and rank and file employees are unionized including the rank-and-file of the paper bag plant. All these labor unions have an existing Collective Bargaining Agreement (CBA) signed with the Company. Management & Union continued with its efforts to build stronger relationships and cooperate to have excellent operations through its Labor Management Council (LMC).

In 2019, the Company managed to address the labor issues raised by some employees of third party contractors. Appropriate legal actions were taken to resolve the issues and strengthen the company's compliance with the labor standards. Some cases were dismissed due to lack of merits.

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

Table 5 – Labor Unions

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

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

(m) *Risk Factors*

Political and Economic Factors

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

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

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

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

Availability of Stable Power Supply

The 15-year contract with TA Oil, now ACEPI, provides stable and guaranteed power supply for La Union and Bulacan Plants. The contract also provides island mode backup power for both Luzon plants during grid failures. In 2016, the company started to take advantage of the WESM, to the extent the contract allows, when power prices in the spot market are lower compared to contracted rates. For the period 2017-2021, the company will be getting a fixed discount from ACEPI on contracted generation rates.

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

WESM is not yet available in Mindanao although trial operations have started since June 2017. Also, the Retail Competition and Open Access (RCOA) can only be launched after WESM has been implemented. Hence, Lugait and Davao Plants will remain captive customers of Distribution Utility – Moresco I and Davao Light and Power Company (DLPC), respectively.

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

Dependence on Key Facilities

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

Impact of the Exchange Rate Fluctuations

Based on the 2019 Bangko Sentral ng Pilipinas Annual Exchange Rate Report, the Philippine Peso appreciated from PhP52.72 against the US Dollar as of December 31, 2018 to PhP50.74 as of December 31, 2019. The Peso has undergone fluctuations during the year with an average rate of PhP50.77. The strengthening of the Peso resulted in the decrease of cost of production inputs such as imported fuel, coal and supplies.

Environmental and Regulatory Matters

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

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

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

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

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

Item 2. Properties

The Company's major items of property, plant and equipment are located in Norzagaray, Bulacan; Bacnotan, La Union; Bo. Ilang, Davao City; Lugait, Misamis Oriental; Mabini, Batangas; Calaca, Batangas; Iloilo; and Manila. The table shows the consolidated properties of HPI as of December 31, 2019 compared to December 31, 2018.

Table 6 – Plant, Property and Equipment (Consolidated)

(In Thousand Pesos)	**December 31, 2019**	December 31, 2018
Machinery and equipment	**₱26,985,692**	₱24,355,667
Buildings and installations	**13,593,446**	12,905,681
Furniture, vehicles and tools	**1,023,527**	940,936
Construction in progress	**3,747,152**	6,204,939
	45,349,817	44,407,223
Less: Accumulated depreciation, depletion		
and allowance for impairment loss	**25,350,514**	25,799,852
Total	**₱19,999,303**	₱18,607,371

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

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

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

Description	**Start Date**	**Expiration Date**	**2019 Lease Payments (in '000)**	**Renewal Options**
Plants, Terminals, Vessels, Ports	01.01.2016	01.01.2041	₱959,452	The contracts may be renewed or extended upon the mutual agreement of the Parties.
HO Office	15.11.2014	01.11.2023	68,141	The lease may be renewed upon the written agreement and under such terms and conditions as maybe acceptable to both Parties.
Industrial Warehouse	16.01.2013	24.04.2021	7,052	The contract may be renewed or extended upon the mutual agreement of the Parties.
Others (Housing, Vehicles)	15.03.2016	15.03.2022	28,228	The contract may be renewed or extended upon the mutual agreement of the Parties.

Item 3. Legal Proceedings

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

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

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

(1) Market Information

HPI common shares are listed in the PSE. The high and low market prices of HPI shares for each quarter of calendar year 2019 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 2019		CY 2018		CY 2017	
	High	Low	High	Low	High	Low
January-March	10.34	10.18	10.84	9.40	15.48	15.02
April-June	13.70	13.42	9.90	7.02	13.32	13.20
July-September	14.50	14.10	7.70	6.78	12.60	12.40
October-December	13.70	13.50	6.92	5.70	10.80	10.74

Source: Philippine Stock Exchange, Inc.

As of February 24, 2020, the closing price of the Company's common shares at the PSE is ₱13.38 per share.

(2) Stockholders

As of December 31, 2019, HPI has 6,452,099,144 common shares outstanding held by 5,273 stockholders. The list of the top twenty stockholders of the Company as recorded by Stock Transfer Service, Inc., the Company's stock transfer agent, is as follows:

Table 8 – Top Twenty (20) Stockholders

Rank	Name	Citizenship	Shares (Sum)	%
1	UNION CEMENT HOLDINGS CORPORATION	FILIPINO	3,906,425,506	60.55%
2	B. V HOLDERFIN	DUTCH	1,168,450,996	18.11%
3	SUMITOMO OSAKA CEMENT CO., LTD.	JAPANESE	594,952,725	9.22%
4	CEMCO HOLDINGS, INC.	FILIPINO	456,689,560	7.08%
5	PCD NOMINEE CORP. (NON-FILIPINO)	FOREIGN	194,704,031	3.02%
6	PCD NOMINEE CORP. (FILIPINO)	FILIPINO	101,025,652	1.57%
7	ANTONIO M. DUMALIANG &/OR ROSALINDA S. DUMALIANG	FILIPINO	922,363	0.01%
8	KAKUGARA AKIHIKO LEONCIO TIU	FILIPINO	559,580	0.01%
9	LUIS CO CHI KIAT	FILIPINO	511,242	0.01%
10	LUIS ROLANDO GARCIA FADRIGO	FILIPINO	419,578	0.01%
11	JOAQUIN Q. TAN	FILIPINO	380,000	0.00%
12	AMERICAN WIRE & CABLE CO., INC.	FILIPINO	290,993	0.00%
13	LILIA V. QUITO	FILIPINO	288,000	0.00%
14	UNIVERSITY OF SANTO TOMAS VILLANUEVA	FILIPINO	190,750	0.00%
15	RAMON C. CHAN	FILIPINO	189,189	0.00%
16	FRANCIS L. ESCALER	FILIPINO	186,935	0.00%
17	ANG GUAN PIAO		184,030	0.00%
18	ISABELA CULTURAL CORPORATION	FILIPINO	156,439	0.00%
19	FRANCISCO C. EIZMENDI, JR.	FILIPINO	149,459	0.00%
20	ROSALIA M. AMANDO	FILIPINO	141,069	0.00%
		Total	**6,426,818,097**	**99.60%**

(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, 2019, 2018 and 2017 as follows:

	2019	2018	2017
Cash Dividend Per Share (PhP)	**NIL**	₱0.42	₱0.98
Amount Declared (PhP)	**NIL**	₱2.7 billion	₱6.3 billion
Declaration Date	**-**	18-May-18	26-May-17
Record Date	**-**	15-June-18	15-June-17

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

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

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

<u>Review of CY 2019 Operations vs. CY 2018</u>

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

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

The Group achieved total EBITDA of Php6.7 billion, 37% better than the same period last year from sustained focus on operational efficiencies and cost management across all functions despite the challenges in market demand. Production cost was favorable from lower electricity expenses, better fuel mix and fixed cost management. Distribution cost was also better from logistics efficiencies, improved delivery and packaging mixes. The Group incurred higher financial expenses due to its short-term loans used to finance strategic capital expenditures and lease liabilities. Net income after tax stood at Php3.6 billion resulting in earnings per share of Php0.56.

**Source: Philippine Statistics Authority*

Key Performance Indicators ("KPI")

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

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

Profitability

Higher indicators compared with last year mainly from higher income generated despite lower sales.

Liquidity

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

Significant Disclosures

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

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

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

3. Issuances and repurchase of equity securities.

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

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

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

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

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

9. Material commitments for capital expenditures.

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

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

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

Notes to Financial Statements

Accounting Policies and Principles

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

Seasonality Aspects of the Business

Like any other company in the construction industry, the operations of the Group are affected by seasonality. Net sales are generally higher in dry months from February to May and lower during the rainy months of June to November. Low sales are also experienced during December due to holidays until early January. Unpredictable weather could also significantly affect sales and profitability compared to previous periods coupled with any unforeseen circumstances like disruptions in productions.

Financial Risk Management Objectives and Policies

General Risk Management Approach

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

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

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

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

Market Risks

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

Foreign Currency Risk

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

The Company has foreign exchange exposures, arising primarily from purchases of goods and services and debt servicing requirements in currencies other than the Philippine Peso that leads to currency translation effects. Of the Company's revenues, approximately 0.02% and nil were denominated in currencies other than the Philippine Peso in 2019 and 2018.

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

As of December 31, 2019, the Company had minimal assets and liabilities exposed to foreign currency risks.

Interest Rate Risk

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

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

Credit Risk

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

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

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

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

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

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

Liquidity Risk

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

The Company maintains sufficient reserves of cash and cash equivalents, which are short-term in nature and unused credit lines to meet its liquidity requirements at all times. In addition, the strong credit worthiness of the Company allows it to make efficient use of the financial markets for financing purposes. As at December 31, 2019 and 2018, the Company has unutilized credit facilities of PhP9.9 billion and PhP9.5 billion, respectively.

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

Capital Management Policy

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

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

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

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

The Company's target is to maintain a gearing in the range of no more than 100 percent. Total equity grew by 9.9% in 2019 as a result of increase in retained earnings coming from income from operations.

Material Changes in Balance Sheet Accounts

Cash and cash equivalents

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

Trade and other receivables

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

Inventories

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

Other current assets

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

Investments

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

Property, Plant and Equipment - net

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

Right-of-Use Assets

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

Retirement benefit assets – net

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

Other Non-Current Assets

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

Intangibles assets – net

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

Loans Payable

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

Trade and Other Payables

Decrease in trade and other payables was mainly driven by lower trade payables and advances from customers.

Income Tax Payable

Increase was due to higher taxable income for the year.

Provisions

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

Deferred tax liabilities

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

Re-measurement gain on retirement benefits – net

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

Retained Earnings

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

Non-controlling interests

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

Material Changes in Income Statement Accounts

Revenues

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

Cost of Sales

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

General and administrative expenses

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

Selling Expenses

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

Interest and Financing Charges

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

Interest and other financial income

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

Foreign Exchange Gains (Losses) – net

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

Provision for Income Tax

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

Review of CY 2018 Operations vs. CY 2017

In 2018, the Country's Gross Domestic Product (GDP) grew by 6.2%*, lower than the 6.7% growth in 2017. Among the major economic sectors, Industry had the fastest growth while Services decelerated as compared to prior year and Agriculture sector further declined.

The Company's revenue increased to PhP35.6 billion or 2.54% higher compared to 2017 arising from the combined effect of higher sales volume and steady prices hinged on increasing demand from public and private infrastructure projects amidst the tighter market competition. Sales performance was affected by soft market demand particularly the first three quarters of the year although volumes started to pick-up towards the end of the year. Although the Company was able to mitigate some of higher production costs through business efficiencies and productivity measures, consolidated Operating EBITDA declined to PhP4.9 billion from PhP5.4 billion. With higher interest expenses from short-term loans to fund capital expenditures especially from expansion projects, Net income after tax stood at PhP2.5 billion compared with PhP2.7 billion of last year. Despite this, the Company continues to ramp up and upgrade its facilities particularly its cement and clinker production capacities to sustain its investment and expansion plans in the country coupled with various cost improvement initiatives to mitigate impact of higher costs.

**Source: Philippine Statistics Authority*

Key Performance Indicators ("KPI")

The comparative financial KPI for the years ended December 31, 2018 and 2017 are as follows:

Financial KPI	Definition	For the Calendar Year ended December 31	
		2018	**2017**
Profitability			
Return on Assets (ROA)	Net Income / Ave. Total Assets	6.5%	7.8%
Return on Equity (ROE)	Net Income / Ave. Total Equity	10.7%	11.1%
Operating EBITDA Margin	Operating EBITDA / Net Sales	13.7%	15.7%
Liquidity			
Gearing Ratio	Net Financial Debt / Total Equity	16.7%	12.2%
EBITDA Net Interest Cover (times)	Operating EBITDA / Net Interest	17.6	63.5

Profitability

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

Liquidity

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

Significant Disclosures

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

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

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

3. Issuances and repurchase of equity securities.

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

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

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

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

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

9. Material commitments for capital expenditures.

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

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

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

Notes to Financial Statements

Accounting Policies and Principles

The consolidated financial statements of the Company, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018 have been prepared in compliance with Philippine Financial Reporting Standards applied on a consistent basis. The detailed accounting policies are disclosed in Note 5 – Summary of Significant Accounting Policies in the Consolidated Financial Statements.

Seasonality Aspects of the Business

Like any other company in the construction industry, the operations of the Company is affected by seasonality. Net sales are generally higher in dry months from February to May and lower during the rainy months of June to November. Low sales are also experienced during December due to holidays until early January. Unpredictable weather could also significantly affect sales and profitability compared to previous periods coupled with any unforeseen circumstances like disruptions in production.

Financial Risk Management Objectives and Policies

General Risk Management Approach

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

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

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

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

Market Risks

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

Foreign Currency Risk

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

The Company has foreign exchange exposures, arising primarily from purchases of goods and services and debt servicing requirements in currencies other than the Philippine Peso that leads to currency translation effects. Of the Company's revenues, approximately nil and 0.03% were denominated in currencies other than the Philippine Peso in 2018 and 2017, respectively.

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

As of December 31, 2018, the Company had minimal assets and liabilities exposed to foreign currency risks.

Interest Rate Risk

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

The Company is exposed to fluctuations in financing costs and market value movements of its debt portfolio related to changes in market interest rates. The Company's interest rate exposure is mainly addressed through the steering of the fixed/floating ratio of net debt. To manage this mix, the Company may enter into derivative transactions, as appropriate. As at December 31, 2018 and 2017, the Company had minimal exposure to interest rate risk.

Credit Risk

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

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

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

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

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

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

Liquidity Risk

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

The Company maintains sufficient reserves of cash and cash equivalents, which are short-term in nature and unused credit lines to meet its liquidity requirements at all times. In addition, the strong credit worthiness of the Company allows it to make efficient use of the financial markets for financing purposes. As at December 31, 2018 and 2017, the Company has unutilized credit facilities of PhP 9.5 billion and PhP9.4 billion, respectively.

The Company's financial assets and liabilities as of December 31, 2018 and 2017 are disclosed in Note 19 – Financial Risk Management Objectives and Policies in the Consolidated Financial Statements.

Capital Management Policy

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

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

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

	2018	2017
Loans payable - Third Party	**₱5,200,000**	₱4,177,902
Loans payable - Group	**3,925,850**	-
Customers' deposits	**496,305**	497,035
Financial debt	**9,622,155**	4,674,937
Less cash and cash equivalents	**5,399,853**	1,945,797
Net financial debt (asset)	**4,222,302**	2,729,140
Total equity	**25,273,162**	22,354,748
Gearing ratio	**16.7%**	12.2%

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

Total equity grew by 12.5% in 2018 as a result of increase in other comprehensive income for the year.

Material Changes in Balance Sheet Accounts

Cash and cash equivalents

Increase in cash and cash equivalents were mainly due to higher cash flow from operations and proceeds from ST loans used for capital expenditures spending.

Trade and other receivables

Receivables increased mainly due to from higher due from related parties compared to previous year.

Other current assets

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

Investments

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

Property, Plant and Equipment - net

Increase was mainly from additional capital expenditures net of disposal of assets from ECLI and HUBB.

Retirement benefit assets – net

Increase from gain / recognition of additional retirement fund assets this year net of present value of defined benefit obligations.

Other Non-Current Assets

Increase was mainly due to additional deposit for future obligation, re-class from short to long-term financial receivable from a related party, and higher guarantee deposits to suppliers.

Intangibles assets – net

Decrease was mainly due to amortization recognized for the year. No additional intangible assets recorded within the year.

Loans Payable

Decrease was mainly due to additional loan from external and related parties net of settlements / payments made within the year.

Trade and Other Payables

Increase in trade and other payables were mainly driven by higher trade payables and advances from customers.

Income Tax Payable

Increase was due to higher taxable income by reason of increase in non-deductible expenses for the year ended December 2018 as compared to year ended December 2017.

Provisions

Decrease in provisions was mainly due to settlement of tax provisions during the period

Deferred tax liabilities

Mainly attributable to recognized gain from additional retirement fund asset, collection of foreign currency-denominated receivables resulting in unrealized foreign exchange gain, and amortization of deferred tax on revalued property.

Reserves

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

Re-measurement gain on retirement benefits – net

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

Retained Earnings

Decrease was due to lower net income realized for the year.

Non-controlling interests

Increase was mainly due to share from remeasurement gains on retirement benefits of HPMC.

Material Changes in Income Statement Accounts

Revenues

Higher revenue mainly driven by higher sales volume and steady prices hinged on increasing demand from public and private infrastructure projects amidst the tighter market competition.

Cost of Sales

Increase was mainly due to higher production volumes and input costs particularly usage of imported coal, clinker and cement to support volume sold net of implemented operational efficiencies and margin optimization initiatives.

General and administrative expenses

Decrease was mainly due to lower third party / outside services costs net of higher personnel costs from restructuring and various cost savings initiatives across all functions.

Selling Expenses

The decrease was mainly due to lower third party costs net of higher personnel expenses from Commercial transformation initiative.

Interest and Financing Charges

The increase was due to interest expense from short-term external and intercompany loans to support capital expenditures spending.

Other income – net

Decrease was due to absence of one-time gain from the disposal of assets recognized last year.

Foreign Exchange Gains (Losses) – net

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

Provision for Income Tax

The decrease was mainly due to lower taxable income for the year.

Item 7. Financial Statements

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

Information on Independent Accountant

External Audit Fees

The aggregate fees billed for professional services rendered by Navarro Amper & Co. (Deloitte) in 2019 and 2018 were PhP8.4 million and PhP8.0 million. 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 2019 and 2018.

Tax Fees & All Other Fees

The Company did not engage Deloitte for tax and other services in 2019 and 2018.

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

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

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

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

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

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

1) The Board of Directors

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

As of December 31, 2019, the following are the members of the Board:

Table 9 – The Board of Directors

Office	Name	Nationality
Chairman	Tomas I. Alcantara	Filipino
Vice Chairman	Martin Kriegner	Austrian
Director	John Stull	American
Director	Rajani Kesari	Indian
Independent Director	Yasuo Kitamoto	Japanese
Independent Director	Leandro Javier	Filipino
Independent Director	Thomas Aquino	Filipino

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

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

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

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

Rajani Kesari, 48, is a Certified Public Accountant licensed in the USA. She is a senior management and finance professional with more than 30 years' experience. Prior to joining the LafargeHolcim Group, she worked for Schneider Electric for 9 years during which she led the Finance teams of East Asia & Japan Zone and Greater India Zone. During her tenure she has supported significant growth in India and strong profitability in East Asia & Japan. Ms. Rajani was with Dr. Reddy's for more than 10 years where she held roles of Strategic Planning Head & CFO for European business, CFO of API business, Chief Internal Auditor of the Group reporting to the Audit Committee Chairman and Head of Global tax. Ms. Kesari also worked with KPMG in Dubai handling both manufacturing and banking clients.

Yasuo Kitamoto, 59, 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.

Leandro D. Javier, 66, has 20 years of experience in the cement industry. From 1983 to 1986, Mr. Javier worked for Iligan Cement Corporation (ICC) as Assistant Vice-President for Finance. He was assigned to "Holderbank" Switzerland to represent ICC in the Technical Center for the development of technical and financial feasibility studies involving plant rehabilitation and capacity expansion plans, and assist "HOFI's Regional Manager in the management of its investments in Asia.

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

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

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

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

The Executive Officers

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

The Company's executive officers as of 31 December 2019 are set out below:

Table 10 – Executive Officers

Office	Name	Nationality
President/Chief Operating Officer	John William Stull	American
SVP - Chief Financial Officer/Treasurer	Jesusa Natividad L. Rojas	Filipino
SVP – Head of Sales	William C. Sumalinog	Filipino
SVP - Head of Marketing	Ramakrishna Maganti	Indian
SVP - Head of Organization and Human Resources	Bernadette L. Tansingco	Filipino
VP, Head of Corporate Communications	Anne Claire Ramirez	Filipino
VP, Head of Health Safety & Security	Richard C. Cruz	Filipino
VP, Head of Strategy	Zoe Verna M. Sibala	Filipino
VP, General Counsel/Corporate Secretary/ Compliance Officer	Belinda E. Dugan	Filipino
VP, Head of Geocycle and Head of CAPEX	Frederic Vallat	French
VP, Plant Manager - Lugait	Bobby Garza	Filipino
VP Plant Manager - Davao	Xavier Arul Kennedy Savarimuthu	Indian
VP Plant Manager – La Union	Eraño Santos	Filipino
VP Plant Manager- Bulacan	Geert Kuiper	Australian
VP – Head of Sales (GMR)	Edwin Villas	Filipino
VP – Head of Sales (Mindanao)	Allan Valencia	Filipino
VP- Head of Sales (CPR)	Ernesto Paulo Tan	Filipino
VP – Head of Sales	Albert Leoveras	Filipino

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

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

William C. Sumalinog, 50, is the Senior Vice President, Head of Sales. Mr. Sumalinog holds a Bachelor of Science degree in Computer Engineering from the University of Cebu where he graduated with leadership honors in 1992. Prior to his current role, Mr. Sumalinog was the Company's Regional Operating Head for various areas in Mindanao and Visayas. He joined Alsons Cement Corporation in 1998 where he occupied various key positions in sales.

Ramakrishna Maganti, 50, is the Senior Vice President, Head for Marketing & Innovation. He holds a degree in Mechanical Engineering, MBA in Marketing from the Indian Institute of Management and a degree in Strategic Marketing Management from Harvard Business School. Mr. Maganti brings more than 20 years of combined experience in global marketing, brand development, digital transformation, and project management. Prior to joining Holcim Philippines, Inc. he held various leadership and management positions in LafargeHolcim India, Malaysia, France and the most recently in Singapore as Head of Sales and Marketing for Asia Pacific Region. Mr. Maganti worked for Philips NV a global consumer lifestyle and healthcare firm before joining the LafargeHolcim Group in 2006.

Bernadette L. Tansingco, 45, is the Senior Vice President, Head of Organization and Human Resources. She has 25 years of experience in the Company's human resources division with key roles heading talent management and organization development. In 2014, she helped in transforming Holcim Philippines' business support functions into the Holcim East Asia Business Service Centre, LafargeHolcim Asia Pacific's shared services where she was appointed human resource head. Ms. Tansingco holds a Psychology degree from the De La Salle University and has completed leadership and management programs from the IMD Business School of Switzerland, Penn State University in the USA and the Asian Institute of Management.

Ann Claire "Cara" M. Ramirez, 41, is the Vice President, Head of Corporate Communications. She was the Head for Marketing when she joined Holcim Philippines, Inc. in January 2015. She first joined a local food company, SAFI-UFC (now known as NutriAsia) in 1999, focusing on brand management of catsup brands. Prior to joining Holcim, she worked for Energizer Philippines, Inc. where she managed the Company's Marketing Department. Ms. Ramirez has a degree of Bachelor of Science in Economics from the University of the Philippines, Diliman.

Richard C. Cruz, 37, is the Vice President, Head of Health & Safety. Mr. Richard Cruz joined Holcim Philippines, Inc. in May 2008 as Laboratory Engineer for AFR. In March 2010 he was appointed as Safety Officer responsible for delivering and maintaining safety systems and initiatives across all plants. From 2010 until his nomination for appointment as Head of Corporate Occupational Health and Safety, he served as Safety Manager for HPI's Commercial and Other Sites.

Zoe Verna M. Sibala, 45, is the Vice President, Head of Strategy. Ms. Sibala holds a master's degree in Business Administration from the Graduate School of Business, De la Salle University and a degree in Economics from the University of the Philippines. In January 2010, she joined Lafarge as a Finance Manager of Batong Angono Aggregates Corporation and later on became the commercial controller of the Lafarge's cement product line – Lafarge Cement Service Philippines, Inc. Prior to being appointed as Head of Strategy of Holcim Philippines, Inc. she served Lafarge Republic Aggregates, Inc. as Project Manager from July 2014 to December 2014 and as Strategy and Business Development Manager from January to December 2015.

Belinda E. Dugan, 51, is the General Counsel, Corporate Secretary and Compliance Officer of the Company. She obtained her Juris Doctor degree from Ateneo Law School and has over 23 years of experience with various multinational firms and a consulting company. Prior to joining Holcim Philippines, Inc. she was Vice President for Legal Management Services of Aboitiz Equity Ventures, Inc. (AEV) from October 2015 to October 2017. She served as Assistant Vice-president for Legal and Compliance of SN Aboitiz Power from May 2009 to October 2015.

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

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

Xavier Arul Kennedy Savarimuthu, 56, is the Vice President, Plant Manager of Davao. He holds a bachelor's degree from the Indian Institute of Ceramics and an MBA from Alagappa University, Institute of Ceramic Technology. Prior to joining Holcim Philippines, Inc. as Plant Manager of Bulacan Plant in 2017, he was the Asia Pacific Regional Head for Production, Process and Automation of Holcim Technology based in Singapore. He also served as team leader for Process, Operations and Automation of Lafarge Asia Sdn Bhd in Kuala Lumpur, Malaysia and Beijing, China in 2015 after the merger of Lafarge and Holcim.

Eraño Santos, 56, is the Vice President, Plant Manager of La Union Plant. Mr. Santos served in various leadership capacities across several Holcim Philippines facilities. He joined the Company in November 1987 as Superintendent-Electrical. In September 2008, he was promoted as a manager and served as such until his promotion as Plant Manager of the La Union Plant.

Geert Kuiper, 55*,* is the Vice President, Plant Manager of Bulacan. Prior to his current role, he was the Maintenance Expert for Asia Pacific Cement Industrial Performance of LafargeHolcim Singapore. Mr. Kuiper was the Head of Maintenance, Regional Manufacturing Services of Holcim Technology-Singapore from October 2014 to January 2016. Prior to joining the Holcim Group in 2014, he held various leadership roles in Cement Australia. Mr. Kuiper has over 20 years of experience in maintenance and production management and project engineering in heavy industrial operation. He holds a Bachelors' degree in Engineering from the University of Praetoria in South Africa.

Edwin Villas, 46, is the Vice President, Head of Sales for Greater Manila Region. He joined the Company in September 1997 as Strategic Sourcing Specialist. He served as the Company's Procurement Manager from October 2007 to August 2010 and was laterally transferred as Area Sales Manager for South Luzon in August 2011. Prior to his appointment as Head of Institutional Sales in May 2016, he served as the Head of Institutional Sales in May 2016 and thereafter as Manager, National Sales, Bulk. Institutional Sales. He is a certified Information Systems Auditor and a certified Professional for Supply Management. He has a degree in Computer Science from the Philippine Christian University.

Allan Valencia, 54, is the Vice President, Head of Sales for Mindanao. He has more than two decades of experience in cement sales, technical services and ready mix concrete operations. His career highlights include the development and market launch of the Holcim Philippines' blended and masonry cement lines and the establishment of its ready-mix concrete business. Mr. Valencia is a licensed civil engineer and received his degree in this field from the Mindanao State University. He joined the Company in October 1991 as Product Manager for Visayas and Mindanao regions. Prior to his appointment as Vice President, he served as the Head of Regional Sales Channel (Vismin).

Ernesto Paulo Tan, 43, is the Vice President, Head of Sales (CPR). He joined the Company in December 2015 as Head-Regional Commercial Sales of North Luzon. He served as the Zone Manager of JT International Philippines, Inc. from February 2012 to November 2015 where he was responsible for overall Luzon general trade performance, and as Sales and Marketing Head and Acting Market Manager from January 2011 to December 2011. He holds a Bachelor of Science in Business Administration from the University of the Philippines.

Albert Leoveras, 46, is the Vice President, Head of Sales. He has 15 years of experience in managing Sales Team, Distributors and key accounts sales. Prior to joining the Company, he was the Field Operations Manager and Regional Manager of Japan Tobacco International from 2012 to August 2015 and Sales Division Head of the Non-food Division of Wills International Sales Corporation.

2) Family Relationships

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

3) Involvement in Certain Legal Proceedings

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

Item 10. Executive Compensation

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

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

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

Table 11 – Executive Compensation (in PhP)

Name and Principal Position	Year	Salary	Bonus	Benefits
The CEO and five (5) most highly compensated Executive Officers 1. John William Stull – President and Chief Executive Officer 2. Niels Ledinek – SVP – Head, Cement Industrial Performance (CIP)Ramakrishna Maganti – SVP – Head, Marketing & Innovations 3. Jesusa Natividad L. Rojas – SVP – Head, Chief Finance Officer 4. William C. Sumalinog – SVP – Head, Sales 5. Bernadette L. Tansingco – SVP – Head, Organization & Human Resources	2020*	86,961,274	20,104,726	71,959,081
	2019	86,961,274	20,104,726	71,959,081
	2018	60,553,915	6,738,560	59,810,061
All other Executive Officers and Directors as a group unnamed	2020*	79,113,370	19,907,071	30,726,122
	2019	79,113,370	19,907,071	47,082,597
	2018	97,153,715	14,794,950	112,184,355

Benefits of the CEO and five (5) most highly compensated Executive Officers include retirement service cost
All other Executive Officers and Directors as a group unnamed in 2019 include all incumbents in the Leadership Team with the rank of Vice President. This also includes the pro-rate salaries, bonuses and benefits of other repatriated expatriates.
*2020*estimated compensation of executive officers for the ensuing year is assumed to approximate the 2019 level. Bonuses given are driven by actual performance of the company; hence, estimate may vary from actual.*
*2019** benefits of All Other Executive Officers and Directors include one (1) expatriate repatriated to home country.*
*2018*** benefits of All Other Executive Officers and Directors include four (4) expatriate repatriated to home countries.*

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

a. Standard arrangement and any other material arrangements;

b. Employment contract (between the Company and named executive officers);

c. Compensatory plan or arrangement;

d. Outstanding warrants or options; and

e. Adjustments or amendments on the price of stock warrants or options.

Warrants and Options Outstanding

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

The table below shows persons or groups known to HPI as of December 31, 2019 to be directly or indirectly the record or beneficial owner of more than 5% of the Company's voting securities:

Table 12 – Beneficial Ownership of Voting Securities

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

The respective Board of Directors of each of 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, 2019:

Table 13 – Security Ownership of Management

Title of Class	Name and Address of Beneficial Owner	Amount / Nature of Ownership	Registered (R) or Beneficial (B)	% of Ownership
Common	Tomas I. Alcantara	1(D)	R	0.00%
Common	Martin Kriegner	1(D)	R	0.00%
Common	John William Stull	1(D)	R	0.00%
Common	Rajani Kesari	1(D)	R	0.00%
Common	Yasuo Kitamoto	1(D)	R	0.00%
Common	Leandro Javier	1(D)	R	0.00%
Common	Thomas Aquino	1(D)	R	0.00%
Common	Bobby Garza	3,000	R	0.00%
Common	Erano Santos	3,000	R	0.00%
	Total	**6,007**	R	**0.00%**

Directors and officers as a group hold a total of 6,007 common shares, equivalent to approximately 0.00% of the Company's issued and outstanding capital stock.

(2) 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.

(3) Changes in Control

There were no material changes in the control of the Company since the beginning of the Company's last calendar year. Pending the approval by the PCC and the closing of the transaction between First Stronghold, Inc. and the Company's major shareholders, UCHC still holds the controlling interest in the Company.

Item 12. Certain Relationships and Related Transactions

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

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

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

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

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

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

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

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

PART V - EXHIBITS AND SCHEDULES

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

14.1 Consolidated Financial Statements

The audited consolidated financial statements for the years ended December 31, 2019 and 2018 are attached as Exhibit 1:

- Statement of Management's Responsibility to the Financial Statements
- Independent Auditors' Report
- Consolidated Statements of Financial Position as at December 31, 2019 and 2018
- Consolidated Statements of Profit or Loss and Other Comprehensive Income for the years ended December 31, 2019, 2018 and 2017
- Consolidated Statements of Changes in Equity for the years ended December 31, 2019, 2018 and 2017
- Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017
- Notes to Consolidated Financial Statements

14.2 Supplementary Schedules

- Supplementary Schedule of Retained Earnings Available for Dividend Declaration
- Illustration of relationships between the Company, its Ultimate Parent Company, Middle Parent, and its Subsidiaries
- Philippine Financial Reporting Standards and Interpretations Effective as of December 31, 2019
- Schedule of Financial Soundness Indicators
- The supplementary schedules of the Consolidated Financial Statements for the year ended December 31, 2019 are attached as Exhibit 2.

14.3 SEC Form 17 – Q

During the year 2019, 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 15, 2019	March 31, 2019
July 30, 2019	June 30, 2019
October 25, 2019	September 30, 2019

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, 2019 are attached together with this report as Exhibit 5:

Date Filed	Description
February 27, 2019	An advisory on the following results of BOD Meeting held on February 22, 2019: a. Acceptance of resignation Mr. David Balangue as an Independent Director and Chairman of Audit Committee b. Appointment of Mr. Yasuo Kitamoto as Chairman of Audit Committee c. Postponement of the Annual Stockholders Meeting d. Setting of the record date of the Annual Stockholders Meeting and delegation to the Corporate Secretary of the responsibility of confirming agenda, venue and time of the Annual Stockholders Meeting e. Approval of the Company's Audited Financial Statements for fiscal year 2018 f. Appointment of the Company's external auditor for the year 2019
March 21, 2019	An advisory on the following results of the special Board meeting held on march 20, 2019: a. Acceptance of resignation of Ms. Abarquez as Data Protection Officer b. Appointment of Ms. Guevarra as Data Protection Officer c. Approval of Amendment to Article II of the Company's Articles of Incorporation.
April 24, 2019	Notice and Agenda of the 2019 Annual Stockholders' Meeting
May 10, 2019	An advisory on the execution of an agreement for the sale and purchase of HPI shares among Holderfin B.V., First Stronghold Cement Industries, Inc., San Miguel Corporation and LafargeHolcim Ltd.
May 24, 2019	An advisory on the results of HPI's Regular Board Meeting, Annual Stockholders Meeting and Organizational Board Meeting held on May 24, 2019
June 19, 2019	An advisory on the Board's approval of the closure and dissolution of the Company's fully-owned subsidiary, Wellborne International Group Limited
September 24, 2019	An advisory on the resignation of Mr. Frederic Fabien as Senior Vice President, head of Aggregates and Construction Materials and Infrastructure.
October 28, 2019	An advisory on the order to pay issued by Laguna Lake Development Authority

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__________, 2020.

By:

John William Stull
President/Chief Operating Officer

Jesusa Natividad L. Rojas
Chief Financial Officer/ Treasurer

Belinda E. Dugan
General Counsel/Corporate Secretary/ Compliance Officer

SUBSCRIBED AND SWORN to before me this _____ day of _________ 2020 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

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

Notary Public

Doc No: 495;
Page No: 100;
Book No: 2;
Series of 2020.

PATRICK HENRY D. SALAZAR
NOTARY PUBLIC
ROLL NO. 62515
TAGUIG CITY, PHILIPPINES

PATRICK HENRY D. SALAZAR
Notary Public for Taguig City
Appointment No. 67 until 31 December 2020
12th Floor, One/Neo Building 26th Street corner 3rd Avenue
Crescent Park West, Bonifacio Global City Taguig City
Roll of Attorney No. 62515
PTR No. A-4775833; 01/8/2020; Taguig City
MCLE Compliance No. [illegible]

Exhibit 1

Consolidated Financial Statements

For the years ended

December 31, 2019 and 2018

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	6	1	2	6

Company Name

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

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

7TH FLOOR, TWO WORLD SQUARE, MCKINLEY HILL FORT BONIFACIO, TAGUIG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CFD	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
lafargeholcim.com.ph	459-3333	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
5,273	May 24	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
DENNIS G. SEGOVIA JR.	dennis.segovia@ lafargeholcim.com	459-3333	09175308837

CONTACT PERSON's ADDRESS

8F THREE WORLD SQUARE, MCKINLEY HILL, FORT BONIFACIO, TAGUIG CITY

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

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

Holcim

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Holcim Philippines, Inc. and Subsidiaries (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with Philippine Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Tomas I. Alcantara
Chairman

John William Stull
President / Chief Executive Officer

Jesusa Natividad L. Rojas
Chief Financial Officer

Signed this 24th day of February, 2020

BUREAU OF INTERNAL REVENUE
RECEIVED
FEB 25 2020

Holcim
Holcim Philippines, Inc.
7th Floor Two World Square
McKinley Hill, Fort Bonifacio
Taguig City 1634
Philippines
Phone +63 2 459 3333
Fax +63 2 459 4444
www.holcim.com

SUBSCRIBED AND SWORN to before me this FEB 2 4 2020 with the presentation of the following:

Name	UMID ID		
Tomas I. Alcantara	0111- 05213746		
	Passport No.	Place Issued	Date Issued
John William Stull	530501732	USA	May 12, 2015
Jesusa Natividad L. Rojas	P9003195A	Manila	October 3, 2018

Doc. No. 496
Page No. 101
Book No. V
Series of 2020.

PATRICK HENRY D. SALAZAR
NOTARY PUBLIC
ROLL NO. 62515
TAGUIG CITY, PHILIPPINES

PATRICK HENRY D. SALAZAR
Notary Public for Taguig City
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Roll of Attorney No. 62515
PTR No. A-4775833; 01/8/2020; Taguig City
MCLE Compliance No. [illegible]; 04/12/2019

BUREAU OF INTERNAL REVENUE
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FEB 2 5 2020

NavarroAmper&Co.

Navarro Amper & Co.
19th Floor Net Lima Plaza
5th Avenue corner 26th Street
Bonifacio Global City, Taguig 1634
Philippines

Tel: +63 (2) 581 9000
Fax: +63 (2) 869 3676
www.deloitte.com/ph

BOA/PRC Reg. No. 0004
SEC Accreditation No. 0001-FR-5

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITORS

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

Gentlemen:

We have audited the consolidated financial statements of Holcim Philippines, Inc. and its Subsidiaries (the "Group") as at and for the year ended December 31, 2019, in accordance with Philippine Standards on Auditing, on which we have rendered the attached report dated February 24, 2020. In connection with our audit, we wish to state that Holcim Philippines, Inc. (the "Parent Company") is listed with the Philippine Stock Exchange.

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

By:

Bonifacio F. Lumacang, Jr.
Partner
CPA License No. 0098090
SEC A.N. 1793-A, issued on November 11, 2019; effective until November 10, 2022, Group A
TIN 170035681
BIR A.N. 08-002552-18-2018, issued on January 26, 2018; effective until January 26, 2021
PTR No. A-4689422, issued on January 2, 2020, Taguig City

Taguig City, Philippines
February 24, 2020

BUREAU OF INTERNAL REVENUE
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FEB 25 2020

Deloitte.

NavarroAmper&Co.

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BOA/PRC Reg. No. 0004
SEC Accreditation No. 0001-FR-5

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Holcim Philippines, Inc. and its Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

Deloitte.

We identified the following key audit matter:

Key Audit Matter

Goodwill

Goodwill has been recognized in the consolidated financial statements which is attributable to the cement operations of one of the Group's Plants. Under Philippine Financial Reporting Standards (PFRS), the Group is required to annually test the goodwill for impairment. This annual impairment test is significant to our audit because the aggregated balance of goodwill amounting to P2.64 billion is material to the consolidated financial statements and represents 5.9% of the total assets of the Group as at December 31, 2019.

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

The Group's disclosures about goodwill as at December 31, 2019 are disclosed in Note 14 to the consolidated financial statements.

Our audit performed and responses thereon

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

We assessed and challenged the reasonableness of the Group's position on the impairment of goodwill including consideration of various factors such as historical business performance, current year developments, current risk evaluations, business plans, outlook, revenue potential and other market considerations.

We also compared the revenue and margin growth rates and EBITDA to the historical performance of the cash-generating unit (CGU), management plans and analysts' reports on market outlook. We also focused on the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditors' report, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2019, which are expected to be made available to us after that date.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

By:

Bonifacio F. Lumacang, Jr.
Partner
CPA License No. 0098090
SEC A.N. 1793-A, issued on November 11, 2019; effective until November 10, 2022, Group A
TIN 170035681
BIR A.N. 08-002552-18-2018, issued on January 26, 2018; effective until January 26, 2021
PTR No. A-4689422, issued on January 2, 2020, Taguig City

Taguig City, Philippines
February 24, 2020

FEB 26 2020

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

	Note	December 31 2019	2018
		(In Thousands)	
ASSETS			
Current Assets			
Cash and cash equivalents	8	**₱ 2,961,897**	₱ 5,399,853
Trade and other receivables - net	9	**3,958,580**	4,039,509
Inventories - net	10	**3,077,546**	5,127,343
Other current assets	11	**939,348**	796,236
Total Current Assets		**10,937,371**	15,362,941
Non-current Assets			
Investments	12	**4,363,425**	4,249,699
Property, plant and equipment - net	13	**19,999,303**	18,607,371
Right-of-use assets	18	**2,130,518**	-
Goodwill	14	**2,635,738**	2,635,738
Intangible assets - net	14	**26,875**	27,542
Retirement benefit asset	33	**2,313,807**	3,581,507
Other non-current assets	15	**2,420,872**	2,731,443
Total Non-current Assets		**33,890,538**	31,833,300
		₱44,827,909	₱47,196,241
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	17	**₱10,340,029**	₱11,574,971
Loans payable	16	**3,925,849**	9,125,849
Lease liabilities - current portion	18	**396,704**	-
Income tax payable	32	**306,453**	321,025
Total current liabilities		**14,969,035**	21,025,845
Non-current Liabilities			
Provisions	21	**77,082**	70,947
Deferred tax liabilities - net	32	**244,384**	830,288
Lease liabilities – non-current portion	18	**1,767,799**	-
Total non-current liabilities		**2,089,265**	901,235
		17,058,300	21,923,080
Equity			
Capital stock	22	**6,452,099**	6,452,099
Additional paid-in capital	22	**8,476,002**	8,476,002
Other reserves		**4,475**	2,344
Reserves for remeasurement gain on retirement benefits - net	33	**1,624,206**	2,719,531
Retained earnings	22	**11,199,025**	7,607,112
Equity attributable to equity holders of the Parent Company		**27,755,807**	25,257,088
Non-controlling interest		**13,802**	16,073
Total Equity		**27,769,609**	25,273,161
		₱44,827,909	₱47,196,241

See Accompanying Notes to Consolidated Financial Statements.

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

	Note	2019	2018	2017
		For the Years Ended December 31		
		(in Thousands, Except Per Share Amounts)		
Revenue	7	**₱33,486,771**	₱35,623,113	₱34,740,761
Cost of Sales	23	**27,040,914**	29,850,205	28,494,422
Gross Profit		**6,445,857**	5,772,908	6,246,339
General and administrative expenses	24	**(959,282)**	(1,235,721)	(1,260,864)
Selling expenses	25	**(544,548)**	(815,597)	(911,505)
Interest and financing charges	28	**(581,515)**	(327,804)	(107,428)
Interest and other financial income	29	**319,128**	33,128	21,707
Others – net	30	**115,873**	124,344	278,166
Profit Before Income Tax		**4,795,513**	3,551,258	4,266,415
Income Tax Expense	32	**1,205,871**	1,005,865	1,576,617
Profit for the Year		**₱ 3,589,642**	₱ 2,545,393	₱ 2,689,798
Profit for the year attributable to:				
Equity holders of the Parent Company		**3,587,301**	2,544,411	2,688,485
Non-controlling interest		**2,341**	982	1,313
		₱ 3,589,642	₱ 2,545,393	₱ 2,689,798
Other Comprehensive Income (Loss) not to be reclassified to profit of loss in subsequent period:				
Remeasurement gain (loss) on retirement benefits	33	**(₱ 1,564,752)**	₱ 4,401,952	(₱ 387,421)
Income tax effect	33	**469,427**	(1,320,586)	116,226
		(1,095,325)	3,081,366	(271,195)
Reversal of remeasurement loss on retirement benefit		**4,612**	–	–
Other reserves		**2,131**	3,774	4,402
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods – *net of tax*	33	**(1,093,194)**	3,085,140	(266,793)
Total Comprehensive Income		**₱ 2,496,448**	₱ 5,630,533	₱ 2,423,005
Total Comprehensive Income Attributable to:				
Equity holders of the Parent Company		**₱ 2,498,719**	₱ 5,618,703	₱ 2,421,878
Non-controlling interest		**(2,271)**	11,830	1,127
Total Comprehensive Income		**₱ 2,496,448**	₱ 5,630,533	₱ 2,423,005
Basic/Diluted Earnings per Common Share of Net Income Attributable to Equity Holders of the Parent Company	35	**₱ 0.56**	₱ 0.39	₱ 0.42

See Accompanying Notes to Consolidated Financial Statements.

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

	Share Capital (Note 22)	Additional Paid-in Capital (Note 22)	Other Reserves (Note 22)	Reserves for remeasurement Gain (Loss) on Retirement Benefits - net (Note 33)	Retained Earnings (Note 22)	Total	Non-controlling Interest	Total Equity
		(In thousands, Except Per Share Amounts)						
Balances at January 1, 2017	₱6,452,099	₱8,476,002	(₱5,832)	(₱ 79,978)	₱11,409,043	₱26,251,334	₱ 5,999	₱26,257,333
Net income for the year	–	–		–	2,688,485	2,688,485	1,313	2,689,798
Other comprehensive income (loss)	–	–	4,402	(271,009)	–	(266,607)	(186)	(266,793)
Total comprehensive income	–	–	4,402	(271,009)	2,688,485	2,421,878	1,127	2,423,005
Transactions with owners:								
Cash dividends - ₱0.98 per share	–	–		–	(6,324,060)	(6,324,060)	(1,530)	(6,325,590)
Balances at December 31, 2017	6,452,099	8,476,002	(1,430)	(350,987)	7,773,468	22,349,152	5,596	22,354,393
Net income for the year	–	–	–	–	2,544,411	2,544,411	982	2,545,393
Other comprehensive income	–	–	3,774	3,070,518	–	3,074,292	10,848	3,085,140
Total comprehensive income	–	–	3,774	3,070,518	2,544,411	5,618,703	11,830	5,630,533
Transactions with owners:								
Cash dividends - ₱0.42 per share	–	–	–	–	(2,710,767)	(2,710,767)	(1,353)	(2,712,120)
Balances at December 31, 2018	6,452,099	8,476,002	2,344	2,719,531	7,607,112	25,257,088	16,073	25,273,161
Net income for the year	–	–	–	–	3,587,301	3,587,301	2,341	3,589,642
Other comprehensive income	–	–	2,131	(1,095,325)	4,612	(1,088,582)	(4,612)	(1,093,194)
Total comprehensive income	–	–	2,131	(1,095,325)	3,591,913	2,498,719	(2,271)	2,496,448
Balances at December 31, 2019	**₱6,452,099**	**₱8,476,002**	**₱4,475**	**₱1,624,206**	**₱11,199,025**	**₱27,755,807**	**₱13,802**	**₱27,769,609**

See Accompanying Notes to Consolidated Financial Statements.

HOLCIM PHILIPPINES, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

With Comparative Audited Figures for 2017

		For the Years Ended December 31		
	Notes	**2019**	2018	2017
Cash Flows from Operating Activities				
Income before income tax		**₱ 4,795,513**	₱3,551,258	₱4,266,415
Adjustments for:				
Depreciation and amortization	27	**1,746,800**	1,173,199	1,373,405
Interest and financing charges	28	**581,515**	327,804	107,428
Retirement benefits expense	33	**64,594**	106,105	76,634
Loss on disposal of intangible asset	30	**105,859**	–	–
Provision for inventory obsolescence	10,30	**22,822**	17,503	19,954
Unrealized foreign exchange losses - *net*		**15,859**	5,961	5,202
Provision for fully mined-out assets	30	**–**	–	73,327
Other losses - *net*		**–**	22,472	49,464
Loss (Gain) on sale of property, plant and equipment	30	**(8,322)**	3,610	(115,760)
Provision for (reversal) of allowance for doubtful accounts	9, 25	**(9,364)**	9,260	17,579
Gain on sale of scrap	28	**(20,747)**	–	–
Share in undistributed earnings of an associate	30	**(134,147)**	(122,898)	(143,615)
Interest and other financial income	29	**(319,128)**	(33,128)	(21,707)
Income before working capital changes		**6,841,254**	5,061,146	5,708,326
Decrease (Increase) in:				
Trade and other receivables		**133,865**	(581,415)	(117,041)
Inventories		**2,047,962**	(1,354,447)	(389,973)
Other current assets		**(169,152)**	48,834	(164,693)
Increase (decrease) in trade and other payables		**(1,347,267)**	3,141,683	1,465,430
Cash generated from operations		**7,506,662**	6,315,801	6,502,049
Contributions paid	33	**(114,098)**	(70,059)	(138,854)
Settlements on defined benefit	33	**–**	(1,950)	(4,083)
Income taxes paid		**(1,234,069)**	(1,088,495)	(1,190,245)
Net cash generated from operating activities		**6,158,495**	5,155,297	4,418,867
Cash Flows from Investing Activities				
Additions to property and equipment	13	**(2,599,089)**	(1,926,729)	(2,584,780)
Additions to intangible assets	14	**(107,577)**	–	–
Additions to investments	12	**(18,750)**	–	–
Decrease (Increase) in other non-current assets	15	**279,055**	(2,408,639)	(18,469)
Interest received		**78,543**	25,868	20,910
Proceeds from sale of property, plant and equipment	13	**31,986**	61,529	180,841
Dividends received	12	**–**	341,556	24,705
Net cash used in investing activities		**(2,339,814)**	(3,906,685)	(2,376,793)
Cash Flows from Financing Activities				
Payments of:				
Cash dividends		**–**	(2,712,296)	(6,315,149)
Loans payable	16	**(11,400,000)**	(8,335,826)	(2,322,000)
Lease liabilities		**(667,995)**	–	–
Interest and financing charges		**(399,948)**	(27,495)	(84,833)
Proceeds from availment of loans	16	**6,200,000**	13,283,676	6,500,000
Net cash generated from (used in) financing activities		**(6,267,943)**	2,208,059	(2,221,982)
Effects of Exchange Rate Changes		**11,306**	(2,615)	589
Net Increase (Decrease) in Cash and Cash Equivalents		**(2,437,956)**	3,454,056	(179,319)
Cash and Cash Equivalents, Beginning		**5,399,853**	1,945,797	2,125,116
Cash and Cash Equivalents, End		**₱ 2,961,897**	₱5,399,853	₱1,945,797

See Accompanying Notes to Consolidated Financial Statements.

1. CORPORATE INFORMATION

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

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

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

the Parent Company's shares of stocks were listed in the Philippines Stocks Exchange on June 17, 1996. Total shares registered and outstanding as at December 31, 2019 and 2018 is 6.5 billion.

Status of Operations

Excel Concrete Logistics, Inc. (ECLI) was incorporated and registered with the SEC on August 9, 2012. On January 1, 2013, ECLI started its full operation servicing the distribution, transport and placing of concrete, as well as transport of cement and specialty products. On November 29, 2018, the Board of Directors (BOD) of the Parent Company approved the closure and dissolution of ECLI. On January 28, 2020, the SEC approved ECLI's application for amendment of ECLI's Articles of Incorporation to shorten it's corporate term. Accordingly, the Parent Company impaired its investment in ECLI amounting to ₱125 million and the consolidated financial statements of ECLI has been prepared using the alternative authoritative basis of accounting.

HUBB Stores and Services, Inc. (HSSI) incurred losses in 2019 amounting to ₱10.5 million and losses in 2018 amounting to ₱83.8 million, respectively, resulting in an accumulated deficit of ₱185.9 million and ₱175.4 million as at December 31, 2019 and 2018, respectively. In 2019, the Parent Company impaired its investment amounting to ₱112.5 million as the Parent Company foresees that the relevant investment will no longer be realized due to its current operations and financial stability. However, Management has taken appropriate actions by implementing strategies that will assist in improving the results of operations and maintaining financial stability. Management is currently reviewing its current business model to improve HSSI's results of operations going forward. Accordingly, the financial statements of HSSI still have been prepared on a going concern basis.

2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

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

Basis of Preparation

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

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

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

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

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

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

Functional and Presentation Currency

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

3. COMPOSITION OF THE GROUP

Details of the Parent Company's subsidiaries as at December 31, 2019 and 2018 are as follows:

	Ownership and Voting Interest	
	2019	2018
Held by the Parent Company		
WEB [(a)]	**100.00%**	100.00%
Excel Concrete Logistics, Inc. (ECLI) [(b)]	**100.00%**	100.00%
Holcim Philippines Business Services Center, Inc. (HPBSCI) [(c)]	**100.00%**	100.00%
Hubb Stores and Services, Inc. (HSSI) [(d)]	**100.00%**	100.00%
Holcim Philippines Manufacturing Corporation (HPMC) [(e)]	**99.62%**	99.62%
Held by WEB		
Mabini Grinding Mill Corporation (MGMC) [(e)]	**100.00%**	100.00%
Held by HPMC		
Alsons Construction Chemicals, Inc. (Alchem) [(f)]	**99.62%**	99.62%
Bulkcem Philippines, Inc. (Bulkcem) [(g)]	**99.62%**	99.62%
Calamba Aggregates Co., Inc. (CACI) [(h)]	**99.62%**	99.62%

(a) A Group incorporated in British Virgin Islands and is dissolved as approved by the Board of Director on June 28, 2019.
(b) Ceased commercial operations effective December 31, 2018
(c) Ceased commercial operation effective January 2015
(d) Engaged in the distribution of concrete and cement products
(e) Engaged in leasing of cement manufacturing plan
(f) Ceased commercial operations effective December 31, 2013
(g) Engaged in leasing of pack houses.
(h) Ceased commercial operations effective October 2004

4. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Adoption of New and Revised Accounting Standard Effective in 2019

The Group adopted all accounting standards and interpretations as at December 31, 2019. The new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and approved by the FRSC in the Philippines, were assessed to be applicable to the Group's consolidated financial statements, are as follows:

PFRS 16, *Leases*

PFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease, requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 5. The impact of the adoption of PFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of PFRS 16 for the Group is January 1, 2019.

The Management of the Group has assessed the impact of the new standard and opted to use modified approach method, and recognized corresponding right-of-use assets and lease liabilities in the consolidated statements of financial position, initially measured at the present value of the future lease payments with corresponding depreciation of right-of-use assets and interest on lease liabilities in the consolidated statements of comprehensive income.

Furthermore, lessors continue to classify leases as operating or finance, with PFRS 16's approach to lessor accounting substantially unchanged from its predecessor, PAS 17.

The Group has made use of the practical expedient available on transition to PFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with PAS 17 and Philippines IFRIC 4 will continue to be applied to those leases entered or modified before January 1, 2019.

The change in definition of a lease mainly relates to the concept of control. PFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies the definition of a lease and related guidance set out in PFRS 16 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of PFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in PFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting

Former operating leases PFRS 16 changes how the Group accounts for leases previously classified as operating leases under PAS 17, which were off-balance-sheet.

Applying PFRS 16, for all leases (except as noted below), the Group:

a. Recognizes right-of-use assets and lease liabilities in the consolidated statements of financial position, initially measured at the present value of future lease payments;

b. Recognizes depreciation of right-of-use assets and interest on lease liabilities in the consolidated statements of comprehensive income; and

c. Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statements of comprehensive income.

Lease incentives (e.g. free rent period) are recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under PAS 17 they resulted in the recognition of a lease incentive liability, amortized as a reduction of rental expense on a straight-line basis.

Under PFRS 16, right-of-use assets are tested for impairment in accordance with PAS 36, Impairment of Assets. This replaces the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognize a lease expense on a straight-line basis as permitted by PFRS 16. This expense is presented within 'other expenses' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying PAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognized under PAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Group has elected not to recognize right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases applying PAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying PAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use assets and the lease liabilities are accounted for applying PFRS 16 from January 1, 2019.

Financial impact of initial application of PFRS 16

The weighted average leases incremental borrowing rate applied to lease liabilities recognized in the consolidated statements of financial position on January 1, 2019 is 6.18%.

As of January 1, 2019, the Group recognized right-of-use assets with corresponding lease liabilities of ₱2.4 billion upon transition to PFRS 16. The impact on profit or loss for 2019 is to decrease cost of goods and operating expenses by ₱655 million, consequently to increase depreciation by ₱541 million, and increase interest expense by ₱137 million. As of December 31, 2019, lease liability amounted to ₱2.2 billion. The Group also recognized depreciation and interest expense amounting to ₱556.3 million and ₱143.3 million, respectively.

Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

The amendments include:

Changes regarding symmetric prepayment options

Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

Clarification regarding the modification of financial liabilities

The amendments contain a clarification regarding the accounting for a modification or exchange of a financial liability measured at amortized cost that does not result in the derecognition of the financial liability. An entity recognizes any adjustment to the amortized cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. A retrospective change of the accounting treatment may therefore become necessary if in the past the effective interest rate was adjusted and not the amortized cost amount.

The amendments are effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

The adoptions of these amendments have no effect on the Group's consolidated financial statements since the Group does not have financial instruments with prepayment features with negative compensation.

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

The amendment clarifies that an entity applies PFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The amendment is effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

The adoption of this amendment has no effect on the Group's consolidated financial statements since the Group does not have long-term interests in associates and joint ventures.

Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

This interpretation applies in determining the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under PAS 12, *Income Taxes*.

An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

- If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.
- If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

An entity has to reassess its judgments and estimates if facts and circumstances change.

The interpretation is effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

The adoption of this interpretation has no significant impact on the Group's consolidated financial statements as the Group does not have any uncertainty over income tax treatments under PAS 12.

Amendments to PAS 19, *Plan Amendment, Curtailment or Settlement*

The amendments in Plan Amendment, Curtailment or Settlement are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The amendments are effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

The adoption of these amendments has no significant impact on the Group's consolidated financial statements as the Group does not have any plan amendment, curtailment and settlement in its existing retirement plan.

Annual Improvements to PFRSs 2016-2018 Cycle

Amendments to PFRS 3 and PFRS 11, *Previously Held Interest in a Joint Operation*

The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

Amendments to PAS 23, *Borrowing Costs Eligible for Capitalization*

The amendments clarify that if any specific borrowing remains outstanding after the related asset are ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

The amendments are effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

The adoption of these amendments has no significant impact on the Group's consolidated financial statements as the Group does not have previously held interest in a joint operations, financial instruments classified as equity and capitalized cost subject to borrowing cost.

New Accounting Standards Effective after the Reporting Period Ended December 31, 2019

PFRS 17, *Insurance Contracts*

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of PFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of the consolidated financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The key principles in PFRS 17 are that an entity:

- identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- divides the contracts into groups that it will recognize and measure;
- recognizes and measures groups of insurance contracts at:
    i. a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset); or
    ii. an amount representing the unearned profit in the group of contracts (the contractual service margin);
- recognizes the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately;
- presents separately insurance revenue (that excludes the receipt of any investment component), insurance service expenses (that excludes the repayment of any investment components) and insurance finance income or expenses; and
- discloses information to enable users of the consolidated financial statements to assess the effect that contracts within the scope of PFRS 17 have on the financial position, financial performance and cash flows of an entity.

PFRS 17 includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts.

The standard is effective for periods beginning on or after January 1, 2022. Earlier application is permitted.

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

Amendments to PAS 1 and PAS 8, *Definition of Material*

PAS 8.31(b-d) The amendments relate to a revised definition of 'material':

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

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

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

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

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

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

Amendments to PFRS 3, *Definition of Business*

The amendments are to:

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

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

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

New Accounting Standards Effective in 2019 - Adopted by Financial Reporting Standards Council (FRSC) but pending for approval by the Board of Accountancy.

PIC Q&A No. 2019-01, PFRS 15, *Revenue from Contracts with Customers – Accounting for Service Charges*

The interpretation clarifies the treatment of service charges collected from hotel guests or restaurant customers.

Salient points of the interpretation are the following:

- 85%, as a minimum, of the collected Service Charge should be excluded from the transaction price and as such should be recognized as a liability to the employees pursuant to Article 96 of the Labor Code.
- As paragraph 47 of PFRS 15 defines transaction price as "the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties".
- The remaining portion should be included in the transaction price because this is an additional consideration in exchange for the goods and services provided and benefits directly inure to the hotel/restaurant.

The interpretation is effective for periods beginning on or after February 13, 2019.

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

PIC Q&A No. 2019-03, PFRS 15, *Revenue from Contracts with Customers – Revenue Recognition guidance for Sugar Millers*

The interpretation clarifies the revenue recognition of Sugar Milling Companies under: (i) Output Sharing Agreement, and (ii) Cane Purchase Agreement.

Under Output Sharing Agreement, revenue recognition commences upon conversion of Planter's canes into raw sugar. Further, unsold raw sugar owned by the Miller shall be accounted for as inventory in accordance with PAS 2, *Inventories*.

Under Cane Purchase Agreement, revenue recognition commences upon transfer of control, at a point in time, to customer or buyer of a sale transaction. Further, the cost of purchased canes shall be treated either as production or milling cost of the Miller.

The interpretation is effective for periods beginning on or after March 28, 2019.

The new interpretation does not have an impact on the Group for it is not a Sugar Milling Group.

PIC Q&A No. 2019-02, *Accounting for Cryptographic Assets*

The interpretation provides guidance regarding accounting treatment for Cryptographic assets. In classifying Cryptographic assets, two relevant factors to consider are (i) its primary purpose, and (ii) how these assets derive its inherent value. The interpretation provided two (2) Cryptographic classifications based on the aforementioned factors, these are (a) Cryptocurrency, or (b) Cryptographic assets other than Cryptocurrencies, which are (b.1) Asset-based token, (b.2) Utility token, and (b.3) Security token, or collectively the "Security Tokens".

From the holder of these assets' point-of-view, in the absence of a definitive accounting and reporting guidance from the IASB, the interpretation suggested to report Cryptographic assets in the consolidated financial statements as either (i) Cryptocurrencies held by an entity, or (ii) Cryptographic assets other than cryptocurrencies.

From the Issuer of these assets' point of view, as a consensus, the following accounting treatments are suggested:

- Cryptocurrencies held by an entity can be treated either as (i) Inventory under PAS 2, or (ii) Intangible asset under PAS 38.
- Cryptographic assets other than Cryptocurrencies, the interpretation suggested the following relevant accounting frameworks for consideration:
  a. If the Token meets the definition of a financial liability, apply guidance in PFRS 9;
  b. If the Token meets the definition of an equity instrument, apply guidance in PAS 32;
  c. If the Token is a prepayment for goods and services from a contract with a customer, apply guidance in PFRS 15; and
  d. If the Token does not meet any of the aforementioned, consider other relevant guidance.

The interpretation is effective for periods beginning on or after February 13, 2019.

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

5. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements incorporate the consolidated financial statements of the Parent Company and all subsidiaries it controls. Control is achieved when the Parent Company has power over the investee is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

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

When the 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.

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

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

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

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

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

Business Combination

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

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

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

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

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

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

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

Goodwill

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

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

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

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

Current Versus Noncurrent Classification

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

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

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

Fair Value Measurement

The Group measures financial instruments such as derivatives and financial assets at fair value through Profit or Loss at each balance sheet date.

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

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

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

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

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

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

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

Financial Assets

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

<u>Initial recognition</u>

Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Group's consolidated financial assets, except for investments classified at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

<u>Classification and Subsequent Measurement</u>

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

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

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

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

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3 applies, in OCI; and
- financial assets that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI).

Amortized cost and effective interest method

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

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

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

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

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

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

Financial assets at FVTPL

Financial assets at FVTPL are:

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

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

Foreign exchange gains and losses

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

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

Impairment of financial assets

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

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

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

ECLs are required to be measured through a loss allowance at an amount equal to:

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

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

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

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

Significant increase in credit risk

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

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information.

Default

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

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

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

Write-off

Financial assets are written off when the Group has no reasonable expectations of recovering the financial asset either in its entirety or a portion of it. This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event.

Measurement and recognition of expected credit losses

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

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with PAS 17, *Leases.*

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

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

Derecognition

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

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

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

Cash and Cash Equivalents

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

Inventories

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

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

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

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

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

Other Current Assets

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

Investment in Associate

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management; and
- the initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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

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

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

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

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

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

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

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

Intangible Assets - Software

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

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

Impairment of Tangible and Intangible Assets

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

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

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

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

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

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

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

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

For financial liabilities that are designated as at FVTPL all gains and losses are recognized in profit or loss.

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

Other financial liabilities

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

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

Foreign exchange gains and losses

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

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

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

Offsetting of financial instruments

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

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

Derecognition of financial liabilities

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

Equity instruments

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

Ordinary shares

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

Dividends

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

Retained earnings

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

Additional paid-in capital

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

Derivative Financial Instruments

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

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

All derivatives are carried as assets if the fair value is positive, otherwise derivatives are carried as liabilities.

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

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

Onerous contracts

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

Share-based Payments

Equity-settled share-based payments

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

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

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

Cash-settled share-based payments

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

Employee Benefits

Short-term benefits

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

Post-employment benefits

The Group has both defined benefit and defined contribution plans.

Defined contribution plan

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

Defined benefit plan

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

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

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

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

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

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

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

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

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

Termination benefits

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

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

Employee leave entitlement

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

Revenue Recognition

Sale of goods

The Group generates its sales from selling cement and other cementitious products such as dry-mix and aggregates, which are recognized when the promised goods are delivered to the customers.

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

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

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

The Group recognizes revenue when it transfers control of the product to a customer either by delivery or by pick-up depending on the terms of the shipment.

Interest income

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

Dividend income

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

Rental income

Revenue recognition for rental income is disclosed in the Group's policy for leases.

Other income

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

Expense Recognition

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

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

Leases

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

Accounting policies applied from January 1, 2019

The Group as a lessee

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

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

The Group uses its incremental borrowing rate.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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

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

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

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

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

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

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

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

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

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

As a practical expedient, PFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

Accounting policies applied before January 1, 2019

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

Group as a lessee

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

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

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

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

Value-Added Tax (VAT)

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

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

Foreign Currency

Foreign currency transactions

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

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

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

Related Party Transactions

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

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that has a post-employment benefit plan for the employees and key management personnel of the Group are also considered to be related parties.

Taxation

Income tax expense represents the sum of the current tax and deferred tax expense.

Current tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using 30% regular corporate income tax (RCIT) rate or 2% minimum corporate income tax rate, whichever is higher.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Earnings per Share

The Group computes its basic earnings per share by dividing profit or loss for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period.

For the purpose of calculating diluted earnings per share, profit or loss for the year attributable to ordinary equity holders of the Group and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

Events after the Reporting Period

The Group identifies events after the end of each reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the consolidated financial statements are authorized for issue. The consolidated financial statements of the Group are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to the consolidated financial statements when material.

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Financial Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group reports separately, information about an operating segment that meets any of the following quantitative thresholds:

- the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of the combined reported profit of all operating segments that did not report a loss and the combined reported loss of all operating segments that reported a loss; and
- its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if Management believes that information about the segment would be useful to users of the consolidated financial statements.

For Management purposes, the Group is currently organized into two business segments: clinker and cement segment and other materials and construction segments. These divisions are the basis on which the Group reports its primary segment information.

Financial information on segment reporting is presented in Note 7.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations, that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Determination of 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 Parent Company has all of the following:

a. Power over the entity;

b. Exposure, or rights, to variable returns from its involvement with the entity; and,

c. The ability to use its power over the entity to affect the amount of the Parent Company's returns.

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

Determination of significant influence

The Management of the Parent Company exercises its judgment in determining whether the Parent Company has significant influence over another entity by evaluating the substance of relationship that indicates the significant influence over its associates. The recognition and measurement of the investment over these entities will depend on the result of the judgment made.

As disclosed in Note 12, Holcim Mining and Development Corporation (HMDC) is an associate of the Parent Company. the Parent Company has 40% ownership interest in HMDC giving the Parent Company a significant influence over HMDC by virtue of its contractual right to appoint two out of eight directors to the board of directors of that Group.

Determination of lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of 2 to 5 years. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Lease commitments - Group as lessee

The Group has various lease agreements as a lessee. The Group has determined, based on evaluation of the terms and condition of the lease agreements, that the significant risks and rewards of ownership of the leased properties were retained by the lessor (e.g., no transfer of ownership at the end of the lease term, lease term is not for the majority of the economic life of the asset and the amount of the present value of the minimum lease payments is not substantially the same as the fair value of the leased asset).

Arrangements containing a lease

The Group has various supply agreements where it purchases raw and other materials. The Group has determined that these supply agreements do not contain a lease as the seller is not required to sell all of its output to the Group and the arrangement does not convey the right to use the asset, as disclosed in Note 18.

Determining the timing of satisfaction of performance obligations

In making their judgment, the Management considered the detailed criteria for the recognition of revenue set out in PFRS 15 and, in particular, whether the Group had transferred control of the goods to the customer.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. PFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the Group in determining the costs and selling price of its inventories.

Key Sources of Estimation Uncertainty

The key estimates concerning the future and other key sources of estimation uncertainty as at balance sheet date that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are as follows:

Useful lives of property, plant and equipment and intangible assets

The useful lives of property, plant and equipment are estimated based on the period over which the property, plant and equipment are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property, plant and equipment are reviewed at each financial year-end, and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property, plant and equipment. However, it is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recording of depreciation expense for any period would be affected by changes in these factors and circumstances. There were no changes in the estimated useful lives of property, plant and equipment in 2019 and 2018.

The Group recognized depreciation expense related to property, plant and equipment amounting to ₱1.2 billion in 2019 and 2018, respectively, as disclosed in Notes 13 and 27. The carrying value of depreciable property, plant and equipment amounted to ₱20.0 billion and ₱18.6 billion as at December 31, 2019 and 2018, respectively, as disclosed in Note 13. Total accumulated depreciation as at December 31, 2019 and 2018 amounted to ₱25.4 billion and ₱25.8 billion, respectively, as disclosed in Note 13.

Impairment of non-financial assets

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

Determining the recoverable amount of property plant and equipment, investments in associates, intangible assets and rights-of-use assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposal of such assets. Future events could cause management to conclude that assets associated with an acquired business are impaired.

Any resulting impairment loss could have a material adverse impact on the Group's financial position and financial performance. The preparation of estimated future cash flows involves significant estimations and assumptions. While the Group believes that its assumptions are appropriate and reasonable, significant changes in the Group's assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

The carrying values of investment in associate, property, plant and equipment, intangible assets and right-of-use assets are disclosed in Notes 12, 13, 14 and 18, respectively.

Impairment of goodwill

The Group performs impairment testing of its goodwill on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the CGU unit to which the goodwill is allocated. Value-in-use is estimated by making an estimate of the expected future cash flows from the CGU and to apply a suitable discount rate in order to calculate the present value of those cash flows. The recoverable amount of the goodwill has been determined based on a value-in-use calculation using cash flow projections based on the three-year financial plan approved by the senior management. The Group has determined that the goodwill is not impaired. The carrying amount of goodwill amounted to ₱2.6 billion as at December 31, 2019 and 2018, as disclosed in Note 14.

Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Estimating loss allowance for expected credit losses

The Group measures expected credit losses of a financial instrument in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and information about past events, current conditions and forecasts of future economic conditions. When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

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

The allowance for doubtful accounts amounted to ₱52.1 million and ₱232.5 million as at December 31, 2019 and 2018, respectively, as disclosed in Note 9. Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱4.0 billion as at December 31, 2019 and 2018, respectively, as disclosed in Note 9.

Retirement benefit costs and other post-employment benefits

The costs of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about the assumptions used are provided in Note 33.

In determining the appropriate discount rate, Group management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases are based on historical actual salary increases of the Group.

Total retirement expense recognized in 2019 amounted to ₱P1.4 billiion and retirement benefit in 2018 amounted to ₱4.3 billion. Total retirement benefit asset amounted to ₱2.3 billion and ₱3.6 billion for December 31, 2019 and 2018, respectively, as disclosed in Note 33.

Deferred tax assets

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

Total deferred tax assets recognized in the Group's consolidated statements of financial position amounted to nil as at December 31, 2019 and 2018, respectively. The amounts of temporary differences and carryforward benefits of unused tax credits and unused tax losses, for which no deferred income tax assets as at December 31, 2019 and 2018, as disclosed in Note 32.

Net realizable value of inventories

The Group writes down the cost of inventories whenever the net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, change in price levels or other causes. The lower of cost and net realizable value of inventories is reviewed on a periodic basis. Inventory items identified to be obsolete and unusable are written-off and charged as expense in the consolidated statements of comprehensive income. The allowance for inventory obsolescence amounted to ₱213.9 million and ₱219.2 million as at December 31, 2019 and 2018, respectively, as disclosed in Note 10. The carrying values of inventories amounted to ₱3.1 billion and ₱5.1 billion as at December 31, 2019 and 2018, respectively, as disclosed in Note 10.

Provisions for claims, litigations and assessments

The Group is currently involved in various legal proceedings and tax assessments. Management's estimate of the probable costs for the resolution of these claims has been developed based upon an analysis of potential results. The Group currently believes that these proceedings will not have a material adverse effect on the consolidated financial statements. It is possible however, that future financial performance could be materially affected by changes in the estimates or effectiveness of the strategies relating to these proceedings and assessments. As at December 31, 2019 and 2018, the Group's provision for probable losses amounted to ₱10.1 million as disclosed in Note 21.

Onerous contract

The Group reviews contracts in which the unfavorable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it. These unfavorable costs are recognized as provisions and discounted using the applicable weighted average cost of capital (WACC). As at December 31, 2019 and 2018, the Group's provisions amounted to ₱67.0 million and ₱70.9 million, respectively, as disclosed in Note 21.

7. SEGMENT REPORTING

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

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

- Clinker and Cement segment, which manufactures and sells clinker and cement for both domestic and export customers; and
- Other Construction Materials and services segment, which includes operations from the RMX business, Helps-U-Build-Better (HUBB), Specialty Products and Aggregates Trading.

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

The Group has determined the Clinker and Cement segment as the only reportable segment. Information on the other segments that are not reportable are combined and presented as "Others". Segment revenues, EBITDA, assets, liabilities and other information for segments as at December 31, 2019 and 2018 and for each of the three years ended December 31, 2019, 2018 and 2017 are presented below:

	Clinker and Cement	Others	Total	Adjustments and Eliminations	Consolidated
					(In Thousands)
2019					
Revenue:					
External customers	**₱30,885,687**	**₱2,601,084**	**₱33,486,771**	**₱ –**	**₱33,486,771**
Inter-segment	**128,676**	**–**	**128,676**	**(128,676)**	**–**
	31,014,363	**2,601,084**	**33,615,447**	**(128,676)**	**33,486,771**
Operating EBITDA	**7,727,851**	**(1,039,024)**	**6,688,827**	**–**	**6,688,827**
Segment assets	**37,134,595**	**367,992**	**37,502,587**	**7,325,322**	**44,827,909**
Segment liabilities	**8,749,988**	**267,636**	**9,017,624**	**8,040,676**	**17,058,300**
Results -					
Depreciation, amortization and depletion	**1,733,886**	**13,387**	**1,747,273**	**–**	**1,747,273**
Other disclosures					
Construction-in-progress	**3,744,731**	**2,420**	**3,747,151**	**–**	**3,747,151**
2018					
Revenue:					
External customers	₱33,227,519	₱2,395,594	₱35,623,113	₱ –	₱35,623,113
Inter-segment	244,313	4,296	248,609	(248,609)	–
	33,471,832	2,399,890	35,871,722	(248,609)	35,623,113
Operating EBITDA	6,473,381	(1,578,592)	4,894,789	–	₱4,894,789
Segment assets	37,089,069	457,620	37,546,689	9,649,552	47,196,241
Segment liabilities	9,863,298	208,004	10,071,302	11,851,778	21,923,080
Results -					
Depreciation, amortization and depletion	1,162,998	10,201	1,173,199	–	1,173,199
Other disclosures					
Construction-in-progress	6,202,519	2,420	6,204,939	–	6,204,939
2017					
Revenue:					
External customers	₱31,686,117	₱3,054,644	₱34,740,761	₱ –	₱34,740,761
Inter-segment	711,828	30,466	742,294	(742,294)	-
	32,397,945	3,085,110	35,483,055	(742,294)	34,740,761
Operating EBITDA	7,216,223	(1,768,848)	5,447,375	–	₱5,447,375
Segment assets	28,249,318	468,858	28,718,176	6,869,396	35,587,572
Segment liabilities	7,483,328	358,111	7,841,439	5,391,385	13,232,824
Results -					
Depreciation, amortization and depletion	1,259,411	113,994	1,373,405	–	1,373,405
Other disclosures					
Construction-in-progress	4,373,695	2,420	4,376,115	–	4,376,115

Inter-segment revenues, other than those outside the Group, are eliminated upon consolidation and reflected in the "Adjustments and eliminations" column. All other adjustments that are part of detailed reconciliations presented further below include the following:

- Finance income and charges, and foreign exchange gains (losses) on financial assets and liabilities are not allocated to individual segments as the underlying instruments are managed on a group basis.
- Deferred income taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

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

	2019	2018	2017
		(In Thousands)	
Operating EBITDA	**₱6,688,827**	₱4,894,789	₱5,447,375
Depreciation, amortization and depletion	**(1,747,273)**	(1,173,199)	(1,373,405)
Interest and financing charges	**(581,515)**	(311,474)	(107,428)
Interest and other financial income	**319,128**	33,128	21,707
Others – net	**116,346**	108,014	278,166
Profit before income tax	**₱4,795,513**	₱3,551,258	₱4,266,415

	December 31, 2019	December 31, 2018
	(In Thousands)	
Segment assets	**₱37,502,587**	₱37,546,689
Cash and cash equivalents	**2,961,897**	5,399,853
Investments	**4,363,425**	4,249,699
Deferred income tax assets – net	**–**	–
Consolidated assets	**44,827,909**	47,196,241
Segment liabilities	**9,017,624**	10,071,303
Loans payable	**3,925,849**	9,125,849
Trade and other payable	**3,563,990**	1,574,615
Income tax payable	**306,453**	321,025
Deferred income tax liabilities – net	**244,384**	830,288
Consolidated liabilities	**₱17,058,300**	₱21,923,080

Geographic Information

	2019	2018	2017
		(In Thousands)	
Revenues from external customers			
Local	**₱33,486,771**	₱35,623,113	₱34,731,497
Export	**–**	–	9,264
	₱33,486,771	₱35,623,113	₱34,740,761

The Group has no revenue from transactions with a single external customer accounting for 10% or more of the consolidated revenues. Moreover, there are no noted additions of non-current assets allocable to the reportable segments. All property, plant and equipment of the Group are located in the Philippines.

8. CASH AND CASH EQUIVALENTS

	2019	2018
	(In Thousands)	
Cash in banks	**₱2,961,897**	₱1,716,133
Short-term deposits	**–**	3,683,720
	₱2,961,897	₱5,399,853

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 Group, and earn interest ranging from 0.44% to 2.0% short-term deposit rates for 2019 and 2018.

Interest income earned from cash in banks and short-term deposits amounted to ₱53.1 million, ₱33.1 million and ₱21.7 million in 2019, 2018 and 2017 respectively as disclosed in Note 29.

9. TRADE AND OTHER RECEIVABLES - net

	Note	**2019**	2018
		(In Thousands)	
Trade			
Dealers		**₱ 666,973**	₱ 117,752
Retailers		**278,995**	902,135
Institutional		**541,998**	556,965
Alternative fuel and raw materials (AFR)/ready mix (RMX)/others		**110,148**	501,953
Due from related parties	31	**1,441,423**	1,754,256
Loan receivable from a related party	31	**511,463**	34,064
Others		**459,635**	404,908
		4,010,635	4,272,033
Less: Allowance for doubtful accounts		**52,055**	232,524
		₱3,958,580	₱4,039,509

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

Other receivables consist mainly of collectibles from various parties for transactions other than sale of goods and accrued interests.

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

	Note	Dealers	Retailers	Institutional	AFR/RMX/ Others	Others	Total
				(In Thousands)			
2019							
Beginning of year		**₱21,359**	**₱58,490**	**₱4,884**	**₱138,800**	**₱8,991**	**₱232,524**
Provisions (Reversals)	25	**2,126**	**(37,103)**	**(604)**	**26,217**	**–**	**(9,364)**
Write off		**(595)**	**(188)**	**(2,585)**	**(163,851)**	**(3,886)**	**(171,105)**
End of year		**₱22,890**	**₱21,199**	**₱1,695**	**₱ 1,166**	**₱5,105**	**₱ 52,055**
Individually impaired		**₱20,540**	**₱26,326**	**₱ –**	**₱ –**	**₱5,105**	**₱ 51,971**
Collectively impaired		**₱ 2,350**	**(₱ 5,127)**	**₱1,695**	**₱ 1,166**	**₱ –**	**₱ 84**
2018							
Beginning of year		₱51,659	₱27,744	₱7,268	₱132,969	₱3,624	₱223,264
Provisions (Reversals)	25	(30,300)	30,746	(2,384)	5,831	5,367	9,260
End of year		₱21,359	₱58,490	₱4,884	₱138,800	₱8,991	₱232,524
Individually impaired		₱22,715	₱58,734	₱5,590	₱103,225	₱8,991	₱199,255
Collectively impaired		(₱1,356)	₱ (244)	(₱ 706)	₱ 35,575	₱ -	₱ 33,269

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the BOD believes that there is no further allowance for doubtful accounts required in excess of those that were already provided. Aging of past due accounts but not impaired and credit quality of trade and other receivable are disclosed in Note 19.

The Group writes off a trade receivable when there is information indicating that the customer is in severe financial difficulty and there is no realistic prospect of recovery, i.e. when the customer has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

Management believes that the recoverability of its due from related parties is certain; accordingly, no expected credit losses was recognized in 2019 and 2018, respectively.

10. INVENTORIES - *net*

	2019	2018
	(In Thousands)	
At cost:		
Finished goods	**₱ 651,387**	₱ 816,403
Goods in process	**975,221**	1,717,968
Raw materials	**289,352**	256,895
Fuel	**314,060**	1,276,493
Spare parts and others	**1,061,426**	1,278,803
	3,291,446	5,346,562
Less: Allowance for inventory obsolescence	**213,900**	219,219
	₱3,077,546	₱5,127,343

Total inventories charged to cost of sales amounted to ₱18.9 billion, ₱19.9 billion, and ₱18.3 billion in 2019, 2018 and 2017, respectively, as disclosed in Note 23. Allowance for inventory obsolescence relates to allowance for spare parts.

The following table shows the movement of allowance for inventory obsolescence as at December 31, 2019 and 2018:

	Note	**2019**	2018
		(In Thousands)	
Balance at beginning of year		**₱219,219**	₱201,716
Additions (Reversal)	23	**(5,319)**	17,503
Balance at end of year		**₱213,900**	₱219,219

11. OTHER CURRENT ASSETS

	2019	2018
	(In Thousands)	
Input VAT	**₱509,521**	₱ 96,875
Advances to suppliers	**259,427**	345,531
Prepaid expenses	**155,538**	206,683
Advances to employees	**9,010**	507
Creditable withholding taxes	**1,460**	32,041
Refundable deposit	**-**	48,019
Others	**4,392**	66,580
	₱939,348	₱796,236

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

Advances to employees are non-interest bearing and generally have terms of 30 days.

Prepaid expenses include rent, insurance and taxes paid in advance that are amortized within next year.

12. INVESTMENTS

Investments as at December 31, 2019 and 2018 consist of the following:

	2019	2018
	(In Thousands)	
Investments in associate	**₱4,359,485**	₱4,245,759
Financial asset at fair value through profit or loss	**3,940**	3,940
	₱4,363,425	₱4,249,699

The details of investments in associate as at December 31, 2019 and 2018 are as follows:

	2019	2018
	(In Thousands)	
HMDC	**₱4,359,485**	₱4,245,759

HMDC - 40%

HMDC was incorporated in the Philippines and registered with the SEC on October 5, 1987. Its registered place of business is 5th Floor, One Campus Place, Tower B, 1080 Campus Avenue, McKinley Town Center, Taguig City. HMDC is involved in mining, processing and sale of quarry resources of mineral rights.

Pursuant to the subscription by the Holcim Philippines, Inc. Retirement Fund ("HPI RF") to 60% of the issued and outstanding capital stock of HMDC, on February 2015, the Parent Company and HPMC appointed and designated HPI RF as their proxy for their respective 60% voting shares in HMDC, which proxy is irrevocable until SEC approves the increase in capital stock. Thereafter, three nominees of HPI RF were elected to the five-member Board of HMDC. As a result, HPI RF has effectively taken over the control of HMDC. Consequently, the Group accounted for its remaining 40% interest in HMDC as investment in an associate. At the date of the loss of control, the Parent Company's investment in HMDC was remeasured at ₱4.2 billion based on the fair value of its retained equity in HMDC.

Following are the summarized unaudited consolidated statements of financial position as at December 31, 2019 and 2018:

	2019	2018
	Unaudited	*Unaudited*
	(In Thousands)	
Current assets	**₱1,824,433**	₱1,931,886
Non-current assets	**6,338,800**	6,163,117
Current liabilities	**1,384,102**	1,603,543
Non-current liabilities	**2,324,345**	5,048,983
Net assets	**₱4,454,786**	₱1,442,477

Following are the summarized unaudited consolidated statements of comprehensive income for the years ended December 31, 2019 and 2018.

	2019	2018
	Unaudited	*Unaudited*
	(In Thousands)	
Revenues	**₱2,591,228**	₱2,781,093
Cost and expenses	**(2,004,868)**	(2,672,655)
Gross profit	**586,360**	108,438
Other income (loss)	**(335,997)**	555,057
Income before income tax	**250,363**	663,495
Provision from income tax	**(89,043)**	(194,649)
Net income	**₱ 161,320**	₱ 468,846

Movement of the investment in HMDC in 2019 and 2018 are as follows:

	Notes	2019	2018
		(In Thousands)	
Cost:			
Balance beginning of year		**₱4,300,746**	₱4,300,746
Additional investment		**18,750**	–
Balance end of year		**4,319,496**	4,300,746
Accumulated share in undistributed earnings:			
Balance beginning of year		**(54,987)**	163,671
Share in undistributed earnings	30	**134,146**	122,898
Share in dividends declared by HMDC		**(39,170)**	(322,652)
		39,989	(54,987)
		₱4,359,485	₱4,245,759

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

On March 6, 2019, the Group subscribed to additional 3,750,000 Class A Common Shares of HMDC with a par value of Five pesos (₱5.00) per Share or an aggregate par value of ₱18.8 million.

Management believes that there is no indication that an impairment loss has occurred during the year.

13. PROPERTY, PLANT AND EQUIPMENT - *net*

	December 31, 2018	Additions/ Depreciation	Disposals/ Retirements	Transfers/ Reclassification	December 31, 2019
		(In Thousands)			
Cost:					
Buildings and installations	₱12,905,681	₱ 20,000	(₱ 118,770)	₱ 786,535	₱13,593,446
Machinery and equipment	24,355,667	–	(1,517,550)	4,147,575	26,985,692
Furniture, vehicles and tools	940,936	–	(24,765)	107,356	1,023,527
Construction in-progress	6,204,939	2,583,679	–	(5,041,466)	3,747,152
	44,407,223	2,603,679	(1,661,085)	–	45,349,817
Less accumulated depreciation and impairment losses:					
Buildings and installations	8,208,843	367,642	(118,217)	–	8,458,268
Machinery and equipment	16,854,834	782,200	(1,495,895)	–	16,141,139
Furniture, vehicles and tools	736,175	38,241	(23,309)	–	751,107
	25,799,852	1,188,083	(1,637,421)	–	25,350,514
Carrying Amount	₱18,607,371	₱1,415,596	(₱ 23,664)	₱ –	₱19,999,303

	December 31, 2017	Additions/ Depreciation/	Disposals/ Retirements	Transfers/ Reclassification	December 31, 2018
			(In Thousands)		
Cost:					
Buildings and installations	₱12,958,244	₱ -	(₱52,563)	(₱19,739)	₱12,905,681
Machinery and equipment	23,980,205	12,416	(15,953)	385,133	24,355,667
Furniture, vehicles and tools	939,071	-	(22,578)	24,443	940,936
Construction in-progress	4,376,368	2,232,013	-	(389,837)	6,204,939
	42,253,888	2,244,429	(91,094)	-	44,407,223
Less accumulated depreciation and impairment losses:					
Buildings and installations	7,845,325	364,571	(1,250)	-	8,208,843
Machinery and equipment	16,121,382	749,428	(15,976)	-	16,854,834
Furniture, vehicles and tools	687,343	57,831	(8,999)	-	736,175
	24,654,050	1,172,027	(26,225)	-	25,799,852
Carrying Amount	₱17,599,838	₱1,072,000	(₱64,869)	₱ -	₱18,607,371

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

The Group recognized gain (loss) from the disposal of property, plant and equipment amounting to ₱8.3 million, (₱3.6) million and ₱115.8 million in 2019, 2018 and 2017, respectively, as disclosed in Note 30.

Of the total amount of additions to property, plant and equipment, ₱4.6 million and ₱317.7 million are unpaid as of December 31, 2019 and 2018, respectively, presented as part of trade and other payables, as disclosed in Note 17.

On December 31, 2019 and 2018, the Group sold various equipment with a total net carrying amount of ₱23.6 million and ₱57.7 million, respectively. Proceeds from sale of property, plant and equipment for the years ended December 31, 2019 and 2018 amounted to ₱31.9 million and ₱61.5 million, respectively.

Management believes that there is no indication that an impairment loss has occurred for the years ended December 31, 2019 and 2018.

No property, plant and equipment are pledged as security for the Group's borrowings.

14. GOODWILL AND INTANGIBLE ASSETS - *net*

The movements of goodwill and intangible assets are as follows:

	December 31, 2018	Additions/ Amortization/ Transfers	Retirements	**December 31, 2019**
		(In Thousands)		
Goodwill	₱2,635,738	**₱ -**	**₱ -**	**₱2,635,738**
Intangible assets				
Cost:				
Software costs	102,085	**107,576**	**(109,455)**	**100,206**
Project development costs and others	38,256	**-**	**-**	**38,256**
	140,341	**107,576**	**(109,455)**	**138,462**
Less accumulated amortization:				
Software costs	97,138	**2,385**	**(3,597)**	**95,926**
Project development costs and others	15,661	**-**	**-**	**15,661**
	112,799	**2,385**	**(3,597)**	**111,587**
	27,542	**105,191**	**(105,858)**	**26,875**
Balance	₱2,663,280	**₱105,191**	**(₱105,858)**	**₱2,662,613**

	December 31, 2017	Additions/ Amortization/ Transfers	Retirements	December 31, 2018
		(In Thousands)		
Goodwill	₱2,635,738	₱ –	₱ –	₱2,635,738
Intangible assets				
Cost:				
Software costs	102,085	–	–	102,085
Project development costs and others	38,256	–	–	38,256
	140,341	–	–	140,341
Less accumulated amortization:				
Software costs	95,966	1,172	–	97,138
Project development costs and others	15,661	–	–	15,661
	111,627	1,172	–	112,799
	28,714	(1,172)	–	27,542
Balance	₱2,664,452	(₱1,172)	₱ –	₱2,663,280

Goodwill

Goodwill amounting to ₱2.6 billion relates to the Parent Company's acquisition of WEB and MGMC on August 14, 2003.

The Group performs its annual impairment test every last quarter of the year. The recoverable amount of the CGU determined based on value-in-use, is compared to its carrying amount. An impairment loss is only recognized if the carrying amount of the CGU exceeds its recoverable amount. Future cash flows are discounted using the WACC.

The cash flow projections are based on a seven-year financial planning period approved by senior management. Cash flows beyond the five-year budget period are extrapolated based on cash flows at zero growth. As a result of this analysis, Management has determined that there was no impairment loss in 2019, 2018 and 2017 since the value-in-use exceeds the carrying value of MGMC.

Sensitivity to changes in assumptions

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

Key assumptions

	Discount Rate	Long-term GDP Growth Rate
2019	**8.2%**	**6.8%**
2018	8.4%	7.0%
2017	8.7%	7.0%

Management believes that there is no indication that an impairment loss has occurred on its intangible assets with definite useful lives. The Group has determined, based on annual impairment testing that the carrying amounts of intangible assets with indefinite useful life are not in excess of their net recoverable amounts.

15. OTHER NON-CURRENT ASSETS

	Note	2019	2018
		(In Thousands)	
Other financial assets		**₱2,188,080**	₱2,153,490
Guarantee deposits		**111,498**	130,377
Long-term prepaid asset		**90,807**	–
Deferred input value-added taxes		**29,049**	33,590
Long-term financial receivable - third party		**992**	–
Refundable deposits		**446**	446
Long-term financial receivable - related party	31	**–**	412,561
Others		**–**	979
		₱2,420,872	₱2,731,443

Other financial assets represent both deposits made for future obligations and minimum mine rehabilitation fund required by the DENR to cover site restoration cost amounting to ₱2.2 billion. As of December 31, 2019, the Group is already working to close the rehabilitation fund as DENR requirement is no longer applicable consequent to HMDC's deconsolidation.

Guarantee deposits represent cash deposits made to suppliers for raw material supply agreement and various security deposits for rentals.

Long-term financial receivables represent the outstanding receivable from Holcim East Asia Business Service Centre B.V. (HEABS) relating to the "Assignment of Know-How" contract. The Group has entered into a long-term financing agreement with HEABS to amortize the unpaid balance of the latter as of December 31, 2016 amounting to ₱96.3 million or $1.9 million plus any revaluation, over 3 years as disclosed in Note 31. As at December 31, 2019 and 2018, part of the financial receivable was classified as current asset amounting to ₱32.3 million and ₱34.0 million as disclosed in Note 31.

Long-term financial receivable also represents the receivable from the Group's third party service provider for sale of certain heavy equipment in 2008, which will be settled on or before 2019. Interest income earned from long-term financial receivable at an annual interest rate of 4.5% to 7.0% amounted to nil, nil and ₱0.3 million in 2019, 2018 and 2017 respectively.

On September 28, 2018, the Group extended a long-term loan to Cemco amounting to ₱381.8 million with 5.30% per annum interest to be paid on or before September 28, 2020. As at December 31, 2019, it was reclassified to short-term financial receivable. Interest earned as of December 31, 2019 and 2018 amounted to ₱26.7 million and ₱18.4 million, respectively, as disclosed in Note 28. Operating expenses paid on behalf by the Parent Company for the year 2019 and 2018 amounted to ₱14 million and ₱73.4 million respectively, as disclosed in Note 31.

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

In November 2015, the office of the BOC commissioner endorsed the Group's application to the BOC's Revenue and Collection Monitoring Group and Director of Legal Services for appropriate action. As at December 31, 2018, the Group's application is pending resolution by the BOC. Subsequently, MGMC's cash bond in the amount of ₱48 million presented as part of other current assets was released by BOC and received on February 4, 2019.

Refundable deposits amounting to ₱0.45 million in 2019 and 2018 include warranty deposits arising from the Group's contract with Manila Electric Company ("Meralco"). The Group has commenced recovering the deposits by coordinating with Meralco Corporate Partners and by preparing the required documentations. As of December 2019, process of recovering the deposits is still on-going.

16. LOANS PAYABLE

	Note	2019	2018
Loans payable – Related party	31	**₱3,925,849**	₱3,925,849
Loans payable – Third party		**–**	5,200,000
		₱3,925,849	₱9,125,849

In 2018, the Group has availed of various unsecured short-term loans for working capital purposes from a bank with an average interest rate of 4.66% as well as loans from its related parties.

Total interest expense from loans payable charged to profit or loss amounted to ₱404.8 million, ₱273.7 million and ₱78.8 million in 2019, 2018 and 2017 respectively, as disclosed in Note 28.

17. TRADE AND OTHER PAYABLES

	Note	2019	2018
		(In Thousands)	
Trade payable		**₱2,669,132**	₱3,291,917
Advances and deposits from customers		**2,952,518**	3,784,328
Due to related parties	31	**2,265,537**	2,469,414
Accrued expenses		**1,798,463**	1,647,744
Non-trade payable		**395,006**	143,124
Other taxes payable		**108,314**	165,685
Output VAT		**65,847**	71,936
Other payables		**85,212**	823
		₱10,340,029	₱11,574,971

Trade payables are noninterest-bearing and normally have payment terms of 30 to 60 days and includes provision as described in Note 21.

Advances and deposits from customers represent those that will be applied against subsequent shipments thus, are generally outstanding for less than 30 days from initial recognition.

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

Total amount of intercompany receivables and payables eliminated as at December 31, 2019 and 2018 amounted to ₱3.6 billion and ₱3.0 billion, respectively.

Details of the Group's accrued expenses are as follows:

	2019	2018
	(In Thousands)	
Rebates	₱ **622,983**	₱ 726,289
Outside services	**430,912**	320,727
Freight	**241,941**	284,559
Employee-related payable	**222,342**	276,101
Power	**145,428**	189,133
Interest payable	**15,549**	31,997
Maintenance	**8,325**	6,845
Others	**110,983**	96,652
	₱1,798,463	₱1,647,744

Other accrued expenses include interest from interest-bearing cash bonds which are refundable anytime upon demand by the customers.

18. LEASES

The Group has a number of lease agreement covering office spaces, warehouse, bulk terminals and various equipment that are accounted under PFRS 16, with periods ranging from more than one year to twenty-five years. Bulk of the commitments pertains to lease of vessels being used to transport cement and land agreements.

See out below are the carrying amounts of lease liabilities and the movement during the period:

	Note	
January 1, 2019		**₱2,454,194**
Additions		**234,988**
Accretion of interest	28	**143,316**
Payments		**(667,995)**
December 31, 2019		**₱2,164,503**
Current portion		**₱ 396,704**
Non-current portion		**₱1,767,799**

Shown below is the maturity analysis of the undiscounted lease payments:

	2019
	(In Thousands
1 year	**₱ 544,976**
More than 1 year to 2 years	**260,873**
More than 2 years to 3 years	**151,741**
More than 3 years to 4 years	**147,181**
More than 5 years	**2,032,893**

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The rollforward analysis of this account follows:

	2019				
	Right-of-Use: Land	Right-of-Use Buildings and installations	Right-of-Use Machinery and equipment	Right-of-Use Furniture, vehicle and tools	Total
Cost:					
At January 1, as previously reported	₱ –	₱ –	₱ –	₱ –	₱ –
Effect of adoption of standard (Note 4)	1,637,742	186,302	4,838	625,312	2,454,194
At January 1, as restated	1,637,742	186,302	4,838	625,312	2,454,194
Additions	7,219	221,056	6,713	–	234,988
Disposals	–	(3,935)	–	–	(3,935)
At December 31	1,644,961	403,423	11,551	625,312	2,685,247
Accumulated depreciation:					
At January 1, as previously reported	–	–	–	–	–
Effect of adoption of standard	–	–	–	–	–
At January 1, as restated	–	–	–	–	–
Depreciation	121,744	97,016	7,173	330,399	556,332
Disposals	–	(1,603)	–	–	(1,603)
At December 31	121,744	95,413	7,173	330,399	554,729
Net book value	₱1,523,218	₱308,009	₱4,378	₱294,913	₱2,130,518

See out below, are the amounts recognized in the consolidated statements of comprehensive income:

	Notes	2019
Depreciation expenses on right-of-use assets	27	₱556,332
Interest expense on lease liabilities	28	143,316
Rent expense - short-term lease	23,25	29,187
Total		₱728,835

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

Market risks

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

Foreign currency risk

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

The Group has foreign exchange exposures, arising primarily from purchases of goods and services and debt servicing requirements in currencies other than the Philippine Peso that leads to currency translation effects. None of the Group's revenues I 2019 and 2018 were denominated in currencies other than the Philippine Peso.

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

As of December 31, 2019, the Group had minimal assets and liabilities exposed to foreign currency risks.

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

	December 31			
	2019		2018	
	In USD	**In PHP**	In USD	In PHP
		(In Thousands)		
Assets:				
Cash and cash equivalents	**$10,054**	**₱510,140**	$1,115	₱ 58,789
Trade and other receivables	**371**	**18,825**	7,480	394,330
	10,425	**528,965**	8,595	453,119
Liabilities:				
Trade and other payables	**1,528**	**77,531**	713	37,612
Net exposure	**$ 8,897**	**₱451,434**	$7,882	₱415,507

Converted to Philippine peso at US$1.00: ₱50.74 as at December 31, 2019 and US$1.00: ₱52.72 as at December 31, 2018

The following table demonstrates the sensitivity of the Group's income before income tax (due to changes in fair value of monetary assets and liabilities after considering the impact of hedging transactions) to a reasonably possible change in U.S. dollar exchange rate, with all other variables held constant:

	US Dollar Appreciates (Depreciates) by	Effect on Income Before Income Tax
December 31, 2019		
Sensitivity 1	**10%**	**₱45,143**
Sensitivity 2	**(5%)**	**(22,572)**
December 31, 2018		
Sensitivity 1	10%	₱41,551
Sensitivity 2	(5%)	(20,775)

The impact of any change in foreign exchange rate on the embedded currency forwards of the Group is immaterial.

In Management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

The impact of any change in foreign exchange rate on the embedded currency forwards of the Group is immaterial.

Interest rate risk

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

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

Credit risk

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

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

The maximum and minimum exposure to credit risk is represented by the carrying amount of each financial asset, except for the following financial assets:

	Gross Maximum Exposure[a]		Net Maximum Exposure[b]	
	December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018
	(In Thousands)		*(In Thousands)*	
Loans and receivables:				
Cash and cash equivalents	**₱2,961,897**	₱5,399,853	**₱2,960,814**	₱5,324,373
Trade receivables:				
Trade:				
Dealers	**666,973**	96,393	**116,048**	–
Retailers	**278,995**	840,098	**246,536**	712,462
Institutional	**541,998**	552,081	**175,398**	–
Other Financial Assets*	**2,188,080**	2,153,490	**2,188,080**	2,153,490
	₱6,637,943	₱9,041,915	**₱5,686,876**	₱8,190,325

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

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

* *Included under "Other noncurrent assets" account in the consolidated statements of financial position.*

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

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

The following tables present the credit quality of the financial assets as at December 31, 2019 and 2018:

	Neither Past due nor Impaired			Past Due but not Impaired	Past Due and Impaired	Total
	Class A	Class B	Class C			
			(In Thousands)			
2019						
Financial assets at FVTPL**						
Quoted shares	**₱ 176**	**₱ –**	**₱ –**	**₱ –**	**₱ –**	**₱ 176**
Unquoted shares	**3,764**	–	–	–	–	**3,764**
Loans and receivables						
Cash and cash equivalents						
Cash in banks	**2,961,897**	–	–	–	–	**2,961,314**
Trade and other receivables						
Trade						
Dealers	**105,022**	**418,523**	**120,538**	–	**22,890**	**666,973**
Retailers	**15,191**	**20,401**	**216,497**	–	**26,906**	**278,995**
Institutional	**124,028**	**193,268**	**223,007**	–	**1,695**	**541,998**
AFR/RMX/others	**2,712**	**2,620**	**104,338**	–	**478**	**110,148**
Due from related parties	**1,441,423**	–	–	–	–	**1,441,423**
Other receivables	–	–	**454,530**	–	**5,105**	**459,635**
Advances to employees*	–	–	**9,010**	–	–	**9,010**
Other financial assets***	**2,188,080**	–	–	–	–	**2,188,080**
Guarantee deposits***	–	–		**111,498**	–	**111,498**
Short-term financial receivable*	**104,401**	–	–	–	–	**104,401**
	₱6,946,111	**₱634,812**	**₱1,132,939**	**₱111,498**	**₱ 52,055**	**₱ 8,877,415**
2018						
Financial assets at FVTPL**						
Quoted shares	₱ 176	₱ –	₱ –	₱ –	₱ –	₱ 176
Unquoted shares	3,764	–	–	–	–	3,764
Loans and receivables						
Cash and cash equivalents						
Cash in banks	1,716,133	–	–	–	–	1,716,133
Short-term deposits	3,683,720	–	–	–	–	3,683,720
Trade and other receivables						
Trade						
Dealers	87,583	8,810	–	–	21,359	117,752
Retailers	23,745	15,879	804,021	–	58,490	902,135
Institutional	117,198	118,466	316,417	–	4,884	556,965
AFR/RMX/others	2,395	69,217	146,221	141,434	142,686	501,953
Due from related parties	1,754,256	–	–	–	–	1,754,256
Other receivables	–	–	399,803	–	5,105	404,908
Advances to employees*	–	–	507	–	–	507
Other financial assets***	2,153,490	–	–	–	–	2,153,490
Long-term loan financial receivable***	30,716	–	381,845	–	–	412,561
Short-term financial receivable*	34,064	–	–	–	–	34,064
Guarantee deposits***	–	–	130,377	–	–	130,377
	₱9,607,240	₱212,372	₱2,179,191	₱141,434	₱232,524	₱12,372,761

**Included under "Other current assets" in the consolidated statements of financial position.*
***Included under "Investments" in the consolidated statements of financial position.*
****Included under "Other noncurrent assets" in the consolidated statements of financial position.*

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

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

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

The Group has not provided an allowance on past due but not impaired accounts since Management believes that there is no change in the credit risk of financial assets from the date credit was initially granted up to the end of each reporting period.

The tables below show the aging analysis of the Group's financial assets as at December 31, 2019 and 2018:

	Total	Neither Past Due Nor Impaired	Past Due but not Impaired <30 Days	30-60 Days	61-90 Days	91-120 Days	Past Due and Impaired
			(In Thousands)				
2019							
Financial assets at FTVPL**:							
Quoted shares	**₱ 176**	**₱ 176**	**₱ -**	**₱ -**	**₱ -**	**₱ -**	**₱ -**
Unquoted shares	**3,764**	**3,764**	**-**	**-**	**-**	**-**	**-**
Cash and cash equivalents:							
Cash in banks	**2,961,314**	**2,961,314**	**-**	**-**	**-**	**-**	**-**
Trade and other receivables:							
Trade receivables from:							
Dealers	**666,973**	**644,083**	**-**	**-**	**-**	**-**	**22,890**
Retailers	**278,995**	**252,089**	**-**	**-**	**-**	**-**	**26,906**
Institutional	**541,998**	**540,303**	**-**	**-**	**-**	**-**	**1,695**
AFR/RMX/others	**110,148**	**109,670**	**-**	**-**	**-**	**-**	**478**
Due from related parties	**1,441,423**	**1,441,423**	**-**	**-**	**-**	**-**	**-**
Others	**492,125**	**513,744**	**-**	**-**	**-**	**-**	**5,105**
Advances to employees*	**9,010**	**9,010**	**-**	**-**	**-**	**-**	**-**
Other Financial Assets***	**2,188,080**	**2,188,080**	**-**	**-**	**-**	**-**	**-**
Guarantee deposits***	**345,915**	**345,915**	**-**	**-**	**-**	**-**	**-**
Short-term financial receivable*	**104,401**	**104,401**	**-**	**-**	**-**	**-**	**-**
	₱ 8,877,415	**₱11,135,360**	**₱ -**	**₱ -**	**₱ -**	**₱ -**	**₱ 52,055**
2018							
Financial assets at FTVPL**:							
Quoted shares	₱ 176	₱ 176	₱ -	₱ -	₱ -	₱ -	₱ -
Unquoted shares	3,764	3,764	-	-	-	-	-
Cash and cash equivalents:							
Cash in banks	1,716,133	1,716,133	-	-	-	-	-
Short-term deposits	3,683,720	3,683,720	-	-	-	-	-
Trade and other receivables:							
Trade receivables from:							
Dealers	117,752	96,393	-	-	-	-	21,359
Retailers	902,135	843,645	-	-	-	-	58,490
Institutional	556,965	552,081	-	-	-	-	4,884
AFR/RMX/others	501,953	217,833	93,474	28,565	604	18,791	142,686
Due from related parties	1,754,256	1,754,256	-	-	-	-	-
Others	404,908	399,803	-	-	-	-	5,105
Advances to employees*	507	507	-	-	-	-	-
Other Financial Assets***	2,153,490	2,153,490	-	-	-	-	-
Long-term loan financial receivable***	412,561	412,561	-	-	-	-	-
Short-term financial receivable*	34,064	34,064	-	-	-	-	-
Guarantee deposits***	130,377	130,377	-	-	-	-	-
	₱12,372,761	₱11,998,803	₱93,474	₱28,565	₱ 604	₱18,791	₱232,524

*Included under "Other current assets" in the consolidated statements of financial position.
**Included under "Investments" in the consolidated statements of financial position.
***Included under "Other noncurrent assets" in the consolidated statements of financial position.

Liquidity risk

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

The Group maintains sufficient reserves of cash and cash equivalents, which are short-term in nature and unused credit lines to meet its liquidity requirements at all times. In addition, the strong credit worthiness of the Group allows it to make efficient use of the financial markets for financing purposes. As at December 31, 2019 and 2018, the Group has unutilized credit facilities of ₱13.6 billion and ₱10.1 billion, respectively.

The tables below summarize the maturity profile of the Group's financial assets used for liquidity management as at December 31, 2019 and 2018:

	On Demand	Less than 3 Months	3 to 12 Months	>1 to 5 Years	Total
			(In thousands)		
2019					
Financial assets at FVTPL**:					
Quoted shares	**₱ 176**	**₱ –**	**₱ –**	**₱ –**	**₱ 176**
Unquoted shares	**3,764**	**–**	**–**	**–**	**3,764**
Loans and receivables:					
Cash and cash equivalents:					
Cash in banks	**2,961,314**	**–**	**–**	**–**	**2,961,314**
Trade and other receivables:					
Trade receivables from:					
Dealers	**20,015**	**646,958**	**–**	**–**	**666,973**
Retailers	**30,290**	**248,705**	**–**	**–**	**278,995**
Institutional	**79,156**	**462,842**	**–**	**–**	**541,998**
AFR/RMX/others	**38,945**	**50,753**	**20,450**	**–**	**110,148**
Due from related parties	**–**	**–**	**1,441,423**	**–**	**1,441,423**
Other receivables	**5,105**	**–**	**454,530**	**–**	**459,635**
Advances to employees*	**–**	**–**	**–**	**9,010**	**9,010**
Other Financial Assets***	**–**	**–**	**–**	**2,188,080**	**2,188,080**
Guarantee deposits***	**–**	**–**	**–**	**111,498**	**111,498**
Short-term financial receivable*	**–**	**–**	**104,401**	**–**	**104,401**
	₱3,138,765	**₱1,409,258**	**₱2,018,417**	**₱2,543,005**	**₱8,887,415**
2018					
AFS financial assets**:					
Quoted shares	₱ 176	₱ –	₱ –	₱ –	₱ 176
Unquoted shares	3,764	–	–	–	3,764
Loans and receivables:					
Cash and cash equivalents:					
Cash in banks	1,716,133	–	–	–	1,716,133
Short-term deposits	–	3,683,720	–	–	3,683,720
Trade and other receivables:					
Trade receivables from:					
Dealers	21,359	96,393	–	–	117,752
Retailers	58,490	843,645	–	–	902,135
Institutional	–	556,965	–	–	556,965
AFR/RMX/others	284,120	217,833	–	–	501,953
Due from related parties	–	–	1,754,256	–	1,754,256
Other receivables	5,105	–	399,803	–	404,908
Advances to employees*	–	–	–	507	507
Other Financial Assets***	–	–	–	2,153,490	2,153,490
Long-term financial receivable***	–	–	–	412,561	412,561
Short-term financial receivable*	–	–	34,064	–	34,064
Guarantee deposits***	–	–	–	130,377	130,377
	₱2,089,147	₱5,398,556	₱2,188,123	₱2,696,935	₱12,372,761

*Included under "Other current assets" in the consolidated statements of financial position.
**Included under "Investments" in the consolidated statements of financial position.
***Included under "Other noncurrent assets" in the consolidated statements of financial position.

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2019 and 2018 based on contractual undiscounted payments:

	On Demand	Less than 3 Months	3 to 12 Months	>1 to 5 Years	Total
			(In thousands)		
2019					
Other financial liabilities:					
Trade and other payables:					
Trade	**₱2,669,132**	**₱ –**	**₱ –**	**₱ –**	**₱2,669,132**
Accrued expenses and nontrade payables	**2,203,616**	**–**	**–**	**–**	**1,861,233**
Due to related parties	**2,265,443**	**–**	**–**	**–**	**2,265,527**
Advances from customers	**345,915**	**–**	**–**	**–**	**345,915**
Other payables	**85,212**	**–**	**–**	**–**	**83,860**
	₱7,569,318	**₱ –**	**₱ –**	**₱ –**	**₱7,569,318**
2018					
Other financial liabilities:					
Trade and other payables:					
Trade	₱3,291,917	₱ –	₱ –	₱ –	₱3,291,917
Accrued expenses and nontrade payables	1,790,868	–	–	–	1,790,868
Due to related parties	2,469,414	–	–	–	2,469,414
Advances from customers	645,484	–	–	–	645,484
Other payables	819	–	–	–	819
	₱8,198,502	₱ –	₱ –	₱ –	₱8,198,502

*Included under "Trade and other payables" account in the consolidated statements of financial position.

Capital management policy

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

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

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

	2019	2018
Loans payable – related parties	**₱ 3,925,849**	₱ 3,925,849
Loans payable - third party	–	5,200,000
Customers' deposits (Cash bond)*	**345,915**	496,305
Financial debt	**4,271,764**	9,622,154
Less cash and cash equivalents	**2,961,897**	5,399,853
Net financial debt	**1,309,867**	4,222,301
Total equity	**27,769,609**	25,273,161
Gearing ratio	**0.05**	0.17

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

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

Total equity increased by 10% in 2019 as a result of increase in retained earnings coming from income from operations.

20. FINANCIAL ASSETS AND LIABILITIES

Fair Value of Financial Instruments

The estimated fair value of each class of the Group's financial instruments, is equal to their carrying amount as at December 31, 2019 and 2018. The following methods and assumptions are used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Trade and Other Receivables, Advances to Employees, Restricted Cash, Loan receivable from a related party, Long-term Financial Receivable, Loans Payable and Trade and Other Payables. Due to the short-term nature of the transactions, the fair values of these instruments approximate the corresponding carrying values as at end of each reporting period.

Derivative Liabilities. The fair values of the embedded currency forwards are calculated by reference to current forward exchange.

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

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

Fair Value Hierarchy

As at December 31, 2019 and 2018, the Group's financial instruments measured at fair value include only the quoted equity securities, classified as financial assets at FVTPL (Level 1).

As at December 31, 2019 and 2018, the Group does not have financial instruments whose fair values are determined using inputs that are not based on observable market data (Level 3). There were no reclassifications made between the different fair value hierarchy levels in 2019 and 2018.

21. PROVISIONS

	2019	2018
	(In Thousands)	
Provisions for stranded cost	**₱67,029**	₱70,947
Provision for tax assessment	**10,053**	-
	₱77,082	₱70,947

Provisions for probable claims arising from assessments and other litigations and onerous contracts involving the Group. The timing of the cash outflows of these provisions is uncertain as it depends upon the outcome of the Group's negotiations and/or legal proceedings, which are currently ongoing with the parties involved.

In December 2017, the Group recognized a one-time loss amounting to ₱73.3 million which can be found in Note 30 representing the net present value of stranded costs for the lease of fully mined-out assets of HMDC, which is amortized using the effective interest method. The unamortized stranded cost in 2019 and 2018 amounted to ₱67.02 million and ₱70.95 million, respectively. As of December 31, 2019 and 2018, total interest cost on stranded cost amounted to ₱5.2 million and ₱4.6 million, respectively, as disclosed in Note 28.

The Group recognized a provision for probable losses amounting to ₱10 million related to a dispute with a former supplier of its aggregates. As at December 31, 2018, it was presented as part of trade payable as disclosed in Note 17, since the Group's negotiations and/or legal proceedings are still on-going. As at December 31, 2019, the provision was reclassified to non-current liabilities as part of provisions due to the uncertainty of the settlement date.

In 2017, the Group recognized a provision for tax assessment amounting to ₱53,000 related to a final assessment notice received from the BIR in December 2014 for alleged deficiency of current income tax and VAT covering the taxable year 2011. The Management believes the amount of provision will cover the expected tax due after providing the supporting documents in their protest last January 2016.

Disclosure of additional details beyond the present disclosure may prejudice the Group's position. Thus, as allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only general descriptions were provided.

22. EQUITY

a. Capital Stock

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

	Number of Shares	Amount *(In Thousands)*
Authorized - P1 par value		
Preferred shares	20,000,000	20,000
Common shares	9,980,000,000	9,980,000
Issued, fully paid and outstanding - Common shares;	6,452,099,144	6,452,099

The Parent Company has one class of common share which carries voting rights and right to dividends but none for fixed income.

The preferred shares are cumulative and 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, 2019 and 2018.

The Parent Company's common shares were registered/listed on June 17, 1996. Total shares registered and outstanding as at December 31, 2019 and 2018 is 6.5 billion. These shares are held by 5,273 and 5,265 stockholders as at December 31, 2019 and 2018, respectively. There have been no recent changes in the number of shares registered and outstanding.

b. Other reserves represent the Group's share in the performance compensation scheme of the Lafarge Holcim Group.

c. Retained earnings

The Parent Company's retained earnings available for dividend declaration as at December 31, 2019 amounted to ₱6.4 billion based on the guidelines set in the Securities Regulation Code Rule 68, As Amended (2011).

Cash dividends declared by the Parent Company are as follows:

	2019	2018	2017
Cash dividend per share	**Nil**	₱0.42	₱0.98
Amount declared	**Nil**	₱2.7 billion	₱6.3 billion
Declaration date	**Nil**	May 18, 2018	May 16, 2017
Record date	**Nil**	June 15, 2018	June 15, 2017

Holcim Philippines Manufacturing Corporation (HPMC)

On July 10, 2018, the BOD of HPMC declared cash dividends totaling ₱346.7 million (₱150 per share) for stockholders on record as at August 9, 2018. The said amount is still outstanding as of December 31, 2018. The said amount has been received on March 12, 2019.

On June 9, 2017, the BOD of HPMC declared cash dividends totaling ₱392.4 million (₱170 per share) for stockholders on record as of June 19, 2017. The dividends were subsequently paid last July 31, 2017.

23. COST OF SALES

	Notes	2019	2018	2017
			(In Thousands)	
Raw, packaging and production materials	10	**₱11,085,665**	₱11,591,960	₱11,221,156
Power and fuel	10	**7,827,845**	8,349,252	7,031,290
Outside services		**2,188,254**	2,289,278	2,348,646
Transportation and communications		**1,812,002**	2,921,701	3,095,213
Personnel	26	**1,163,432**	1,450,752	1,366,274
Depreciation and amortization	13,14,18	**1,500,590**	1,113,238	1,277,207
Repairs and maintenance		**888,199**	1,323,772	1,246,306
Taxes and licenses		**328,976**	296,167	301,992
Rent	18	**24,528**	155,841	250,107
Insurance		**70,264**	109,848	115,631
Others	10	**151,159**	248,396	240,600
		₱27,040,914	₱29,850,205	₱28,494,422

Others include inter-unit production freight, provision for write-offs of spare parts and other miscellaneous expenses.

24. GENERAL AND ADMINISTRATIVE EXPENSES

	Notes	2019	2018	2017
			(In Thousands)	
Personnel	26	**₱352,047**	₱470,083	₱440,099
Software implementation costs		**188,339**	327,335	128,484
Depreciation and impairment	13,18	**136,377**	51,146	73,947
Outside services		**128,139**	174,678	478,499
Office expenses		**69,892**	79,412	58,416
Taxes and licenses		**57,040**	62,980	29,077
Transportation and communications		**13,030**	20,168	19,586
Directors' fees		**11,640**	11,900	12,550
Entertainment, amusement and recreation		**677**	356	141
Others		**2,101**	37,663	20,065
		₱959,282	₱1,235,721	₱1,260,864

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

25. SELLING EXPENSES

	Notes	2019	2018	2017
			(In Thousands)	
Personnel	26	**₱258,148**	₱321,928	₱260,942
Depreciation	13,18	**109,833**	8,815	22,251
Transportation and communication		**42,829**	50,931	69,727
Outside services		**40,404**	99,618	110,107
Advertising		**21,523**	183,344	287,459
Office expenses		**15,280**	20,292	37,038
Taxes and licenses		**8,063**	22,927	20,000
Rent	18	**4,659**	13,238	8,045
Others		**43,809**	94,504	95,936
		₱544,548	₱815,597	₱911,505

Others include provision for allowance for doubtful accounts, rent, insurance, utilities and expenses related to the Group's ongoing internal projects.

26. PERSONNEL EXPENSES

	2019	2018	2017
		(In Thousands)	
Salaries, wages and employee benefits	**₱1,307,954**	₱1,563,857	₱1,398,797
Retirement benefit costs	**360,502**	88,990	117,666
Training	**11,573**	23,326	27,556
Others	**93,598**	566,590	523,296
	₱1,773,627	₱2,242,763	₱2,067,315

Retirement benefit costs above excludes net interest cost, classified as part of interest and financing charges.

27. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	Notes	2019	2018	2017
			(In Thousands)	
Property, plant and equipment				
Cost of sales	23	**₱1,113,060**	₱1,112,066	₱1,265,115
General and administrative	24	**68,224**	51,146	73,947
Selling expenses	25	**6,799**	8,815	22,251
		1,188,083	1,172,027	1,361,313
Right-of-use Assets				
Cost of sales	23	**385,144**	–	–
Selling expenses	24	**103,034**	–	–
General and administrative	25	**68,154**	–	–
		556,332	–	–
Intangible assets				
Cost of sales	23	**2,385**	1,172	12,092
		₱1,746,800	₱1,173,199	₱1,373,405

28. INTEREST AND FINANCING CHARGES

Details of interest and financing charges are as follows:

	Notes	2019	2018	2017
			(In Thousands)	
Interest on loans payable	16	**₱404,823**	₱273,724	₱78,803
Interest on lease liabilities	18	**143,316**	–	–
Interest cost on defined benefit obligation		**18,902**	43,092	22,092
Bank charges		**9,286**	5,793	1,379
Accretion of provision for stranded cost	17	**5,188**	5,195	5,154
		₱581,515	₱327,804	₱107,428

29. INTEREST AND OTHER FINANCIAL INCOME

	Notes	2019	2018	2017
			(In Thousands)	
Interest earned on cash and cash equivalents	8	**₱ 53,141**	₱33,128	₱21,707
Interest income on defined benefit asset	33	**265,987**	–	–
		₱319,128	₱33,128	₱21,707

30. OTHERS - *net*

Details of Others - net are as follows:

	Notes	2019	2018	2017
			(In Thousands)	
Share in undistributed earnings of an associate	12	**₱134,146**	₱122,898	₱143,615
(Loss) gain on sale of by products and other revenue		**37,284**	(9,477)	86,478
Scrap sales		**20,987**	–	–
Gain (loss) on sale of properties - net	13	**8,322**	(3,610)	115,760
Foreign exchange gain – net		**6,580**	20,797	5,468
Loss on disposal of intangible assets	14	**(105,858)**	–	–
Write-off of investment		**–**	2,182	(619)
Fully mined-out assets	21	**–**	–	(73,328)
Loss on remaining obligation for excluded properties		**–**	–	(28,890)
Others		**14,412**	(8,446)	29,682
		₱115,873	₱124,344	₱278,166

31. RELATED PARTY TRANSACTIONS

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

The Group has transactions with the following related parties:

Parent:

- Clinco Corporation
- Cemco Holdings, Inc. (Cemco), a subsidiary of Clinco
- Union Cement Holdings Corporation (UCHC), a subsidiary of Cemco

Subsidiaries of Cemco, a stockholder of the Parent Company:

- Lafarge Holdings (Philippines) Inc. (LHPI)
- Calumboyan Holdings, Inc. (CHI)
- Seacem Silos, Inc. (SSI)

Subsidiaries of Lafarge Holcim Limited

- Holcim Trading Pte. Ltd., Singapore (Holcim Trading)
- Holcim Technology Ltd. (HTEC)
- Holcim Technology (Singapore) Pte. Ltd. (HTPL)
- Holcim Group Services Ltd. (HGSX)
- Holcim East Asia Business Service Centre B.V (HEABS)
- Lafarge Holcim Energy Solutions (LHES)
- LH Shipping PTE Ltd.
- Holcim US Inc.
- Other Holcim Group affiliates

Associate of the Parent Company and its subsidiaries as at December 31, 2019:

- Holcim Mining and Development Corporation (HMDC)
- Holcim Resources and Development Corporation (HRDC)
- LafargeHolcim Aggregates Inc. (LHAI)
- Sigma Cee Mining Corporation (SCMC)
- APC Properties, Inc. (APC)
- Quimson Limestones, Inc. (QLI)
- Lucky One Realty Ventures, Inc. (LORVI)

The following table summarizes the related party transactions and outstanding balances as at and for the years ended December 31, 2019 and 2018:

Related Parties	Nature	2019 Transactions During the Year	2019 Outstanding Receivable (Payable)	2018 Transactions During the Year	2018 Outstanding Receivable (Payable)	Terms	Conditions
			(In thousands)				
Parent							
UCHC							
	Payment of expenses	₱ 207	(₱ 5,110)	₱ 588	(₱ 5,317)	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Short-term loan	–	(1,840,699)	1,840,699	(1,840,699)	Interest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Interest payable	85,511	(111,383)	30,910	(28,438)	To be settled in cash, due and demandable	Unsecured, unguaranteed
	Dividends	–	–	1,640,699	–	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed
Cemco							
	Payment of expenses	223	(6,197)	1,290	(6,420)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Short-term loan	451,546	479,182	905,636	27,636	Interest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Interest payable	–	–	2,745	–	To be settled in cash, due and demandable	Unsecured, unguaranteed
	Long-term loan	(381,845)	–	381,845	381,845	Interest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Interest receivable	26,797	32,249	18,472	6,293	To be settled in cash, due and demandable	Unsecured, unguaranteed
	Operating expenses	14,099	87,556	73,457	73,457	To be settled in cash, due and demandable	Unsecured, unguaranteed
	Dividends	–	–	191,810	–	To be settled in cash, due and demandable	Unsecured, unguaranteed
Clinco							
	Payment of expenses	47	1,383	513	1,336	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
Under common shareholder							
HTEC							
	Purchases and/or expense	1,683,222	(419,270)	1,539,331	(368,708)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
Holcim Trading							
	Purchases and/or expense	2,370,842	(180,563)	1,117,219	(620,720)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
HTSG							
	Purchases and/or expense	1,486	–	1,498	(1,486)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Advances	(3)	76	(20,162)	79	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
HEABS							
	Service contract	285,290	(59,398)	441,166	(59,031)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Assignment of lease	31,627	(31,627)	–	–	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed

Related Parties	Nature	2019 Transactions During the Year	2019 Outstanding Receivable (Payable)	2018 Transactions During the Year	2018 Outstanding Receivable (Payable)	Terms	Conditions
	Sale of assets	22,000	(22,000)	-	-	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Short-term financial receivable	34,192	32,281	(39,723)	34,033	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Sublease	9,405	9,405	-	-	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Various charges	8,920	14,429	7,368	5,507	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
LHES							
	Purchases and/or expenses	381,349	20,888	148,097	(148,097)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed, not impaired
LH Shipping							
	Purchases and/or expenses	360,570	(62,439)	42,720	(42,720)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed, not impaired
HOLCIM US Inc.							
	Purchases and/or expenses	57,950	(28,494)	29,840	(29,840)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed, not impaired
LHPI							
	Short-term loan	-	(1,845,151)	1,104,849	(1,845,151)	Interest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Interest payable	99,106	(129,812)	77,564	(33,180)	To be settled in cash, due and demandable	Unsecured, unguaranteed
	Various charges	(1,856)	(10,677)	(42,850)	(8,774)	Non-interest bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
SSI							
	Short-term loan	-	(240,000)	240,000	(240,000)	Interest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Interest payable	15,412	(17,629)	2,828	(2,602)	To be settled in cash, due and demandable	Unsecured, unguaranteed
CHI							
	Short-term loan	-	-	350,000	-	Interest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Interest payable	-	-	2,812	-	To be settled in cash, due and demandable	Unsecured, unguaranteed
	Various charges	(632)	-	-	632	Non-interest bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
LAFSA							
	Expat recharges	7,642	(4,985)	52,834	(12,619)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Expat charges	847	3,926	908	908	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
HGSX							
	Various charges	29,747	35,209	8,025	5,634	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
	Purchases and/or expenses	121,877	(57,668)	166,694	(49,185)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
Associates							
HMDC							
	Interest on loan	-	299	200	299	To be collected in cash, due and demandable	Unsecured. unguaranteed, not impaired
	Sale and transfer of assets	-	78,629	-	78,629	Noninterest- bearing, to be collected, due and demandable	Unsecured, unguaranteed, not impaired
	Expenses from various charges	67,596	838,021	274,798	905,617	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
	Purchases of quarried materials	757,502	(563,006)	884,116	(311,941)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	In-plant billing	139,451	(32,311)	119,605	(124,835)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Asset leasing	103,761	(51,880)	104,463	(67,476)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed

Related Parties	Nature	2019 Transactions During the Year	2019 Outstanding Receivable (Payable)	2018 Transactions During the Year	2018 Outstanding Receivable (Payable)	Terms	Conditions
	Sale of Motorpool Assets	–	1,406	–	1,406	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed
	Dividend	39,170	–	322,652	–	Noninterest- bearing, to be collected in cash, demandable	Not applicable
HRDC							
	Expenses from various charges	829	(499)	105,869	(1,328)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Purchases of quarried materials	333,768	(336,656)	343,335	(126,975)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Transfer of mining rights and related site restorations costs	–	173,708	128,931	173,708	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Advances	54,313	290,760	74,991	185,423	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Asset Lease	(787)	(2,146)	16,313	(1,359)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
LHAI	Purchases and/or expenses	1,461,442	(359,789)	749,608	(315,942)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
	Advances	11,148	26,630	(74,923)	15,207	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed
	Asset Lease and/or expenses	–	–	12,172	(5,840)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
APC	Advances	–	52,204	–	52,204	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Asset Lease and/or expenses	10,434	(8,769)	642	(2,640)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Expenses from various charges	–	780	–	780	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
QLI	Advances	–	77,314	–	77,314	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Purchases and/or expenses	1,912	(2,989)	–	(1,001)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Expenses from various charges	–	3,861	1,759	3,861	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
SCMC	Advances	–	666	–	666	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Expenses from various charges	18	474	–	456	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
LORVI	Foreshore lease	55,773	(75,807)	55,773	(34,098)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
Huaxin Cement	Purchases and/or Expense	371,591	(2,122)	–	–	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Advances	–	–	84,561	84,561	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
Others	Expenses from various charges	–	–	(17)	–	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
Other Holcim Group Affiliates							
	Purchases and/or Expense	10,493	(3,015)	33,204	(13,509)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Various Charges	4,938	11,944	9,698	6,467	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
Retirement Fund							
	Contributions	114,098	–	–	–	Not Applicable	Not applicable

	Notes	2019	2018
		(In Thousands)	
Due from related parties	9	**₱1,441,423**	₱1,754,256
Due to related parties	17	**2,265,537**	2,469,414
Net Due to related parties		**(₱ 824,114)**	(₱ 715,158)

	Notes	2019	2018
		(In Thousands)	
Loan receivable from related party	9,15	**₱ 511,463**	₱ 381,845
Loan payable to related parties	16	**(3,925,849)**	(3,925,849)
Loans receivable (payable)		**(₱3,414,386)**	(₱3,544,004)

Parent

UCHC. In April 2018, the Group entered into a short-term loan agreement with UCHC, lender, amounting to ₱200 million which will be collected after three months from the date of the agreement. In June 28, 2018 the loan was extended for one year that would end June 30, 2019. On June 30, 2019, the loan was still outstanding and was further extended until July 30, 2020.The applicable interest rate of the loan is equal to the prevailing interest rate of 2.96% per annum which shall be due and payable monthly in arrears, net of any applicable withholding taxes. On September 1, 2018 additional loan was executed amounting to ₱1.64 billion with interest rate of 4.86%. The said loans are still outstanding as of December 31, 2019 and 2018. Related interest expense recognized in 2019 and 2018 amounted to ₱85.5 million and ₱30.9 million, respectively based on the terms of the agreement.

Cemco. On September 28, 2018, the Group entered and extended a long-term loan to Cemco amounting ₱381.8 million with 5.30% per annum interest to be paid on or before September 28, 2020. In 2019, it was reclassified to short-term financial receivable. Interest earned as of December 31, 2019 and 2018 amounted to ₱26.7 million and ₱18.4 million, respectively, as disclosed in Note 28. Operating expenses paid on behalf by the Parent Company for the year 2019 and 2018 amounted to ₱14 million and ₱73.4 million respectively.

On January 2019, the Group extended a short-term working capital loan with an interest rate based on the BVAL rate on the drawdown date. As of December 31, 2019, the outstanding balance of the loan amounted to ₱69.7 million

Clinco. The Group paid the audit fees in behalf of Clinco amounting to ₱0.05 million and ₱0.5 million in 2019 and 2018, respectively.

Entities under Common Shareholder

a. *HEABS.*

   In 2015, the Group entered into an assignment agreement with HEABS to unconditionally transfer the IP rights which consists of the processes for shared service center, people and other existing assets with a total consideration of $3.9 million or ₱171.6 million which shall be paid upon the implementation of the related regional process shared services. Total gain on this transaction amounted to ₱137.1 million. With the purchase of IP rights, HEABS assumed the Group's retirement benefit liability of ₱2.7 million, which is offset against the outstanding receivable.

   In 2016, HEABS made a partial settlement of $1.9 million or ₱85.8 million of the liability. In the same year, both parties entered into a long-term financing agreement for the settlement of the unpaid balance of the latter as at December 31, 2016 amounting to ₱96.3 million or $1.9 million, over 3 years to be settled equally in USD in three installments for the years 2018, 2019 and 2020.

As a result, the said receivable was measured using the discounted value of instalment payments and carried at amortized cost at prevailing rate of USD as at December 31, 2018 and 2017. On May 31, 2018, the first settlement was made amounting to $0.6 million or ₱34.1 million using the prevailing exchange rate rounded to ₱52.53 as at date of collection. In March 2019, second installment was made amounting to $0.6 million or ₱34.2 million at ₱52.72 rounded exchange rate at date of collection.

Current portion of the long-term financial receivable is ₱32.3 million and ₱34.0 million as at December 31, 2019 and 2018, respectively.

On January 1, 2015, the Group entered into a service contract with HEAB for business process outsourcing and other information technology enabled services. Service fees billed to the Group amounted to ₱285 million and ₱441 million for 2019 and 2018, respectively.

On July 1, 2019, HEABS executed a deed of assignment to transfer contract of lease of office space, including all rights, titles and obligations to the Group. Advance rent and security deposit recognized amounted to ₱32 million. In December 2019, HEABS sold leasehold improvements to the Parent Company amounting to ₱20 million.

Consequently, HEABS leased a portion of the office space through a five-month sublease agreement ended November 31, 2019. Lease revenue earned by the Group amounted to ₱9 million.

b. *HTEC.* Effective January 1, 2013, a new contract with HTEC came into force introducing the application of new Industrial Franchise Fee (IFF). The new agreement is aligned with the Organization for Economic Co-operation and Development (OECD) principles and takes into account arm's length transfer pricing principles.

   The IFF shall cover all intellectual properties and value-adding solutions derived by the Group. IFF is an annual charge payable quarterly and is based on fair assessment of economic value of intellectual properties and value adding solutions.

   HTEC also renders managerial and project support services to the Group.

   Total expenses incurred amounted to ₱1.6 billion and ₱1.5 billion in 2019 and 2018, respectively.

c. *Holcim Trading.* The Group imports clinker and raw materials, such as gypsum and granulated blast furnace slag.

d. *HTSG.* On January 1, 2014, the Group entered into a service agreement with HTSG, for support services. The new service agreement is complementary to the existing Franchise Agreement. The services shall be based on all costs and expenses incurred by HTPL plus a certain mark-up. This agreement will be in effect unless and until superseded.

e. *LAFSA.* The Group has an outstanding liability amounting to ₱4.9 million pertaining to expat recharges and outstanding receivable of ₱3.9 million as at December 31, 2019 for expat services charged to LAFSA for the year 2019.

f. *Other Holcim Group Affiliates.* The Group's transactions with Other Holcim Group Affiliates include intercompany charges for salaries and wages of inbound and outbound expatriates, and other expenses related to operations.

   The Group had an outstanding receivable to LH Energy Solutions amounting to ₱20.8 million relating to the purchase of fuel, pet coke and coal in 2019.

   The Group had an outstanding payable to LH Shipping amounting to ₱62.4 million relating to time-chartered shipping in 2019.

g. *HGSX.* On January 1, 2017, the Group entered into an agreement for the "Administrative Support" which include activities in the field of administration as well as clerical and operational support. The administrative support fee is calculated based on the allocated costs plus mark-up and other indirect costs in connection of rendering such support.

   The administrative support fee amounted to ₱121.9 million and ₱166.7 million for the years ended December 31, 2019 and 2018 respectively. Recharges for expat services amounted to ₱29.7 million and ₱8.0 million for December 31, 2019 and 2018.

h. *LHPI.* The Group loan originally amounting to ₱2.4 billion in 2017 was partially settled in 2018. As at December 31 2018, outstanding balance of the loan amounted to ₱1.9 billion with 5.38% p.a. interest to be paid on or before September 19, 2019. Interest expense for year 2019 and 2018 is ₱99.1 million and ₱77.6 million, respectively.

i. *SSI.* On October 25, 2018, the Group availed a short term loan amounting to ₱240.0 million with interest of 6.42% p.a. to be paid on or before October 25, 2020. Interest expense for year 2019 and 2018 amounted to ₱15.4 million and ₱2.8 million, respectively.

j. *CHI.* On December 20, 2017, the Group entered in short term loan agreement amounting to ₱350 million with interest rate of 3.12% per annum was paid on April 3, 2018.

Direct and Indirect Associates

a. In 2019 and 2018, the Group has an existing service agreement with HMDC for the quarry operations, wherein HMDC provides quarry and related services for a fee plus operating costs charged back to the Group.

   Amount charged to the Group amounted to ₱757.5 million and ₱884.1 million in 2019 and 2018, respectively.

b. In 2019 and 2018, HMDC declared dividends for its Class A and Class B preferred shares, as well as for its Common A and Common B shares. The Group received dividend payment amounting to ₱39.2 million and ₱322.7 million from HMDC in 2019 and 2018, respectively.

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

d. The Group sold/transferred various assets to HMDC, such as motorpools in 2017.

e. Principal of the short-term loan granted to HMDC had been fully paid. Interest income from this loan is still outstanding as of December 31, 2019 and 2018 amounting to ₱0.3 million.

f. LHAI. As at December 31, 2019 and 2018, the Group had a total payable of ₱359.7 million and ₱315.9 million, due and outstanding at the end of each year.

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

Retirement Benefit Funds

As at December 31, 2019 and 2018, the Parent Company's defined benefit retirement fund has investments in HMDC shares with a fair value of ₱596.3 million representing 60% of the total ownership, as disclosed in Note 12.

All of the funds' investing decisions are made by the Retirement Committee, the composition of which includes certain officers and employees of the Parent Company. The power to exercise the voting rights rests with the Board of Trustees.

Terms and Conditions of Transactions with Related Parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. As at December 31, 2019 and 2018, the Group has not recognized any impairment losses on receivables relating to amounts due from related parties. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

Amounts due from related parties is included in "Trade and other receivables" and amounts due to related parties is included in "Trade and other payables" accounts in the consolidated statements of financial position.

Total amount of intercompany receivables eliminated as at December 31, 2019 and 2018 amounted to ₱2.6 billion and ₱2.1 billion, respectively.

Total amount of intercompany payables eliminated as at December 31, 2019 and 2018 amounted to ₱3.6 billion and ₱3.1 billion, respectively.

Key Management Personnel

The following are the details of the compensation of key management personnel:

	2019	2018	2017
		(In Thousands)	
Short-term employee benefits	**₱109,404**	₱162,357	₱197,902
Retirement benefit cost	**9,638**	9,638	126,371
	₱119,042	₱171,995	₱324,273

32. INCOME TAXES

The provision for current income tax in 2019, 2018 and 2017 follows:

Components of income tax expense charged to profit or loss are as follows:

	2019	2018	2017
		(In Thousands)	
Current tax expense	**₱1,250,078**	₱1,041,188	₱1,564,310
Deferred tax benefit	**(44,207)**	(35,323)	(12,307)
	₱1,205,871	₱1,005,865	₱1,576,617

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

	2019	2018	2017
		(In Thousands)	
Profit before income tax	**₱4,795,513**	₱3,551,258	₱4,266,415
Income tax at statutory income tax rate of 30%	**₱1,250,078**	₱1,065,377	₱1,279,924
Change in unrecognized deferred income tax assets	**–**	20,517	(10)
Income tax effects of:			
Nondeductible expenses	**105,913**	3,375	3,221
Nondeductible interest expenses	**2,916**	–	–
Write off of deposits	**72**		
Reversal of accrual	**4**	–	–
Penalties	**1**	–	–
Interest income from retirement fund not subject to income tax	**(79,796)**	–	–
Use of OSD	**(66,580)**	12,702	343,353
Income not subject to income tax	**(6,737)**	(34,710)	(48,115)
Interest and other income subjected to lower tax rates	**–**	(4,107)	(6,410)
Reversal of deferred income tax asset/ liability	**–**	(73,406)	(987)
Expired NOLCO	**–**	16,117	5,640
Others	**–**		1
Income tax at effective tax rate	**₱1,205,871**	₱1,005,865	₱1,576,617

The components of the Group's deferred tax liabilities – net as at December 31, 2019 and 2018 are as follows:

	2019	2018
	(In Thousands)	
Deferred tax assets		
Retirement benefit asset	**₱160,261**	₱161,699
Allowances for:		
Impairment losses on property, plant and equipment	**151,855**	86,312
Decline in value of inventories	**79,453**	75,840
Doubtful accounts	**9,500**	84,801
Provision for bonus accrual	**45,894**	66,074
Accrued expenses	**(1,239)**	11,472
Unamortized past service costs	**14,460**	17,371
Unrealized foreign exchange loss	**13,104**	–
Leases	**26,832**	–
MCIT vs RCIT	**1,058**	919
NOLCO, excess MCIT and others	**81,496**	40,584
Others	**107,960**	79,498
	690,634	624,570
Deferred tax liabilities		
Capitalized cost of property, plant and equipment from insurance proceeds	**75,462**	89,434
Undepreciated capitalized borrowings	**37,143**	39,477
Remeasurement in OCI	**851,161**	1,320,586
Amortization of past service cost	**4,908**	–
Provision for write-off of finished goods	**(13,426)**	–
Unrealized foreign exchange gain	**3,638**	3,638
Unamortized amount of capitalized land site restoration costs	**528**	528
Others	**(24,396)**	1,195
	935,018	1,454,858
Deferred tax liabilities - net	**(₱244,384)**	(₱830,288)

Total amount of deferred tax benefit (expense) charged to OCI pertaining to the Group's remeasurement loss (gain) on retirement benefit amounted to (₱0.85) billion in 2019 and (₱1.32) billion in 2018.

Deferred income taxes for temporary differences for HPMC and HPBSCI affecting gross income were recognized using the effective tax rate of 18% as they availed of OSD as its method of deduction for income tax purposes. Management forecasts that HPMC and Mabini will be using OSD in the next three years and HPBSCI and Bulkcem in the next four years from 2019.

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:

	2019	2018
	(In Thousands)	
Carryforward benefit of NOLCO	**₱272,007**	₱64,324
Excess MCIT over RCIT	**29**	447
Unrecognized deferred income tax assets	**₱272,036**	₱64,771

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

Date Incurred	Expiry Date	NOLCO
		(In Thousands)
December 31, 2019	December 31, 2022	₱ 82,718
December 31, 2018	December 31, 2021	121,080
December 31, 2017	December 31, 2020	68,209
		₱272,007

33. RETIREMENT BENEFIT COSTS

Defined Benefit Retirement Plans

The Parent Company and HPMC have distinct funded, noncontributory defined benefit retirement plans (the "Plans"). The Plans cover all permanent employees, each administered by their respective Retirement Committees or Board of Trustees.

ECLI and HSSI, on the other hand, provide retirement benefits in accordance with Republic Act 7641, "Retirement Pay Law". Under the existing regulatory framework, it requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Group also provides additional post employment healthcare benefits to certain senior employees in the Philippines. These benefits are unfunded.

The following tables summarize the components of retirement benefit costs, the funding status and the amounts recognized as retirement benefit liability of the Group:

Details of retirement benefit costs are as follows:

	Note	**2019**	2018	2017
			(In Thousands)	
Current service cost		**₱ 64,594**	₱ 106,105	₱ 76,634
Net interest cost (income)	29	**(247,085)**	43,092	22,092
Retirement benefit costs recognized in profit or loss		**(182,491)**	149,197	98,726
Remeasurements recognized in OCI		**1,564,752**	(4,401,952)	387,421
Retirement benefit (gain) cost		**₱1,382,261**	(₱4,252,755)	₱486,147

Remeasurement gain (loss) on retirement benefits consists of:

	2019	2018	2017
		(In Thousands)	
Actuarial gain (loss) arising from:			
Changes in assumptions	**(₱235,283)**	₱352,162	(₱290,879)
Experience adjustments	**(9,968)**	33,673	(82,314)
Total Actuarial Gain (Loss)	**(245,251)**	385,835	(373,193)
Gain (loss) on plan assets*	**(1,319,501)**	4,016,117	(14,228)
Total Gain(Loss) Recognized in OCI	**(₱1,564,752)**	₱4,401,952	(₱387,421)

**Excluding amounts recognized in net interest cost.*

The reconciliation of retirement benefit asset recognized in the consolidated statements of financial position follows:

	2019	2018
	(In Thousands)	
Present value of benefit obligation	**₱1,186,024**	₱ 935,010
Fair value of plan assets	**(3,499,831)**	(4,516,517)
Balance at end of year	**(₱2,313,807)**	(₱3,581,507)

The breakdown of the retirement benefit asset per entity are as follows:

	2019	2018
	(In Thousands)	
HPI	**₱ 414,849**	₱266,227
HPMC	**(2,728,656)**	(3,848,197)
ECLI	**–**	(151)
HSSI	**–**	614
	(₱2,313,807)	(₱3,581,507)

Movements in the retirement benefit (asset) liability are as follows:

	2019	2018
	(In Thousands)	
Balance at beginning of year	**(₱3,581,507)**	₱845,154
Retirement benefit costs	**(182,491)**	149,197
Contributions	**(114,098)**	(70,059)
Remeasurement gain recognized in OCI	**1,564,752**	(4,401,952)
Remeasurement gain from disposal of retirement plant liability	**(463)**	–
Effect of deconsolidation	**–**	(101,897)
Benefits paid directly by the Group	**–**	(1,950)
Balance at end of year	**(₱2,313,807)**	(₱3,581,507)

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

	Note	2019	2018
		(In Thousands)	
Balance at beginning of year		**₱ 935,010**	₱1,360,371
Actuarial losses (gains)		**245,252**	(385,835)
Interest cost	28	**63,849**	43,092
Current service cost		**64,594**	106,105
Benefits paid		**(122,218)**	(188,723)
Remeasurement gain from disposal of retirement plant liability		**(463)**	-
Balance at end of year		**₱1,186,024**	₱ 935,010

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

	Note	2019	2018
		(In Thousands)	
Balance at beginning of year		**₱4,516,517**	₱515,217
Contributions		**114,098**	70,059
Gain (loss) on plan assets*		**(1,319,500)**	4,016,117
Interest income on plan assets	29	**310,934**	23,690
Benefits paid		**(122,218)**	(186,773)
Balance at end of year		**₱3,499,831**	₱4,516,517

**Excluding amounts recognized in net interest cost.*

The fund is administered by a trustee bank under the supervision of the duly Authorized Person or Trustee of the Plan. The Authorized Person or Trustee is responsible for investment of the assets. Based on the overall direction set by a Retirement Fund Committee, the Trustee proposes an investment strategy and as approved by the Retirement Fund Committee, executes such strategy. The Trustee defines the investment strategy based on the investment instructions found in the Trust Agreement. When defining the investment strategy, the Trustee takes into account the Plan's objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The control, direction, and management of the fund shall reside in and be the sole responsibility of the Trustee.

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

	2019		2018	
	HPI	**HPMC**	HPI	HPMC
Cash and receivables	**5.41%**	**10.37%**	13.07%	1.85%
Investments in debt securities:				
Government securities	**1.78%**	**36.87%**	0.72%	31.80%
Corporate debt securities	**11.30%**	**23.67%**	4.66%	29.59%
	13.08%	**60.54%**	5.38%	61.39%
Investment in equity securities				
Construction, infrastructure, property and mining	**78.64%**	**7.10%**	78.64%	6.32%
Holding firms	**1.38%**	**10.83%**	1.38%	18.19%
Power and utilities	**0.39%**	**2.22%**	0.39%	2.27%
Banks	**0.40%**	**5.66%**	0.40%	4.91%
Telecommunications	**0.02%**	**0.44%**	0.02%	1.26%
Others	**0.72%**	**2.84%**	0.72%	3.81%
	81.55%	**29.09%**	81.55%	36.76%
	100.00%	**100.00%**	100.00%	100.00%

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

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.

Interest risk

A decrease in the government bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at December 31, 2019 by an independent actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

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

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

	2019	2018	2017
Discount rates	**4.7%**	7.1%	4.8% -5.0%
Future salary rate increases	**6.0%**	6.0%	5.00%

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

	Increase (decrease)	Effect on defined benefit obligation	
		HPI	HPMC
		(in thousands)	
2019			
Discount rate			
Sensitivity 1	**0.5%**	**₱745,245**	**₱386,381**
Sensitivity 2	**(0.5%)**	**823,450**	**421,158**
Future salary rate increases			
Sensitivity 1	**0.5%**	**822,735**	**420,847**
Sensitivity 1	**(0.5%)**	**745,519**	**386,506**
2018			
Discount rate			
Sensitivity 1	0.5%	₱608,121	₱367,444
Sensitivity 2	(0.5%)	557,020	339,193
Future salary rate increases			
Sensitivity 1	0.5%	556,660	338,991
Sensitivity 1	(0.5%)	608,276	367,528

The Management and its trustee bank reviews the performance of the Plans on a regular basis and assess whether the Plans will achieve an investment return which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group also reviews its solvency position on an annual basis and estimates, through the actuary, the expected contribution to the Plans in the subsequent year.

The funding requirements are agreed between the Plan Trustees and Group, in consideration of the contribution advice from the Plan Actuary.

The tables below show the maturity analysis of the undiscounted benefit payments as at December 31:

	HPI	**HPMC**
	(In Thousands)	
2019		
Within one year	**₱79,313**	**₱21,971**
More than one year to five years	**197,647**	**72,204**
More than five years	**456,518**	**293,533**
2018		
Within one year	₱51,483	₱19,046
More than one year to five years	210,830	101,100
More than five years	403,049	40,951

Defined Contribution Retirement Plan

The Parent Company has a defined contribution plan wherein the obligation is limited to the specified contribution in the defined contribution plan. Total retirement benefits cost (benefit) related to the defined contribution plans amounted to ₱(132.6) million, ₱42.1 million and ₱41.0 million for the years ended December 31, 2019, 2018 and 2017, respectively.

The Group has recognized the following in the consolidated statements of comprehensive income:

	2019	2018	2017
		(In Thousands)	
Expense recognized for:			
Defined benefit plans	**(₱182,491)**	₱149,197	₱98,726
Defined contribution plan	**49,933**	42,098	41,032
Retirement benefit costs (benefits)	**(₱132,558)**	₱191,295	₱139,758

34. COMMITMENTS AND CONTINGENCIES

a. Lawsuits

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

The disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position and negotiating strategy. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only general descriptions were provided.

b. Construction agreements with Theidi Construction Corp. (TCC)

On August 1, 2018, the Group entered into two construction agreements with TCC for La Union Poro Port Projects to support the on-going capital expenditure projects. Details and terms of the agreements are as follows:

i. Dredging Works Project

TCC shall conduct the dredging works as well as supply manpower, tools, equipment, machinery, permits, clearances and supervision necessary for the completion of the project. The project was completed in March 2019.

ii. Jetty Rehabilitation Project

TCC shall deliver structural steel and building materials and rehabilitation works at the jetty which includes repair of five (5) heavy damaged corroded piles. The project was completed in June 2019.

c. Electricity Supply Agreement (ESA)

On December 26, 2013, Bulacan and La Union plants entered into a 15-year electricity supply agreement with Phinma Energy Corporation (PEC). PEC also supplies electricity to the Mabini grinding plant under a 10-year power supply agreement which commenced June 26, 2014. The related expense under this contract is recognized as part of "Power and Fuel" account in the Cost of Sales, as disclosed in Note 22.

d. Sales Agreement with Petron Corporation (Petron) and SL Harbor Bulk Terminal Corporation (SLH)

The Parent Company has awarded the contract for the supply of automotive diesel oil to Petron and supply of bunker fuel to SLH. The agreements cover the period November 1, 2017 to October 31, 2020. The related expense under this contract is recognized as part of "Power and Fuel" account in the Cost of Sales, as disclosed in Note 22.

e. Service Agreement with Misamis Oriental – 1 Rural Electric Service Cooperative, Inc. (MORESCO-1)

On November 26, 2012, the Group entered into a Sub Transmission Line Wheeling Service Agreement with MORESCO-1 for supply of electric power exclusively for the operation and requirement of Lugait plant. The related expense under this contract is recognized as part of "Power and Fuel" account in the Cost of Sales, as disclosed in Note 23.

f. Davao Light Service Contract

The Group also entered into a contract with Davao Light and Power Company (DLPC) for electric service to the Group's plant in Davao commencing on November 14, 2013 and thereafter until the contract is terminated. The related expense under this contract is recognized as part of "Power and Fuel" account in the Cost of Sales, as disclosed in Note 22.

g. Kalayaan – Davao Cement Mill Project 01 – EP

On August 14, 2017, the Parent Company entered into a supply agreement with Huaxin Cement Co. Ltd for mechanical and electrical engineering and process control equipment and civil engineering design required for the cement mill system to be put into operation in the existing Davao Plant. The project was completed in the 2^{nd} quarter of 2019.

h. Roller Press Project

This contract agreement was entered into by the Group on November 20, 2017 with Kisen International Construction Co., Inc. for the construction and installation of the new roller press system and its auxiliaries at La Union Plant. The Roller Press Project was completed in January 2019 ahead of schedule.

i. Others

There are contingent liabilities for tax assessments occurring in the ordinary course of business. On the basis of information furnished by the Group's legal counsels, management believes that none of these contingencies will materially affect the Group's financial position and financial performance.

35. EARNINGS PER COMMON SHARE (EPS)

Basic/diluted EPS is computed as follows:

	2019	2018	2017
		(In Thousands)	
Consolidated profit for the year attributable to common equity holders of the Parent Company	**₱3,587,301**	₱2,544,411	₱2,688,485
Weighted average number of common shares - Issued and outstanding	**6,452,099**	6,452,099	6,452,099
Basic/diluted EPS of profit attributable to equity holders of the Parent Company	**₱0.56**	₱0.39	₱0.42

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

There are no dilutive financial instruments in 2019, 2018 and 2017, hence, diluted EPS is the same as basic EPS.

36. ENVIRONMENTAL AND REGULATORY MATTERS

a. Clean Air Act

The Clean Air Act and the related IRR contain provisions that have an impact on the industry as a whole, and to the Group in particular, that needs to be complied with within 44 months from the effectivity date or by July 2004. Based on the assessment made on the Group's existing facilities, management believes it complies with the provisions of the Clean Air Act and the related IRR.

b. Clean Water Act

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

c. Ecological Solid Waste Management Act

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

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

37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were reviewed and recommended for approval by the Audit Committee on February 24, 2020. The same were approved for issuance by the Board of Directors (BOD) on February 24, 2020.

* * *

Exhibit 2

Supplementary Schedules to the Consolidated Financial Statements For the year ended December 31, 2019

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

INDEX TO SUPPLEMENTARY SCHEDULES

FORM 17-A

Supplementary Schedules

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BOA/PRC Reg. No. 0004
SEC Accreditation No. 0001-FR-5

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited the financial statements of Holcim Philippines, Inc. and its Subsidiaries (the "Group") as at and for the years ended December 31, 2019 and 2018, in accordance with Philippine Standards on Auditing on which we have rendered an unmodified opinion dated February 24, 2020.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on the attached schedule showing the list of all effective accounting standards and interpretations, the map showing the relationships between and among the Group and its related parties, the financial sound indicators, and other supplementary information shown in Schedules A to H as at December 31, 2019, as required by the Securities and Exchange Commission under the SRC Rule 68, as Amended, are presented for purposes of additional analysis and are not required part of the basic financial statements. Such information are the responsibility of Management and have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

By:

Bonifacio F. Lumacang, Jr.
Partner
CPA License No. 0098090
SEC A.N. 1793-A, issued on November 11, 2019; effective until November 10, 2022, Group A
TIN 170035681
BIR A.N. 08-002552-18-2018, issued on January 26, 2018; effective until January 26, 2021
PTR No. A-4689422, issued on January 2, 2020, Taguig City

Taguig City, Philippines
February 24, 2020

HOLCIM PHILIPPINES, INC. AND ITS SUBSIDIARIES
List of Effective Standards and Interpretations under the Philippine Financial Reporting Standards (PFRS) as of *December 31, 2019.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Conceptual Framework for Financial Reporting Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement 1 Management Commentary		✓		
PFRSs Practice Statement 2 Making Materiality Judgments		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	*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 PFRS 1, *Government Loans*			✓
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PFRS 1, *First-Time Adoption of PFRS*			✓
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 1, *First-time Adoption of International Financial Reporting Standards (Changes to the Basis for Conclusions only)*			✓
	Annual Improvements to PFRSs 2014-2016 Cycle - Amendments to PFRS 1, *Deletion of short-term exemptions for first-time adopters*			✓
PFRS 2	*Share-based Payment*	✓		
	Amendments to PFRS 2, *Vesting Conditions and Cancellations*	✓		
	Amendments to PFRS 2, *Group Cash-settled Share-based Payment Transactions*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 2, *Definition of Vesting Condition*	✓		
	Amendments to PFRS 2, *Classification and Measurement of Share-based Payment Transactions*	✓		
PFRS 3 (Revised)	*Business Combinations*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 3, *Accounting for Contingent Consideration in a business combination*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 3, *Scope of Exception for Joint Ventures*	✓		
	Annual Improvements to PFRSs 2015-2017 Cycle - Amendments to PFRS 3, *Previously held interest in a joint operation*			✓
	Amendments to PFRS 3, *Definition of a Business**		✓	
PFRS 4	*Insurance Contracts*			✓
	Amendments to PAS 39 and PFRS 4, *Financial Guarantee Contracts*			✓
	Amendments to PFRS 4, Applying PFRS 9, *Financial Instruments* with PFRS 4, *Insurance Contracts*			✓
PFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*			✓
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PFRS 5, *Changes in methods of disposal*			✓
PFRS 6	*Exploration for and Evaluation of Mineral Resources*			✓
PFRS 7	*Financial Instruments: Disclosures*	✓		
	Amendments to PFRS 7, *Reclassification of Financial Assets*	✓		
	Amendments to PFRS 7, *Reclassification of Financial Assets - Effective Date and Transition*	✓		
	Amendments to PFRS 7, *Improving Disclosures about Financial Instruments*	✓		
	Amendments to PFRS 7, *Disclosures - Transfers of Financial Assets*	✓		
	Amendments to PFRS 7, *Disclosures – Offsetting Financial Assets and Financial Liabilities*	✓		
	Amendments to PFRS 7, *Mandatory Effective Date of PFRS 9 and Transition Disclosures*	✓		
	Amendments to PFRS 7, *Hedge Accounting Disclosures*	✓		
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PFRS 7, *Servicing contracts and Applicability of the amendments to PFRS 7 to condensed interim financial statements*	✓		
PFRS 8	*Operating Segments*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 8, *Aggregation of Operating Segments and Reconciliation of the reportable segments' assets to the entity's assets*	✓		
PFRS 9	*Financial Instruments (2014)*	✓		
	Amendments to PFRS 9, *Prepayment Features with Negative Compensation*			✓
PFRS 10	*Consolidated Financial Statements*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 10, *Consolidated Financial Statement: Transition Guidance*	✓		
	Amendments to PFRS 10, *Transition Guidance and Investment Entities*			✓
	Amendments to PFRS 10, *Sales or contributions of assets between an investor and its associate/joint venture**		✓	
	Amendments to PFRS 10, *Investment Entities: Applying the Consolidation Exception*			✓
PFRS 11	*Joint Arrangements*	✓		
	Amendments to PFRS 1, *Joint Arrangements: Transition Guidance*	✓		
	Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*			✓
	Annual Improvements to PFRSs 2015-2017 Cycle - Amendments to PFRS 11, *Previously held interest in a joint operation*			✓
PFRS 12	*Disclosure of Interests in Other Entities*	✓		
	Amendments to PFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*			✓
	Amendments to PFRS 12, *Transition Guidance and Investment Entities*			✓
	Amendments to PFRS 12, *Investment Entities: Applying the Consolidation Exception*			✓
	Annual Improvements to PFRSs 2014-2016 Cycle - Amendments to PFRS 12, *Clarification of the scope of the standard*			✓
PFRS 13	*Fair Value Measurement*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 13, *Fair Value Measurement (Amendments to the Basis of Conclusions only, with consequential amendments to the Bases of Conclusions of other standards)*			✓
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 13, *Portfolio Exception*			✓
PFRS 14	*Regulatory Deferral Accounts*			✓
PFRS 15	*Revenue from Contracts with Customers*	✓		
	Amendments to PFRS 15, *Clarifications to PFRS 15*	✓		
PFRS 16	*Leases*	✓		
PFRS 17	*Insurance Contracts**		✓	
Philippine Accounting Standards				
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*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 1, *Presentation of Items of Other Comprehensive Income*	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 1, *Comparative Information*	✓		
	Amendments to PAS 1, *Disclosure Initiative*	✓		
	Amendments to PAS 1, *Definition of Material**		✓	
PAS 2	*Inventories*	✓		
PAS 7	*Statement of Cash Flows*	✓		
	Amendments to PAS 7, *Disclosure Initiative*	✓		
PAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	✓		
	Amendments to PAS 8, *Definition of Material**		✓	
PAS 10	*Events after the Reporting Period*	✓		
PAS 12	*Income Taxes*	✓		
	Amendment to PAS 12, *Deferred Tax: Recovery of Underlying Assets*	✓		
	Amendment to PAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses*	✓		
	Annual Improvements to PFRSs 2015-2017 Cycle - Amendments to PAS 12, *Income tax consequences of payments on financial instruments classified as equity*			✓
PAS 16	*Property, Plant and Equipment*	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 16, *Servicing Equipment*			✓
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 16, *Revaluation Method - Proportionate Restatement of Accumulated Depreciation*			✓
	Amendments to PAS 16, *Clarification of Acceptable Methods of Depreciation*	✓		
	Amendments to PAS 16, *Agriculture: Bearer Plants*			✓
PAS 19 (Amended)	*Employee Benefits (2011)*	✓		
	Amendments to PAS 19, *Defined Benefit Plans: Employee Contributions*	✓		
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PAS 19, *Discount rate: regional market issue*			✓
	Amendments to PAS 19, *Plan Amendment, Curtailment or Settlement*	✓		
PAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*			✓
PAS 21	*The Effects of Changes in Foreign Exchange Rates*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 21, *Net Investment in a Foreign Operation*			✓
PAS 23 (Revised)	*Borrowing Costs*	✓		
	Annual Improvements to PFRSs 2015-2017 Cycle - Amendments to PAS 23, *Borrowing costs eligible for capitalization*			✓
PAS 24 (Revised)	*Related Party Disclosures*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 24, *Key Management Personnel*	✓		
PAS 26	*Accounting and Reporting by Retirement Benefit Plans*			✓
PAS 27 (Amended)	*Separate Financial Statements*	✓		
	Amendments to PAS 27, *Transition Guidance and Investment Entities*			✓
	Amendments to PAS 27, *Equity Method in Separate Financial Statements*			✓
PAS 28 (Amended)	*Investments in Associates and Joint Ventures*	✓		
	Amendments to PAS 28, *Investment Entities: Applying the Consolidation Exception*			✓
	Amendments to PAS 28, *Sales or contributions of assets between an investor and its associate/joint venture**		✓	
	Annual Improvements to PFRSs 2014-2016 Cycle - Amendments to PAS 28, *Measuring an associate or joint venture at fair value*			✓
	Amendments to PAS 28: *Long-term Interests and Joint Ventures*			✓
PAS 29	*Financial Reporting in Hyperinflationary Economies*			✓
PAS 32	*Financial Instruments: Presentation*	✓		
	Amendments to PAS 32 and PAS 1, *Puttable Financial Instruments and Obligations Arising on Liquidation*			✓
	Amendment to PAS 32, *Classification of Rights Issues*	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle -Amendments to PAS 32, *Tax Effect of Equity Distributions*	✓		
	Amendments to PAS 32, *Offsetting Financial Assets and Financial Liabilities*	✓		
PAS 33	*Earnings per Share*	✓		
PAS 34	*Interim Financial Reporting*			✓
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 34, *Interim Reporting of Segment Assets*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PAS 34, *Disclosure of information 'elsewhere in the interim financial report'*			✓
PAS 36	*Impairment of Assets*	✓		
	Amendments to PAS 36, *Recoverable Amount Disclosures for Non-Financial Assets*	✓		
PAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	✓		
PAS 38	*Intangible Assets*	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 38, *Revaluation Method - Proportionate Restatement of Accumulated Amortization*			✓
	Amendments to PAS 38, *Clarification of Acceptable Methods of Amortization*	✓		
PAS 40	*Investment Property*	✓		
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PAS 40, *Clarifying the Interrelationship of PFRS 3 and PAS 40 When Classifying Property as Investment Property or Owner-Occupied Property*	✓		
	Amendments to PAS 40, *Transfers of Investment Property*			✓
PAS 41	*Agriculture*			✓
	Amendments to PAS 41, *Agriculture: Bearer Plants*			✓
Philippine Interpretations				
IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*	✓		
IFRIC 2	*Members' Share in Co-operative Entities and Similar Instruments*			✓
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, *Embedded Derivatives*	✓		
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 12	*Service Concession Arrangements*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
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 19	*Extinguishing Financial Liabilities with Equity Instruments*			✓
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*			✓
IFRIC 21	*Levies*	✓		
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*			✓
IFRIC 23	*Uncertainty over Income Tax Treatments*	✓		
SIC-7	*Introduction of the Euro*			✓
SIC-10	*Government Assistance - No Specific Relation to Operating Activities*			✓
SIC-25	*Income Taxes - Changes in the Tax Status of an Entity or its Shareholders*			✓
SIC-29	*Service Concession Arrangements: Disclosures*			✓
SIC-32	*Intangible Assets - Web Site Costs*			✓
PIC Q&A No. 2006-02	*Clarification of criteria for exemption from presenting consolidated financial statements [Amended by PIC Q&A No. 2013-02 and PIC Q&A No. 2017-01]*			✓
PIC Q&A No. 2007-03	*Valuation of Bank Real and Other Properties Acquired (ROPA)*			✓
PIC Q&A No. 2008-01 (Revised)	*Rate used in discounting post-employment benefit obligations [Amended by PIC Q&A No. 2016-01]*	✓		
PIC Q&A No. 2009-01	*Financial statements prepared on a basis other than going concern [Amended by PIC Q&A No. 2013-02 and PIC Q&A No. 2018-13]*			✓
PIC Q&A No. 2010-02	*Basis of preparation of financial statements [Amended by PIC Q&A No. 2017-01 and PIC Q&A No. 2018-13]*	✓		
PIC Q&A No. 2010-03	*Current/non-current Classification of a Callable Term Loan*			✓
PIC Q&A No. 2011-02	*Common Control Business Combinations*			✓
PIC Q&A	*Accounting for Inter-company Loans [Amended by*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
No. 2011-03	*PIC Q&A No. 2015-01 and PIC Q&A No. 2018-13]*			
PIC Q&A No. 2011-04	*Costs of Public Offering of Shares [Amended by PIC Q&A No. 2018-13]*			✓
PIC Q&A No. 2011-05	*Fair Value or Revaluation as Deemed Cost [Amended by PIC Q&A No. 2016-01 and PIC Q&A No. 2018-13]*			✓
PIC Q&A No. 2011-06	*Acquisition of Investment Properties – Asset Acquisition or Business Combination?*			✓
PIC Q&A No. 2012-01	*Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements [Amended by PIC Q&A No. 2015-01 and PIC Q&A No. 2018-13]*			✓
PIC Q&A No. 2012-02	*Cost of a New Building Constructed on Site of a Previous Building*			✓
PIC Q&A No. 2013-02	*Conforming Changes to PIC Q&As - Cycle 2013*			✓
PIC Q&A No. 2013-03 (Revised)	*Accounting for Employee Benefits under a Defined Contribution Plan Subject to Requirement of Republic Act (RA) 7641: The Philippine Retirement Law*	✓		
PIC Q&A No. 2015-01	*Conforming Changes to PIC Q&As - Cycle 2015*	✓		
PIC Q&A 2016-01	*Conforming changes to PIC Q&As – Cycle 2016*			✓
PIC Q&A No. 2016-02	*Accounting Treatment of Club Shares Held by an Entity [Amended by PIC Q&A No. 2018-13]*	✓		
PIC Q&A No. 2016-03	*Accounting for Common Areas and the Related Subsequent Costs by Condominium Corporations [Amended by PIC Q&A No. 2018-13]*			✓
PIC Q&A 2016-04	*Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-completion Contract*			✓
PIC Q&A No. 2017-01	*Conforming Changes to PIC Q&As – Cycle 2017**		✓	
PIC Q&A No. 2017-02	*Capitalization of operating lease cost as part of construction costs of a building*			✓
PIC Q&A No. 2017-03	*Elimination of profits and losses resulting from transactions between associates and/or joint ventures*			✓
PIC Q&A No. 2017-	*Related party relationships between parents, subsidiary, associate and non-controlling*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
04	*shareholder*			
PIC Q&A No. 2017-05	*Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures [Amended by PIC Q&A No. 2018-13]*	✓		
PIC Q&A No. 2017-06	*Accounting for collector's items*			✓
PIC Q&A No. 2017-07	*Accounting for reciprocal holdings in associates and joint ventures*			✓
PIC Q&A No. 2017-08	*Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture*			✓
PIC Q&A No. 2017-09	*Accounting for payments between and among lessors and lessees*	✓		
PIC Q&A No. 2017-10	*Separation of property and classification as investment property*	✓		
PIC Q&A No. 2017-11	*Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control*			✓
PIC Q&A No. 2017-12	*Subsequent Treatment of Equity Component Arising from Intercompany Loans*	✓		
PIC Q&A No. 2018-01	*Voluntary changes in accounting policy*			✓
PIC Q&A No. 2018-02	*Non-controlling interests and goodwill impairment test*	✓		
PIC Q&A No. 2018-03	*Fair value of property, plant and equipment and depreciated replacement cost*			✓
PIC Q&A No. 2018-04	*Inability to measure fair value reliably for biological assets within the scope of PAS 41, Agriculture*			✓
PIC Q&A No. 2018-05	*Liability arising from maintenance requirement of an asset held under a lease*			✓
PIC Q&A No. 2018-06	*Cost of investment in subsidiaries in separate financial statements when pooling is applied in consolidated financial statements*			✓
PIC Q&A No. 2018-07	*Cost of an associate, joint venture, or subsidiary in separate financial statements [Amended by PIC Q&A No. 2018-13]*			✓
PIC Q&A No. 2018-08	*Accounting for the acquisition of a non-wholly owned subsidiary that is not a business*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PIC Q&A No. 2018-09	*Classification of deposits and progress payments as monetary or nonmonetary items*			✓
PIC Q&A No. 2018-10	*Scope of disclosure of inventory write-downs*			✓
PIC Q&A No. 2018-11	*Classification of land by real estate developer*			✓
PIC Q&A No. 2018-12	*PFRS 15 implementation issues affecting the real estate industry*			✓
PIC Q&A No. 2018-13	*Conforming Changes to PIC Q&As – Cycle 2018*	✓		
PIC Q&A No. 2018-14	*Accounting for Cancellation of Real Estate Sales*			✓
PIC Q&A No. 2018-15	*Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current**			✓
PIC Q&A No. 2018-16	*PFRS 13 – Level of fair value hierarchy of government securities using Bloomberg's standard rule on fair value hierarchy.*		✓	
PIC Q&A No. 2019-01	*Accounting for service charges under PFRS 15, Revenue from Contracts with Customers**		✓	
PIC Q&A No. 2019-02	*Accounting for cryptographic assets**		✓	
PIC Q&A No. 2019-03	*Revenue recognition guidance for sugar millers**		✓	
PIC Q&A No. 2019-05	*Classification and presentation of right-of-use assets*		✓	

* *These are the new and revised accounting standards and interpretations that are effective for annual period beginning on or after the reporting period ended December 31, 2019.*

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DECLARATION
December 31, 2019

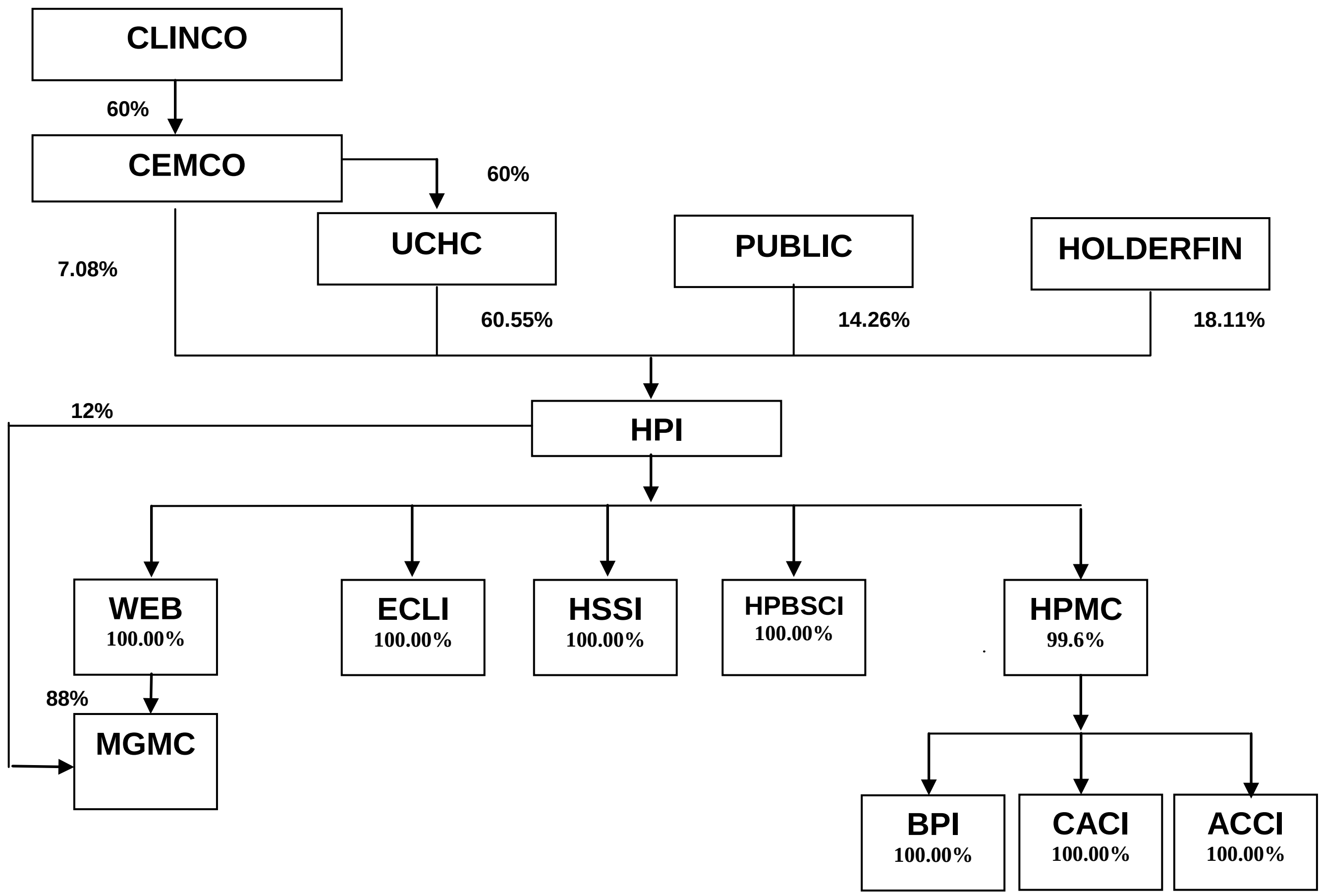
Holcim Philippines, Inc.
7th Floor, Two World Square, Mckinley Hill, Fort Bonifacio, Taguig City

Items		Amount
		(In Thousands)
Unappropriated Retained Earnings, Beginning		**4,221,367**
Adjustments:		
Deferred tax asset		(163,153)
Unappropriated Retained Earnings, as Adjusted, Beginning		**4,058,214**
Net Income based on the face of AFS		2,486,476
Less: Non-actual/Unrealized Income Net of Tax**		
Unrealized foreign exchange gain net (except those attributable to Cash and Cash equivalent)	17,911	
Deferred tax expense charged to profit or loss as a result of certain transactions accounted for under the PFRS	(138,470)	(120,559)
Net Income Actual/Realized		**2,365,917**
Less: Dividend Declaration during the period		-
Unappropriated Retained Earnings, as Adjusted, Ending		**6,424,131**

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, 2019



COMPANY NAME		PRINCIPAL ACTIVITIES
CLINCO	Clinco Corporation	Investment holding in CEMCO
CEMCO	Cemco Holdings, Inc.	Investment holding in UCHC and HPI
UCHC	Union Cement Holdings Corporation	Investment holding in HPI
HPI	Holcim Philippines, Inc.	Manufacture and distribute cement products
HPMC	Holcim Philippines Manufacturing Corporation	Manufacture and distribute cement products
BPI	Bulkcem Philippines, Inc.	Purchase, lease, sale of real properties
CACI	Calamba Aggregates Co., Inc.	Mining, Processing and sale of quarry resources
ACCI	Alsons Construction Chemical, Inc.	Manufacture, use and sale of admixtures
WEB	Wellbourne International Group Limited	Investment holding in MGMC
MGMC	Mabini Ginding Mill Corporation	Manufacture and distribute cement products
ECLI	Excel Concrete Logistics, Inc.	Distribution of concrete and cement products
HPBSCI	Holcim Philippines Business Services Center Inc.	Business process outsourcing and other information technology enabled services
HSSI	Hubb Stores and Services, Inc.	Retail operations

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

Financial KPI	Definition	For the Calendar Year ended December 31	
		2019	**2018**
Current/Liquidity ratios			
Current Ratio	Current Assets / Current Liabilities	73%	73%
Quick Ratio	Current Assets – Inventory - Prepayments / Current Liabilities	51%	48%
Solvency ratio/Debt-to-equity ratio			
Debt to Equity Ratio	Total Liabilities / Equity	61%	87%
Asset to Equity Ratios			
Asset to Equity Ratio/ Equity Multiplier	Total Assets / Equity	122%	126%
Interest Rate Coverage Ratio			
Interest Coverage Ratio/EBITDA Net Interest Cover	Operating EBITDA / Net Interest	25.5	17.6
Profitability Ratios			
Return on Assets	Net Income / Average Total Assets	7.8%	6.1%
Return on Equity	Net Income / Average Total Equity	13.5%	10.7%
Operating EBITDA Margin	Operating EBITDA / Net Sales	20.0%	13.7%

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
Schedule A. Financial Assets
For the Year Ended December 31, 2019
(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, 2019
(Amounts in Thousands)

Name and Designation of Debtor		Beginning Balance	Additions	Deductions: Amount Collected	Deductions: Amount Written-Off	Current	Non Current	Ending Balance
Directors, Officers and Employees								
ABANO, ENGEL C.	Employee	-	₱ 968	(849)	₱	₱ 119		₱ 119
AFRICA, EDMUND F.	Employee	321	2,650	(3,008)		(36)		(36)
ALBACIETE, MARK OLIVER M.	Employee	123	123	(246)		-		-
ARROJO, RAUL I.	Employee	105	755	(860)		-		-
ATIENZA, ERIC O.	Employee	117	61	(178)		0		0
BALO, ELPEDIO JR. C.	Employee	1,137	4,662	(4,703)		1,096		1,096
BALOGO, ZITA D.	Employee	159	-	(159)		0		0
BARLETA, CARA YSABEL R.	Employee	120	2,806	(2,806)		120		120
BENITEZ, MA. PILAR A.	Employee	419	-	(419)		0		0
CABALDA, MICHAEL V.	Employee	164	-	(164)		0		0
CABURNAY, FRANCISCO M.	Employee	(275)	1,757	(828)		653		653
CAMIROS, JOEL V.	Employee	618	1,104	(1,652)		70		70
CATANGHAL, PEPITO E.	Employee	688	40	(77)		652		652
CONLU, RODOLFO JR. M.	Employee	57.98688	1,057.04	(987.11)		128		128
CORTES, GILLIAN Y.	Employee	187	2,126	(2,273)		40		40
DE JESUS, MANUEL F.	Employee	215	95	(310)		0		0
DE MESA, BERNIE S.	Employee	(2)	320	(183)		136		136
DICHOSO, HARVEY D.	Employee	116	691	(727)		80		80
EMBODO, ANDRES B.	Employee	320	1,660	(1,755)		225		225
ESPIRITU, LAUREANO D.	Employee	107	342	(449)		0		0
GATMAITAN, ERNESTO A.	Employee	570	1,822	(3,019)		(627)		(627)
GEMAL, GODFREY F.	Employee	299	-	(299)		0		0
GERODIAS, JAZER P.	Employee	160	166	(481)		(155)		(155)
GILERA, ROBERT A.	Employee	324	109	(432)		0		0
HE, MINGHUI	Employee	43.32987	2,101	(1,404)		741		741
JOSE, EMMANUEL G.	Employee	192	189	(203)		178		178
JUAN, FLORENCIO A.	Employee	(10)	745	(616)		119		119
LUBGUBAN, MEDARDO M.	Employee	1	316	(170)		147		147
MAALA, JEENALYN A.	Employee	118	349	(393)		74		74
MACATANGAY, IRINEO JR. P.	Employee	73	806	(765)		114		114
MAGANTI, RAMAKRISHNA	Employee	746	3,394	(4,116)		24		24
MAGNO, GLAY B.	Employee	121	489	(477)		133		133
MANALO, ROLDAN G.	Employee	115	17	(82)		50		50
MANGUERRA, APRIL GRACE R.	Employee	302	233	(535)		0		0
MORENO, LEONARDO B.	Employee	1,760	3,797	(5,557)		0		0
MR VALLAT, Frederic	Employee	79	1,529	(1,424)		185		185
ONGA, EUSEBIO L.	Employee	1,211	285	(1,440)		56		56
REBLEZA, JOEL D.	Employee	105	186	(227)		63		63
ROGE, HEMANT RAGHUNATH	Employee	224	-	(224)		0		0
ROMUALDEZ, ALBERTO CHRISTIAN	Employee	181	460	(642)		0		0
ROUX, SCHALK	Employee	237	9	(246)		0		0
SANCHEZ, CIRIACO B.	Employee	1,266	1,646	(2,904)		8		8
SAVARIMUTHU, XAVIER ARUL KENNEDY	Employee	28	2,650	(2,419)		259		259
SEGUERRA, JOE ARTHUR S.	Employee	127	565	(697)		(5)		(5)
SIOTING, MIGNON D.	Employee	110	148	(257)		0		0
SOOD, SAPNA RANI	Employee	1,046	1,563	(2,592)		17		17
SUMALINOG, WILLIAM C.	Employee	437	2,602	(3,039)		0		0
TAN, ERNESTO PAULO D.	Employee	0	2,060	(1,923)		138		138
TORCUATOR, LILIBETH T.	Employee	199	-	(199)		0		0
ULTRA, DEERYN C.	Employee	-	2,423	(2,123)		300		300
Advances to Directors, Officers and Employees		14,761	48,487	(58,566)	-	4,681	-	4,681
Holcim East Asia Business Service Centre, B.V. - Philippine ROHQ		₱ 4,718	19,116	-	-	23,834		23,834
Clinco Corporation		823	560	-	-	1,383		1,383
Associates		886,535	357,970	-	-	1,244,505		1,244,505
Other Holcim Group Affiliates		6,467	44,688	-	-	51,155		51,155
Related Parties		898,543	422,334	-	-	1,320,877	-	1,320,877

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, 2019
(Amounts in Thousands)

Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written Off/Impaired	Reclassification to Investments	Reclassification to Receivable from Associate	Current	Non Current	Balance at the End of Period
Holcim Philippines Manufacturing Corporation									
Due from:									
Bulkcem Philippines, Inc.	4,199	283	(30,888)		-		(26,406)	-	(26,406)
Calamba Aggregates Co., Inc.	26,406	-	-	-	-	-	26,406	-	26,406
Excel Concrete Logistics Inc.	1,785		-	-	-	-	1,785	-	1,785
Holcim Philippines, Inc.	829,651	884,982	(549,552)	-	-	-	1,165,081	-	1,165,081
	862,041	885,265	(580,439)	-	- -	-	1,166,867	-	1,166,867
Holcim Philippines, Inc.									
Due from:									
Bulkcem Philippines, Inc.	6	208	-	-	-	-	214	-	214
Holcim Philippines Manufacturing Corp.	360,591	23,790	(44,726)	-	-	-	339,655	-	339,655
Excel Concrete Logistics Inc.	-	178,798	-	-	-	-	178,798	-	178,798
Calamba Aggregates Co., Inc.	44,752	-	-	-	-	-	44,752	-	44,752
Hubb Stores and Services, Inc.	404,261	32,589	-	-	-	-	436,850	-	436,850
Mabini Grand Mill Co.	-	697	-	-	-	-	697	-	697
	809,610	236,082	(44,726)	-	-	-	1,000,967	-	1,000,966
Hubb Stores and Services, Inc.									
Due from:									
Holcim Philippines, Inc.	153,474	-	(132,707)	-	-	-	20,767		20,767
Excel Concrete Logistics Inc.	11		-	-	-	-	11		11
	153,485	-	(132,707)	-	-	-	20,778	-	20,778
Bulkcem Philippines, Inc.									
Due from:									
Holcim Philippines, Inc.	7,256	7,237		-	-	-	14,493		14,493
Holcim Philippines Manufacturing Corp.	16,571	94	-	-	-	-	16,665		16,665
	23,827	7,331	-	-	-	-	31,158	-	31,158
Excel Concrete Logistics Inc.									
Due from:									
Holcim Philippines, Inc.	65,013	-	(37,794)	-	-	-	27,219	-	27,219
Hubb Stores and Services, Inc.	-	1,793	-	-	-	-	1,793	-	1,793
	65,013	1,793	(37,794)	-	-	-	29,012	-	29,012
Mabini Grand Mill Co.									
Due from:									
Holcim Philippines, Inc.	147,239	173,853	(8,310)	-	-	-	312,782		312,782
	147,239	173,853	(8,310)	-	-	-	312,782	-	312,782

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
Schedule D. Long-Term Debt
For the Year Ended December 31, 2019
(Amounts in Thousands)

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Long-Term	Remarks
	NIL	NIL	NIL	
	-	-	-	

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

Schedule E. Indetebtedness to Related Parties (Long-term Loans from Related Companies)
For the Year Ended December 31, 2019
(Amounts in Thousands)

Name of Related Party	Beginning Balance	Balance at the End of Period
	₱ NIL	₱ NIL
	-	-

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
Schedule F. Guarantees of Securities of Other Issuers
For the Year Ended December 31, 2019
(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 G. Capital Stock
For the Year Ended December 31, 2019

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Affiliates	Number of Shares Held by Directors, Officers and Employees	Others
Preferred Shares	20,000,000	-	-	-	-	-
Common Shares	9,980,000,000	6,452,099,144	-	5,531,566,062	6,007	920,527,075
	10,000,000,000	6,452,099,144	-	5,531,566,062	6,007	920,527,075

Exhibit 3

SEC Form 17-Q

For the quarters ended

March 31, June 30 and September 30, 2019

COVER SHEET

2	6	1	2	6

SEC Registration Number

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

(Company's Full Name)

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

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

Alexander V. Taar
(Contact Person)

(2nd Quarter 2018)

459-3333
(Company Telephone Number)

03 31
Month *Day*
(Fiscal Year)

SEC FORM 17-Q
For the quarter ended March 31, 2019
(Form Type)

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

CFD
Dept. Requiring this Doc.

–
Amended Articles Number/Section

Total Amount of Borrowings

5,327
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

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, 2019
2. Commission identification number 026126 3. BIR Tax Identification No 000-121-507-000
4. Exact name of issuer as specified in its charter HOLCIM PHILIPPINES, INC.
5. Province, country or other jurisdiction of incorporation or organization Republic of the Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code

   7th Floor Two World Square, McKinley Hill, Fort Bonifacio, Taguig City 1634
8. Issuer's telephone number, including area code (632) 459-3333
9. Former name, former address and former fiscal year, if changed since last report N. A.
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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

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

    Yes [x] No [ ]

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

    Philippine Stock Exchange, Inc. Common Shares

12. Indicate by check mark whether the registrant:

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

    Yes [x] No [ ]

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

    Yes [x] No [ ]

PART I- FINANCIAL INFORMATION

Item 1. Financial Statements.

Exhibit I – Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018
Exhibit II – Consolidated Statements of Income for the quarters ended March 31, 2019 and 2018
Exhibit III – Consolidated Statements of Comprehensive Income for the quarters ended March 31, 2019 and 2018
Exhibit IV – Consolidated Statements of Changes in Stockholders' Equity for the quarters ended March 31, 2019 and 2018
Exhibit V – Consolidated Statements of Cash Flows for the quarters ended March 31, 2019 and 2018
Exhibit VI – Aging of Trade and Other Receivables as of March 31, 2019

Exhibit I

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

	31 Mar 2019	31 Dec 2018
ASSETS		
Current Assets		
Cash and cash equivalents	₱ 231,615	₱5,399,853
Trade and other receivables – net	3,364,987	4,005,445
Inventories	5,305,636	5,127,343
Short-term financial receivables	66,325	34,064
Other current assets	1,131,759	796,236
Total Current Assets	**10,100,322**	**15,362,941**
Noncurrent Assets		
Investments	4,263,747	4,249,699
Property, plant and equipment – net	24,068,002	18,607,371
Goodwill	2,635,738	2,635,738
Intangibles – net	108,003	27,542
Retirement assets – net	2,552,401	3,581,507
Other noncurrent assets	2,700,626	2,731,443
Total Noncurrent Assets	**36,328,517**	**31,833,300**
	46,428,839	**47,196,241**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables	9,122,672	11,574,971
Loan payables	6,325,849	9,125,849
Income tax payable	519,387	321,025
Total Current Liabilities	**15,967,908**	**21,021,845**
Noncurrent Liabilities		
Long-term Debt	4,628,584	-
Provisions	70,947	70,947
Deferred tax liabilities – net	497,131	830,288
Total Noncurrent Liabilities	**5,196,662**	**901,235**
Equity Attributable to Equity Holders of Parent		
Capital stock	6,452,099	6,452,099
Additional paid-in capital	8,476,002	8,476,002
Remeasurement loss on retirement benefits - net	2,008,554	2,719,531
Other reserves	3,270	2,344
Retained earnings	8,310,746	7,607,112
	25,250,671	**25,257,088**
Noncontrolling Interest	**13,598**	**16,073**
Total Stockholders' Equity	**25,264,269**	**25,273,161**
	₱46,428,839	**₱47,196,241**

Exhibit II

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF INCOME
For the quarters ended March 31, 2019 and 2018
(In Thousands, Except Per Share Data)

	Quarter Ended	
	Jan-Mar 2019	**Jan-Mar 2018**
Net Sales	**₱8,103,491**	**₱8,604,154**
Cost of sales	6,046,020	6,820,132
Gross Profit	**2.057,471**	**1,784,022**
Operating expenses	370,121	530,833
Operating EBITDA	**1,687,350**	**1,253,189**
Depreciation and amortization	487,290	300,768
Profit from Operations	**1,200,060**	**952,421**
Other income (expenses)		
Net financial expense	(205,441)	(50,877)
Other income (expense) - net	(710)	30,922
Total	(206,151)	(19,955)
Profit before Income Tax	**993,909**	**932,466**
Provision for income tax		
Current	309,108	233,395
Deferred	(19,060)	(819)
	290,048	232,576
Profit for the Period	**703,861**	**699,890**
Noncontrolling interest	(227)	(239)
Profit for the period attributable to Equity holders of the parent company	**₱703,634**	**₱699,651**
Basic/Diluted Earnings Per Share (EPS)		
Computation of EPS:		
(a) Profit for the period attributable to Equity holders of the parent company	**₱703,634**	₱699,651
(b) Common shares issued and outstanding	**6,452,099**	6,452,099
EPS [(a)/(b)]	**₱0.11**	₱0.11

Exhibit III

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the quarters ended March 31, 2019 and 2018
(In Thousands)

	Quarter Ended	
	Jan-Mar 2019	**Jan-Mar 2018**
Profit for the Period	**₱ 703,634**	**₱690,603**
Other Comprehensive Income (Loss)	**(710,051)**	**943**
Total Comprehensive Income (Loss)	**₱(6,417)**	**₱691,546**
Attributable to:		
Equity holders of Parent Company	(3,942)	691,307
Noncontrolling interest	(2,475)	239
Total Comprehensive Income (Loss)	**₱(6,417)**	**₱691,546**

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the three (3) months ended March 31, 2019 and 2018
(In Thousands)

	Jan-Mar 2019	Jan-Mar 2018
Capital Stock		
Common Stock		
Balance at beginning of period	₱6,452,099	₱6,452,099
Issuances (Retirement)	-	-
Balance at end of period	**6,452,099**	**6,452,099**
Additional Paid-in Capital		
Balance at beginning of period	8,476,002	8,476,002
Issuances (Retirement)	-	-
Balance at end of period	**8,476,002**	**8,476,002**
Other comprehensive income/loss	**2,008,554**	**(350,987)**
Other reserves	**3,270**	**(487)**
Retained Earnings		
Balance at beginning of period	7,607,112	7,773,468
Profit for the Period	703,634	699,651
Balance at end of period	**8,310,746**	**8,473,119**
Noncontrolling Interest	**13,598**	**5,835**
	₱25,264,269	**₱23,055,581**

Exhibit V

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three (3) months ended March 31, 2019 and 2018
(In Thousands)

	Jan-Mar 2019	Jan-Mar 2018
Operating Activities		
Profit before Income Tax	**₱993,909**	**₱932,466**
Adjustments to reconcile profit to cash		
Depreciation and amortization	487,290	300,768
Other items (net)	(312,878)	(287,316)
Changes in current assets and liabilities	(2,602,936)	(854,262)
Cash provided by (used in) operating activities	**(1,434,615)**	**91,656**
Investing Activities		
Additions to plant, property and equipment	(763,453)	(349,751)
Decrease (increase) in other investing activities	46,603	(18,021)
Cash used in investing activities	**(716,850)**	**(367,772)**
Financing Activities		
Proceeds from short-term loan	-	1,710,269
Payment of short-term loans	(2,858,682)	(1,000,208)
Increase in short-term financial receivables	(167,639)	(703,488)
Cash provided by (used in) financing activities	**(3,026,321)**	**6,573**
Net decrease in cash and cash equivalents	**(5,177,786)**	**(269,543)**
Cash and cash equivalents, beginning	**5,400,112**	**1,945,797**
Effect of exchange rate changes on cash and cash equivalents	**9,289**	**2,454**
Cash and cash equivalents, end	**₱231,615**	**₱1,678,708**

Exhibit VI

HOLCIM PHILIPPINES, INC
Aging of Trade and Other Receivables
As of March 31, 2019
(In Thousands)

	Total	Current	1-30 days	31-60 days	Over 60 days
Trade Receivables	**₱2,061,281**	**₱1,989,695**	**₱9,333**	**₱4,109**	**₱58,143**
Other Receivables	**1,538,066**	**31,131**	**15,673**	**50,398**	**1,440,863**
Total	**3,599,347**	**₱2,020,826**	**₱25,006**	**₱54,507**	**₱1,499,006**
Allowance for Doubtful Accounts	**(234,360)**				
Net Receivables	**₱3,364,987**				

Certified correct:

Jesusa Natividad L. Rojas
Chief Financial Officer

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

Results of Operations

Market continues to remain resilient through its on-going expansion and infrastructure projects granted in March as well as consistent demand from private construction of mid/high rise buildings. At the end of first quarter, the Company posted total net sales of Php 8.1 billion, lower by 5.8% as compared to Php 8.6 billion reported in the same period last year. Lower volumes in March versus past year by 102k tons is mainly due to the closure of Mabini plant in compliance to the order of regional Environmental Management Bureau. The Company achieved a total operating EBITDA of Php 1.7 billion for the first quarter compared to the Php 1.3 billion reported last year. Favorable increase is attributed by lower cost of goods sold and corresponding decrease in operating expenses. The Company also incurred higher net-other expenses coming from interest expenses on its short-term loans. Net income after tax stood at Php 0.7 billion giving earnings per share of Php 0.11.

Financial Position

The Group's financial position has remained healthy with very liquid cash position and strong asset utilization ratio as it still continues to generate high revenues. Total assets stood at ₱46.4 billion, 2% lower from end of 2018.

Cash Flow Generation

The Group's cash requirements have been mainly sourced through a mix of cash flow from financing and operating activities. Please refer to the attached statement of cash flow for more details.

Key Performance Indicators

The comparative financial KPI's of the Group for the periods ended March 31, 2019 and 2018 were as follows:

Financial KPI	Definition	For the period ended March 31	
		2019	2018
Profitability			
Return on Equity (ROE)	Net Income / Ave. Total Shareholders' Equity	2.8%	3.1%
Return on Asset (ROA)	Net Income / Average Total Assets	1.5%	1.9%
Efficiency			
EBITDA Margin	Operating EBITDA / Net Sales	20.8%	14.6%
Liquidity			
Gearing	Net Financial Debt (Asset) / Stockholders' Equity	25.9%	16.4%
EBITDA Net Interest Cover	Operating EBITDA / Net Interest	9.5 times	25.1 times

Profitability and Efficiency

Profitability indicators have decreased as compared to the same period of last year due to lesser assets and lower equity but with improved efficiency indicators due to higher income generated from operations.

Liquidity

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

Notes to Financial Statements

1. ***Summary of Significant Accounting Policies***

These condensed consolidated interim financial statements have been prepared in accordance with PAS 34 *Interim Financial Reporting* and do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2018.

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments effective after the reporting period ended December 31, 2018:

PFRS 16, *Leases*

This standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less (i.e. short-term lease) or the underlying asset has a low value (i.e. lease of low-value assets).

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use. An asset is typically identified by being explicitly specified in a contract, but an asset can also be identified by being implicitly specified at the time it is made available for use by the customer.

Lessors continue to classify leases as operating or finance, with PFRS 16's approach to lessor accounting substantially unchanged from its predecessor, PAS 17.

The standard is effective for annual reporting periods beginning on or after January 1, 2019.

The management of the Group has assessed the impact of the new standard and will recognize corresponding right of use asset and lease liability with corresponding lease expense and interest.

PFRS 9, *Prepayment Features with Negative Compensation*

The amendments include:

Changes regarding symmetric prepayment options

Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

Clarification regarding the modification of financial liabilities

The amendments contain a clarification regarding the accounting for a modification or exchange of a financial liability measured at amortized cost that does not result in the derecognition of the financial liability. An entity recognizes any adjustment to the amortized cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. A retrospective change of the accounting treatment may therefore become necessary if in the past the effective interest rate was adjusted and not the amortized cost amount.

The amendments are effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

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

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

The amendment clarify that an entity applies PFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The amendment is effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

The management of the Group does not anticipate that the amendments will have a significant impact on the Company's financial statements as the Group does not have long-term interests in associates or joint ventures.

New Accounting Standards Effective After the Reporting Period Ended December 31, 2018 - Adopted by FRSC but pending publication by the BOA

The Group will adopt the following once it becomes effective.

IFRIC 23, *Uncertainty over Income Tax Treatments*

This interpretation applies in determining the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under PAS 12, *Income Taxes*.

An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

- If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.

- If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

An entity has to reassess its judgements and estimates if facts and circumstances change.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The management of the Group is still evaluating the impact of the new interpretation on the Company's determination of taxable profit/loss, unused tax losses, unused tax credit and tax rate.

Amendments to PAS 19, *Plan Amendment, Curtailment or Settlement*

The amendments in Plan Amendment, Curtailment or Settlement are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The amendments are effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

The management of the Group is still evaluating the impact of the amendments.

Annual Improvements to PFRSs 2015-2017 Cycle

Amendments to PFRS 3 and PFRS 11, *Previously held interest in a joint operation*

The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to PAS 12, *Income tax consequences of payments on financial instruments classified as equity*

The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

Amendments to PAS 23, *Borrowing costs eligible for capitalization*

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalization rate on general borrowings.

The amendments are effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

The management of the Group is still evaluating the impact of the amendments.

PFRS 17, *Insurance Contracts*

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of PFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The key principles in PFRS 17 are that an entity:

- identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- divides the contracts into groups that it will recognize and measure;
- recognizes and measures groups of insurance contracts at:
- a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset);
- an amount representing the unearned profit in the group of contracts (the contractual service margin);
- recognizes the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately;
- presents separately insurance revenue (that excludes the receipt of any investment component), insurance service expenses (that excludes the repayment of any investment components) and insurance finance income or expenses; and
- discloses information to enable users of financial statements to assess the effect that contracts within the scope of PFRS 17 have on the financial position, financial performance and cash flows of an entity.

PFRS 17 includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts.

The standard is effective for periods beginning on or after January 1, 2021. Earlier application is permitted.

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

Amendments to PAS 1 and PAS 8, *Definition of material*

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

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

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

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

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

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

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

Amendments to PFRS 3, *Definition of business*

The amendments are to:

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

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

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

2. *Seasonality Aspects of the Business*

Like any other company in the construction industry, the operations of the Group are affected by seasonality. Net sales are generally higher in dry months from February to May and lower during the rainy months of June to November. Low sales are also experienced during December due to holidays until early January. Unpredictable weather could also significantly affect sales and profitability compared to previous periods coupled with any unforeseen circumstances like disruptions in productions.

3. *Financial Risk Management Objectives and Policies*

General Risk Management Approach

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

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

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

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

Market Risks

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

Foreign Currency Risk

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

The Group has foreign exchange exposures, arising primarily from purchases of goods and services and debt servicing requirements in currencies other than the Philippine Peso that leads to currency translation effects. As of March 31, 2019, there are no revenues denominated in currencies other than the Philippine Peso.

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

As of March 31, 2019, the Group had minimal assets and liabilities exposed to foreign currency risks.

Interest Rate Risk

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

The Group is exposed to fluctuations in financing costs and market value movements of its debt portfolio related to changes in market interest rates. The Group's interest rate exposure is mainly addressed through the steering of the fixed/floating ratio of net debt. To manage this mix, the Group may enter into derivative transactions, as appropriate. As at March 31, 2018 and 2017, the Group has minimal exposure to interest rate risk.

Credit Risk

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

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

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

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

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

Liquidity Risk

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

The Group maintains sufficient reserves of cash and cash equivalents, which are short-term in nature, unused credit lines and readily available marketable securities to meet its liquidity requirements at all times. In addition, the strong credit worthiness of the Group allows it to make efficient use of the financial markets for financing purposes. As at March 31, 2019, the Group has unutilized credit facilities of ₱2.2 billion.

Capital Management Policy

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

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

The Group monitors capital, among others, on the basis of gearing ratio.

4. *Financial Assets and Liabilities*

Fair Value of Financial Instruments

The estimated fair value of each class of the Group's financial instruments, is equal to their carrying amount as at December 31, 2018 and 2017. The following methods and assumptions are used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Trade and Other Receivables, Advances to Employees, Restricted Cash, Short-term Financial Receivable, Loans Payable and Trade and Other Payables. Due to the short-term nature of the transactions, the fair values of these instruments approximate the corresponding carrying values as at end of each reporting period.

Derivative Liabilities. The fair values of the embedded currency forwards with notional amount of US$4.6 million are calculated by reference to current forward exchange.

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

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

Fair Value Hierarchy

As at March 31, 2019 and December 31, 2018, the Group's financial instruments measured at fair value include only the quoted equity securities, classified as AFS financial assets (Level 1).

As at March 31, 2019 and December 31, 2018, the Group does not have financial instruments whose fair values are determined using inputs that are not based on observable market data (Level 3). There were no reclassifications made between the different fair value hierarchy levels in 2019 and 2018.

5. *Segment Reporting*

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

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

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

- Other Construction Materials and services segment, which includes operations from the RMX business, Helps-U-Build-Better (HUBB), Specialty Products and Aggregates Trading.

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

Segment revenues, EBITDA, assets and liabilities as at March 31, 2019 and 2018 are presented below:

	2019				
	Clinker and cement	**Others**	**Total**	**Adjustments and eliminations**	**Consolidated**
			(In Thousands)		
Revenue:					
External customers	**₱7,769,253**	**₱647,290**	**₱8,416,543**	**(₱313,052)**	**₱8,103,491**
Inter-segment	**85,013**	**-**	**85,013**	**(85,013)**	**-**
	₱7,854,266	**₱647,290**	**₱8,501,556**	**(₱398,065)**	**₱8,103,491**
Operating EBITDA	**₱1,787,107**	**₱188,010**	**₱1,975,118**	**(₱287,768)**	**₱1,687,350**
Segment assets	**38,910,722**	**511,159**	**39,421,880**	**7,006,959**	**46,428,839**
Segment liabilities	**7,573,292**	**213,746**	**7,787,038**	**13,377,532**	**21,164,570**

	2018				
	Clinker and cement	Others	Total	Adjustments and eliminations	Consolidated
			(In Thousands)		
Revenue:					
External customers	₱8,199,451	₱349,791	₱8,549,242	₱54,912	₱8,604,154
Inter-segment	118,150	-	118,150	(118,150)	-
	₱8,317,601	₱349,791	₱8,667,392	(₱63,238)	₱8,604,154
Operating EBITDA	₱1,434,021	₱92,694	₱1,526,715	(₱273,526)	₱1,253,189
Segment assets	29,250,219	143,877	29,394,096	7,861,929	37,256,025
Segment liabilities	**7,585,594**	**324,403**	**7,909,997**	**6,290,447**	**14,200,444**

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

6. *Retained Earnings*

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

Interim Disclosures

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

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

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

3. Issuances and repurchases of equity securities.

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

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

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

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

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

9. Material commitments for capital expenditures.

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

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

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

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

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

Material Changes in Balance Sheet Accounts

96% decrease in Cash and cash equivalents
Mainly due to lower cash from operations, higher spending in capital expenditure and settlement of loans.

16% decrease in Trade and other receivables - net
Primarily due to payment received from related parties for intercompany receivables.

3% increase in Inventories
Increase in produced goods is due to new cement product Holcim Solido, which in 2018 was only produced by Davao plant

95% increase in Short-term financial receivables
Increase is attributed to reclassification of receivables from long-term to short-term, net of payment received from its holding and other related parties.

42% increase in Other current assets
Increase pertains mostly to Real Property Taxes and advance payment to BOC.

29% increase in Property, Plant and Equipment - net
Includes additional acquisition of properties net of accumulated depreciation recognized for the period and capitalization of Right-of-Use Assets (RoU) of fixed assets under IFRS 16.

292% increase in Intangibles - net
Increase was mainly due to net of additional software cost acquired by the company and decrease in accumulated amortization due to retirement of asset for the period.

14% increase in Other non-current assets
Attributable to net of increase in additional financial assets and decrease of deferred input VAT and guarantee deposits.

31% decrease in Loan payables
Payment of loan extended to the company by a third party.

27% decrease in Trade and other payables
Reversal of prior year advance payments and deposits from customers.

62% increase in Income tax payable
Mainly due to additional taxable income for the period and outstanding tax payable from previous year's net income.

40% increase in Other reserves
Due to accrual of share-based remuneration for the period.

9% increase in Retained earnings
Due to net profit recognized for the period.

Material Changes in Income Statement Accounts

11% decrease in Cost of goods sold
Improved packaging material and purchasing cost plus reduction in production and distribution cost.

30% decrease in Operating expenses
Reduction on the support process cost from rightsizing of manpower

62% increase in Depreciation and amortization
Mainly due to increase in Right-of-Use Assets (RoU)-depreciation of fixed assets under IFRS 16.

304% increase in Net financial expenses
Mainly due to higher interest expenses recognized during the period from existing short-term loan payables offset by the increase in undistributed earnings from associates.

25% increase in Provision for income tax
Due to higher taxable income for the first quarter of the year.

5% decrease in Noncontrolling interest in net income
Decrease was mainly due to lower profit of subsidiaries compared to same period last year.

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

Financial KPI	Definition	For the three (3) Months Ended March 31	
		2019	2018
Current/Liquidity ratio Current Ratio	Current Assets / Current Liabilities	63.3%	87.4%
Solvency ratio/Debt-to-equity ratio Gearing	Net Financial Debt (Asset) / Stockholder's Equity	25.9%	16.4%
Asset to Equity Ratios Asset to Equity Ratio/ Equity Multiplier	Total Assets / Stockholder's Equity	183.8%	161.6%
Interest Rate Coverage Ratio Interest Rate Coverage	Income before Tax / Net Interest	5.6 times	18.7 times
Profitability Ratios Return on Assets	Net Income / Average Total Assets	1.5%	1.9%
Return on Equity	Net Income / Average Total Equity	2.8%	3.1%

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOLCIM PHILIPPINES, INC.

Jesusa Rojas

Jesusa Natividad L. Rojas
Chief Financial Officer
Date:May 14, 2019

107302019003839

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931to39Fax:(632)725-5293Email: 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

Document ID	107302019003839
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	June 30, 2019
No. of Days Late	0
Department	CFD
Remarks	

COVER SHEET

2	6	1	2	6

SEC Registration Number

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

(Company's Full Name)

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

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

Alexander V. Taar		459-3333
(Contact Person)	(2nd Quarter 2019)	(Company Telephone Number)

0 6	3 0	SEC FORM 17-Q		
Month	*Day*	For the quarter ended June 30, 2019	*Month*	*Day*
(Fiscal Year)		(Form Type)	(Annual Meeting)	

(Secondary License Type, If Applicable)

CFD	–
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

5,327		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

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STAMPS

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SECURITIES AND EXCHANGE COMMISSION

FORM 17-Q

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

1. For the quarterly period ended June 30, 2019

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

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

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

7. Address of issuer's principal office Postal Code

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

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

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

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

    Yes [x] No [ ]

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

    Philippine Stock Exchange, Inc. Common Shares

12. Indicate by check mark whether the registrant:

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

    Yes [x] No [ ]

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

    Yes [x] No [ ]

PART I- FINANCIAL INFORMATION

Item 1. Financial Statements.

Exhibit I – Consolidated Balance Sheets as of June 30, 2019 and December 31, 2018
Exhibit II – Consolidated Statements of Income for the quarters ended June 30, 2019 and 2018 and for the six (6) months ended June 30, 2019 and 2018
Exhibit III – Consolidated Statements of Comprehensive Income for the quarters ended June 30, 2019 and 2018 and for the six (6) months ended June 30, 2019 and 2018
Exhibit IV – Consolidated Statements of Changes in Stockholders' Equity for the six (6) months ended June 30, 2019 and 2018
Exhibit V – Consolidated Statements of Cash Flows for the six (6) months ended June 30, 2019 and 2018
Exhibit VI – Aging of Trade and Other Receivables as of June 30, 2019

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

	30 Jun 2019	31 Dec 2018
ASSETS		
Current Assets		
Cash and cash equivalents	₱567,349	₱5,399,853
Trade and other receivables – net	2,168,187	4,005,445
Inventories	4,301,902	5,127,343
Short-term financial receivables	81,016	34,064
Other current assets	860,868	796,236
Total Current Assets	**7,979,322**	**15,362,941**
Noncurrent Assets		
Investments and advances	5,489,795	4,249,699
Property, plant and equipment – net	21,658,908	18,607,371
Goodwill	2,635,738	2,635,738
Intangibles – net	105,358	27,542
Retirement assets – net	2,519,868	3,581,507
Other noncurrent assets	2,800,496	2,731,443
Total Noncurrent Assets	**35,210,163**	**31,833,300**
	43,189,485	**47,196,241**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables	8,836,513	11,574,971
Loan payables	5,325,849	9,125,849
Income tax payable	439,631	321,025
Total Current Liabilities	**14,601,993**	**21,021,845**
Noncurrent Liabilities		
Long-term finance lease liabilities	2,144,371	-
Provisions	63,498	70,947
Deferred tax liabilities – net	401,203	830,288
Total Noncurrent Liabilities	**2,609,072**	**901,235**
Equity Attributable to Equity Holders of Parent		
Capital stock	6,452,099	6,452,099
Additional paid-in capital	8,476,002	8,476,002
Remeasurement gain on retirement benefits - net	2,008,554	2,719,531
Other reserves	807	2,344
Retained earnings	9,026,892	7,607,112
	25,964,354	**25,257,088**
Noncontrolling Interest	**14,066**	**16,073**
Total Stockholders' Equity	**25,978,420**	**25,273,161**
	₱43,189,485	**₱47,196,241**

Exhibit II

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF INCOME
For the quarters ended June 30, 2019 and 2018
And for the six (6) months ended June 30, 2019 and 2018
(In Thousands, Except Per Share Data)

	Quarter Ended		**Six (6) Months Ended**	
	Apr-Jun 2019	**Apr-Jun 2018**	**Jan-Jun 2019**	**Jan-Jun 2018**
Net Sales	**₱7,278,542**	**₱10,146,808**	**₱15,382,033**	**₱18,750,961**
Cost of sales	5,558,482	8,021,901	11,604,502	14,842,033
Gross Profit	**1,720,060**	**2,124,907**	**3,777,531**	**3,908,928**
Operating expenses	376,305	610,021	746,426	1,140,854
Operating EBITDA	**1,343,755**	**1,514,886**	**3,031,105**	**2,768,074**
Depreciation and amortization	367,392	295,124	854,682	595,892
Profit from Operations	**976,363**	**1,219,762**	**2,176,423**	**2,172,182**
Other income (expenses)				
Net financial expense	(78,160)	(26,873)	(283,600)	(77,750)
Other income - net	43,732	29,468	43,021	60,390
Total	(34,428)	2,595	(240,579)	(17,360)
Profit before Income Tax	**941,935**	**1,222,357**	**1,935,844**	**2,154,822**
Provision for income tax				
Current	324,851	370,100	633,959	603,494
Deferred	(99,530)	(11,780)	(118,590)	(12,599)
	225,321	358,320	515,369	590,895
Profit for the Period	**716,614**	**864,037**	**1,420,475**	**1,563,927**
Noncontrolling interest	(468)	(392)	(695)	(631)
Profit for the period attributable to Equity holders of the parent company	**₱716,146**	**₱863,645**	**₱1,419,780**	**₱1,563,296**
Basic/Diluted Earnings Per Share (EPS)				
Computation of EPS:				
(a) Profit for the period attributable to Equity holders of the parent company	**₱716,146**	**₱863,645**	**₱1,419,780**	**₱1,563,296**
(b) Common shares issued and outstanding	6,452,099	6,452,099	6,452,099	6,452,099
EPS [(a)/(b)]	**₱0.111**	**₱0.134**	**₱0.220**	**₱0.242**

Exhibit III

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the quarters ended June 30, 2019 and 2018
And for the six (6) months ended June 30, 2019 and 2018
(In Thousands)

	Quarter Ended		**Six (6) Months Ended**	
	Apr-Jun 2019	**Apr-Jun 2018**	**Jan-Jun 2019**	**Jan-Jun 2018**
Profit for the Period	**₱716,614**	**₱864,037**	**₱1,420,475**	**₱1,563,927**
Other Comprehensive Income (Loss)	**(2,463)**	**944**	**(712,514)**	**1,887**
Total Comprehensive Income	**₱714,151**	**₱864,981**	**₱707,961**	**₱1,565,814**
Attributable to:				
Equity holders of Parent Company	₱713,683	₱864,631	₱709,968	₱1,565,225
Noncontrolling interest	468	350	(2,007)	589
Total Comprehensive Income	**₱714,151**	**₱864,981**	**₱707,961**	**₱1,565,814**

Exhibit IV

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the six (6) months ended June 30, 2019 and 2018
(In Thousands)

	Jan-Jun 2019	Jan-Jun 2018
Capital Stock		
Common Stock		
Balance at beginning of period	₱6,452,099	₱6,452,099
Issuances (Retirement)	-	-
Balance at end of period	**6,452,099**	**6,452,099**
Additional Paid-in Capital		
Balance at beginning of period	8,476,002	8,476,002
Issuances (Retirement)	-	-
Balance at end of period	**8,476,002**	**8,476,002**
Other comprehensive income/loss	**2,008,554**	**(350,987)**
Other reserves	**807**	**457**
Retained Earnings		
Balance at beginning of period	7,607,112	7,773,468
Cash Dividends	-	(2,709,882)
Profit for the Period	1,419,780	1,563,296
Balance at end of period	**9,026,892**	**6,626,882**
Noncontrolling Interest	**14,066**	**6,185**
	₱25,978,420	**₱21,210,638**

Exhibit V

HOLCIM PHILIPPINES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six (6) months ended June 30, 2019 and 2018
(In Thousands)

	Jan-Jun 2019	Jan-Jun 2018
Operating Activities		
Profit before Income Tax	**₱1,935,844**	**₱2,154,822**
Adjustments to reconcile profit to cash		
Depreciation and amortization	854,682	595,892
Other items (net)	(635,370)	(524,479)
Changes in current assets and liabilities	(1,162,151)	(613,621)
Cash provided by operating activities	**993,005**	**1,612,614**
Investing Activities		
Additions to plant, property and equipment	(1,509,842)	(861,114)
Increase in other investing activities	(108,619)	(22,159)
Cash used in investing activities	**(1,618,461)**	**(883,273)**
Financing Activities		
Payment of short-term loans	(3,937,618)	(2,078,208)
Repayment of long-term leases	(249,603)	-
Increase in short-term financial receivables	(14,669)	(701,964)
Decrease in short-term financial receivables	-	184,653
Proceeds from short-term loan	-	2,400,000
Cash used in financing activities	**(4,201,890)**	**(195,519)**
Net increase (decrease) in cash and cash equivalents	**(4,827,346)**	**533,822**
Cash and cash equivalents, beginning	**5,399,853**	**1,945,797**
Effect of exchange rate changes on cash and cash equivalents	**(5,158)**	**2,706**
Cash and cash equivalents, end	**₱567,349**	**₱2,482,325**

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

	Total	Current	1-30 days	31-60 days	Over 60 days
Trade Receivables	**₱2,038,384**	**₱1,867,350**	**₱6,875**	**₱19,669**	**₱144,490**
Other Receivables	**377,641**	**59,662**	**853**	**9,163**	**307,963**
Total	**2,416,025**	**₱1,927,012**	**₱7,728**	**₱28,832**	**₱452,453**
Allowance for Doubtful Accounts	**(247,838)**				
Net Receivables	**₱2,168,187**				

Certified correct:

Jesusa Natividad L. Rojas
Chief Financial Officer

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

Results of Operations

Net Sales generated for the first half of 2019 was ₱15.4 billion, lower compared to ₱18.8 billion reported in the same period last year mainly due to easement of demand from muted public infrastructure projects following the delayed passage of the national budget. The Company still was able to sustain improvements in price management in both cement and aggregates offerings partly compensating for the lower volumes.

Despite lower sales generated to date, the Group achieved a total operating EBITDA of ₱3.0 billion, 9.5% better than the same period last year from operational efficiencies and cost optimization. Production costs were favorable from lower clinker import consumption as well as lower production input cost particularly electricity and maintenance expenses. Resulting margins improved as well from effective management of support process costs coupled with change in accounting regulations particularly PFRS 16. The Company also incurred higher financial expenses related to its short-term loans used to finance our strategic capital expenditures and lease liabilities.

Net income after tax stood at ₱1.4 billion resulting in earnings per share of ₱0.22.

Financial Position

The Group's financial position has remained healthy with very liquid cash position. However, the return on assets declined to 3.1% as of June 30, 2019 which is 3% lower from the end of 2018. Total assets stood at ₱43.2 billion as of June 30, 2019, 8% lower from end of 2018.

Cash Flow Generation

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

Key Performance Indicators

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

Financial KPI	Definition	For the period ended June 30	
		2019	2018
Profitability			
Return on Equity (ROE)	Net Income / Ave. Total Shareholders' Equity	5.5%	7.2%
Return on Asset (ROA)	Net Income / Average Total Assets	3.1%	4.2%
Efficiency			
EBITDA Margin	Operating EBITDA / Net Sales	19.7%	14.8%
Liquidity			
Gearing	Net Financial Debt / Stockholders' Equity	18.3%	11.8%
EBITDA Net Interest Cover	Operating EBITDA / Net Interest	11.0 times	34.5 times

Profitability and Efficiency

Lower profitability indicators from lower assets but higher equity from remeasurement gain on retirement benefit. Improved efficiency indicators due to higher EBITDA generated from operations despite the lower net sales.

Liquidity

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

Notes to Financial Statements

1. *Summary of Significant Accounting Policies*

These condensed consolidated interim financial statements have been prepared in accordance with PAS 34 *Interim Financial Reporting* and do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2018.

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments effective after the reporting period ended December 31, 2018:

PFRS 16, *Leases*

This standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less (i.e. short-term lease) or the underlying asset has a low value (i.e. lease of low-value assets).

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use. An asset is typically identified by being explicitly specified in a contract, but an asset can also be identified by being implicitly specified at the time it is made available for use by the customer.

Lessors continue to classify leases as operating or finance, with PFRS 16's approach to lessor accounting substantially unchanged from its predecessor, PAS 17.

The standard is effective for annual reporting periods beginning on or after January 1, 2019.

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

As of January 1, 2019, the Group recognized right-of-use assets with corresponding lease liability of Php 2.4 billion. The impact on profit or loss for 2019 is to decrease cost of goods and operating expenses by Php 618 million, consequently to increase depreciation by Php 528 million, and increase interest expense by Php 136 million. As of June 30, 2019, lease liability amounted to Php 2.2 billion. The Group recognized depreciation of Php 285 million and interest expense of Php 50 million.

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

The amendments include:

Changes regarding symmetric prepayment options
Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

Clarification regarding the modification of financial liabilities
The amendments contain a clarification regarding the accounting for a modification or exchange of a financial liability measured at amortized cost that does not result in the derecognition of the financial liability. An entity recognizes any adjustment to the amortized cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. A retrospective change of the accounting treatment may therefore become necessary if in the past the effective interest rate was adjusted and not the amortized cost amount.

The amendments are effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

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

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

The amendment clarify that an entity applies PFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The amendment is effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

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

Amendments to PAS 19, *Plan Amendment, Curtailment or Settlement*

The amendments in Plan Amendment, Curtailment or Settlement are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The amendments are effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

The management of the Group will consider the impact of the amendments as it comes due.

Annual Improvements to PFRSs 2015-2017 Cycle

Amendments to PFRS 3 and PFRS 11, *Previously held interest in a joint operation*

The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

The amendment is not applicable to the Group.

Amendments to PAS 12 — *Income tax consequences of payments on financial instruments classified as equity*
The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

The amendment is not applicable to the Group.

Amendments to PAS 23 — *Borrowing costs eligible for capitalization*
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalization rate on general borrowings.

The amendments are effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

The management of the Group will consider the impact of the amendments as it comes due.

PFRS 17 — *Insurance Contracts*

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of PFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The key principles in PFRS 17 are that an entity:

- identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- divides the contracts into groups that it will recognize and measure;
- recognizes and measures groups of insurance contracts at:
  - a risk-adjusted present value of the future cash flows (the fulfillment cash flows) that incorporates all of the available information about the fulfillment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)
  - an amount representing the unearned profit in the group of contracts (the contractual service margin);
- recognizes the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately;
- presents separately insurance revenue (that excludes the receipt of any investment component), insurance service expenses (that excludes the repayment of any investment components) and insurance finance income or expenses; and
- discloses information to enable users of financial statements to assess the effect that contracts within the scope of PFRS 17 have on the financial position, financial performance and cash flows of an entity.

PFRS 17 includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts.

The standard is effective for periods beginning on or after January 1, 2021. Earlier application is permitted.

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

New Accounting Standards Effective After the Reporting Period Ended December 31, 2018 - Adopted by Financial Reporting Standards Council (FRSC) but pending for approval by the Board of Accountancy

The Group will adopt the following once these become effective.

Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

This interpretation applies in determining the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under PAS 12, *Income Taxes.*

An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

- If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.

- If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

An entity has to reassess its judgements and estimates if facts and circumstances change.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The management of the Group is still evaluating the impact of the new interpretation on the Group's determination of taxable profit/loss, unused tax losses, unused tax credit and tax rate.

Amendments to PAS 1 and PAS 8, *Definition of Material*

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

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

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

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

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

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

Amendments to PFRS 3, *Definition of Business*

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

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

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

2. ***Seasonality Aspects of the Business***

Like any other company in the construction industry, the operations of the Group are affected by seasonality. Net sales are generally higher in dry months from February to May and lower during the rainy months of June to November. Low sales are also experienced during December due to holidays until early January. Unpredictable weather could also significantly affect sales and profitability compared to previous periods coupled with any unforeseen circumstances like disruptions in productions.

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

<u>General Risk Management Approach</u>

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

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

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

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

<u>Market Risks</u>

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

<u>Foreign Currency Risk</u>

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

The Group has foreign exchange exposures, arising primarily from purchases of goods and services and debt servicing requirements in currencies other than the Philippine Peso that leads to currency translation effects. As of June 30, 2019, there are no revenues denominated in currencies other than the Philippine Peso.

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

As of June 30, 2019, the Group had minimal assets and liabilities exposed to foreign currency risks.

Interest Rate Risk

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

The Group is exposed to fluctuations in financing costs and market value movements of its debt portfolio related to changes in market interest rates. The Group's interest rate exposure is mainly addressed through the steering of the fixed/floating ratio of net debt. To manage this mix, the Group may enter into derivative transactions, as appropriate. As at June 30, 2019, the Group has minimal exposure to interest rate risk.

Credit Risk

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

The Group constantly monitors its credit risk exposures.

The Group trades only with recognized, credit-worthy third parties. It is the Group's policy that all third-party customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts to minimal. In addition, the Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

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

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

Liquidity Risk

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

The Group maintains sufficient reserves of cash and cash equivalents, which are short-term in nature, unused credit lines and readily available marketable securities to meet its liquidity requirements at all times. In addition, the strong credit worthiness of the Group allows it to make efficient use of the financial markets for financing purposes. As at June 30, 2019, the Group has unutilized credit facilities of ₱2.1 billion.

Capital Management Policy

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

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

The Group monitors capital, among others, on the basis of gearing ratio.

4. *Financial Assets and Liabilities*

Fair Value of Financial Instruments

The estimated fair value of each class of the Group's financial instruments is equal to their carrying amount as at June 30, 2019 and December 31, 2018. The following methods and assumptions are used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Trade and Other Receivables, Short-term Financial Receivables, Loans Payable and Trade and Other Payables. Due to the short-term nature of the transactions, the fair values of these instruments approximate the corresponding carrying values as at end of each reporting period.

Derivative Liabilities. The fair values of the embedded currency forwards with notional amount of US$5.0 million are calculated by reference to current forward exchange.

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

Fair Value Hierarchy

As at June 30, 2019 and December 31, 2018, the Group does not have financial instruments whose fair values are determined using inputs that are not based on observable market data (Level 3). There were no reclassifications made between the different fair value hierarchy levels in 2019 and 2018.

5. ***Segment Reporting***

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

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

- Clinker and Cement segment, which manufactures and sells clinker and cement for both domestic and export customers; and
- Other Construction Materials and services segment, which includes operations from the RMX business, Helps-U-Build-Better (HUBB), Specialty Products and Aggregates Trading.

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

Segment revenues, EBITDA, assets and liabilities as at June 30, 2019 and 2018 are presented below:

	2019				
	Clinker and cement	**Others**	**Total**	**Adjustments and eliminations**	**Consolidated**
			(In Thousands)		
Revenue:					
External customers	**₱15,108,495**	**₱564,038**	**₱15,672,533**	**(₱290,500)**	**₱15,382,033**
Inter-segment	**74,294**	**-**	**74,294**	**(74,294)**	**-**
	₱15,182,789	**₱564,038**	**₱15,746,827**	**(₱364,794)**	**₱15,382,033**
Operating EBITDA	**₱3,548,805**	**₱352,401**	**₱3,901,206**	**(₱870,101)**	**₱3,031,105**
Segment assets	**34,275,012**	**431,054**	**34,706,066**	**8,483,419**	**43,189,485**
Segment liabilities	**7,762,284**	**222,370**	**7,984,654**	**9,226,411**	**17,211,065**

	2018				
	Clinker and cement	Others	Total	Adjustments and eliminations	Consolidated
			(In Thousands)		
Revenue:					
External customers	₱17,427,459	₱1,232,801	₱18,660,260	₱90,701	₱18,750,961
Inter-segment	182,410	-	182,410	(182,410)	-
	₱17,609,869	₱1,232,801	₱18,842,670	(₱91,709)	₱18,750,961
Operating EBITDA	₱3,406,572	₱215,220	₱3,621,792	(₱853,718)	₱2,768,074
Segment assets	30,880,596	211,776	31,092,372	8,296,801	39,389,173
Segment liabilities	9,473,662	275,683	9,749,345	8,429,190	18,178,535

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

6. *Retained Earnings*

The Board of Directors did not declare any cash dividends during the quarter and as of June 2019.

Interim Disclosures

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

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

Aside from the disclosure above, the Group is not aware of the following or is not applicable to the Group's interim operations:

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

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

3. Issuances and repurchases of equity securities.

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

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

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

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

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

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

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

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

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

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

Material Changes in Balance Sheet Accounts

89% decrease in Cash and cash equivalents
Mainly due to lower cash generated from operations, higher spending in capital expenditure and settlement of loans.

46% decrease in Trade and other receivables - net
Primarily due to payment received from related parties for intercompany receivables and lower sales outstanding coupled with resolute receivables collection.

16% decrease in Inventories
Largely pertains to the decrease in fuels from consumption and disposal through sale.

138% increase in Short-term financial receivables
Increase was attributed to the intercompany loans to parent holdings company.

8% increase in Other current assets
Movement pertains mostly to the creditable withholding tax, and prepaid expense relating to HMO renewal, net of decrease due to the release of cash bond.

30% increase in Investments and advances
Increase was attributed to reclassification of outstanding receivables from associates now considered to long-term.

16% increase in Property, Plant and Equipment - net
Due to additional capital expenditures, net of depreciation recognized during the period.

283% increase in Intangibles - net
Increase was mainly due to capitalized software cost to support our Commercial Strategy, net of retirement of an intangible asset for the period.

42% decrease in Loan payables
This was due to payment of external loans.

24% decrease in Trade and other payables
This was largely due to application of advance payments from customers against their cement deliveries and lower outstanding third party and group payables.

37% increase in Income tax payable
Mainly due to additional taxable income for the period.

66% increase in Other reserves
Due to accrual of share-based remuneration for the period.

19% increase in Retained earnings
Due to net profit recognized for the period.

Material Changes in Income Statement Accounts

9% decrease in Sales
Lower sales volume mainly due to easement of demand from muted public infrastructure projects following the delayed passage of the national budget.

11% decrease in Cost of goods sold
Mainly from successful initiatives on favorable production costs, logistics efficiency and cost-optimization.

20% decrease in Operating expenses
This resulted from on-going cost management activities

432% increase in Depreciation and amortization
Mainly due to increase in Right-of-Use Assets (RoU)-depreciation of fixed assets under IFRS 16.

71% increase in Net financial expenses
Mainly due to higher interest expenses recognized during the period from existing short-term loans to finance strategic capital expenditures and accretion of existing financial liabilities.

52% decrease in Other income (expense)
Mainly due to the full write-off of intangible asset.

8% decrease in Provision for income tax
Due to lower taxable income for the first half of the year compared to same period last year.

7% decrease in Noncontrolling interest in net income
Decrease was mainly due to lower profit of subsidiaries 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	
		2019	2018
Current/Liquidity ratio Current Ratio	Current Assets / Current Liabilities	54.6%	77.6%
Solvency ratio/Debt-to-equity ratio Gearing	Net Financial Debt (Asset) / Stockholder's Equity	18.3%	11.8%
Asset to Equity Ratios Asset to Equity Ratio/ Equity Multiplier	Total Assets / Stockholder's Equity	166.3%	185.7%
Interest Rate Coverage Ratio Interest Rate Coverage	Income before Tax / Net Interest	7.0 times	26.9 times
Profitability Ratios			
Return on Assets	Net Income / Average Total Assets	3.1%	4.2%
Return on Equity	Net Income / Average Total Equity	5.5%	7.2%

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.

Jesa Rojas

Jesusa Natividad L. Rojas
Chief Financial Officer
Date:

110252019001198

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

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Industry Classification	
Company Type	Stock Corporation

Document Information

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COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

7 t h F l o o r , T w o W o r l d S q u a r e , M c k i n l e y H i l l , F o r t B o n i f a c i o , T a g u i g C i t y

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

Alexander V. Taar

(Contact Person)

(3rd Quarter 2019)

459-3333

(Company Telephone Number)

0 9 | 3 0

Month *Day*

(Fiscal Year)

SEC FORM 17-Q

For the quarter ended September 30, 2019

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

–

Amended Articles Number/Section

Total Amount of Borrowings

5,327

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

FORM 17-Q

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

1. For the quarterly period ended September 30, 2019
2. Commission identification number 026126 3. BIR Tax Identification No 000-121-507-000
4. Exact name of issuer as specified in its charter HOLCIM PHILIPPINES, INC.
5. Province, country or other jurisdiction of incorporation or organization Republic of the Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code

   7th Floor Two World Square, McKinley Hill, Fort Bonifacio, Taguig City 1634
8. Issuer's telephone number, including area code (632) 459-3333
9. Former name, former address and former fiscal year, if changed since last report N. A.
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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

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

    Yes [x] No [ ]

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

    Philippine Stock Exchange, Inc. Common Shares

12. Indicate by check mark whether the registrant:

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

    Yes [x] No [ ]

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

    Yes [x] No [ ]

PART I- FINANCIAL INFORMATION

Item 1. Financial Statements.

Exhibit I – Consolidated Balance Sheets as of September 30, 2019 and December 31, 2018

Exhibit II – Consolidated Statements of Income for the quarters ended September 30, 2019 and 2018 and for the nine (9) months ended September 30, 2019 and 2018

Exhibit III – Consolidated Statements of Comprehensive Income for the quarters ended September 30, 2019 and 2018 and for the nine (9) months ended September 30, 2019 and 2018

Exhibit IV – Consolidated Statements of Changes in Stockholders' Equity for the nine (9) months ended September 30, 2019 and 2018

Exhibit V – Consolidated Statements of Cash Flows for the nine (9) months ended September 30, 2019 and 2018

Exhibit VI – Aging of Trade and Other Receivables as of September 30, 2019

Exhibit I

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

	30 Sept 2019	31 Dec 2018
ASSETS		
Current Assets		
Cash and cash equivalents	₱980,466	₱5,399,853
Trade and other receivables – net	3,491,214	4,005,445
Inventories	3,905,726	5,127,343
Short-term financial receivables	95,074	34,064
Other current assets	912,720	796,236
Total Current Assets	**9,385,200**	**15,362,941**
Noncurrent Assets		
Investments and advances	4,332,288	4,249,699
Property, plant and equipment - net	22,007,243	18,607,371
Goodwill	2,635,738	2,635,738
Intangibles – net	102,656	27,542
Retirement assets – net	2,495,100	3,581,507
Other noncurrent assets	2,793,093	2,731,443
Total Noncurrent Assets	**34,366,118**	**31,833,300**
	43,751,318	**47,196,241**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables	9,961,838	11,574,971
Loan payables	4,275,849	9,125,849
Income tax payable	390,343	321,025
Total Current Liabilities	**14,628,030**	**21,021,845**
Noncurrent Liabilities		
Long-term finance lease liabilities	2,255,064	-
Provisions	63,498	70,947
Deferred tax liabilities - net	369,445	830,288
Total Noncurrent Liabilities	**2,688,007**	**901,235**
Equity Attributable to Equity Holders of Parent		
Capital stock	6,452,099	6,452,099
Additional paid-in capital	8,476,002	8,476,002
Remeasurement gain on retirement benefits - net	2,008,554	2,719,531
Other reserves	214	2,344
Retained earnings	9,484,087	7,607,112
	26,420,956	**25,257,088**
Noncontrolling Interest	**14,325**	**16,073**
Total Stockholders' Equity	**26,435,281**	**25,273,161**
	₱43,751,318	**₱47,196,241**

Exhibit II

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

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

Exhibit III

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

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

Exhibit IV

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

	Jan-Sept 2019	Jan-Sept 2018
Capital Stock		
Common Stock		
Balance at beginning of period	₱6,452,099	₱6,452,099
Issuances (Retirement)	-	-
Balance at end of period	**6,452,099**	**6,452,099**
Additional Paid-in Capital		
Balance at beginning of period	8,476,002	8,476,002
Issuances (Retirement)	-	-
Balance at end of period	**8,476,002**	**8,476,002**
Other comprehensive income/loss	**2,008,554**	**(350,987)**
Other reserves	**214**	**1,400**
Retained Earnings		
Balance at beginning of period	7,607,112	7,773,468
Cash Dividends	-	(2,709,882)
Profit for the Period	1,876,975	1,740,040
Balance at end of period	**9,484,087**	**6,803,627**
Noncontrolling Interest	**14,325**	**5,004**
	₱26,435,281	**₱21,387,145**

Exhibit V

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

	Jan-Sept 2019	Jan-Sept 2018
Operating Activities		
Profit before Income Tax	**₱2,631,042**	**₱2,432,734**
Adjustments to reconcile profit to cash		
Depreciation and amortization	1,257,289	882,187
Other items (net)	(943,336)	(773,008)
Changes in current assets and liabilities	295,777	(1,458,148)
Cash provided by operating activities	**3,240,772**	**1,083,765**
Investing Activities		
Additions to plant, property and equipment	(2,183,899)	(1,498,188)
Increase in other investing activities	(74,731)	(26,456)
Cash used in investing activities	**(2,258,630)**	**(1,524,644)**
Financing Activities		
Dividends paid	-	(2,653,388)
Payment of short-term loans	(4,965,374)	(2,280,560)
Repayment of long-term leases	(369,915)	-
Increase in short-term financial receivables	(61,102)	(701,964)
Decrease in short-term financial receivables	-	355,462
Proceeds from short-term loan	-	5,044,775
Cash used in financing activities	**(5,396,391)**	**(235,104)**
Net decrease in cash and cash equivalents	**(4,414,249)**	**(675,983)**
Cash and cash equivalents, beginning	**5,399,853**	**1,945,797**
Effect of exchange rate changes on cash and cash equivalents	**(5,138)**	**3,570**
Cash and cash equivalents, end	**₱980,466**	**₱1,273,384**

Exhibit VI

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

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

Certified correct:

Jesusa Natividad L. Rojas
Chief Financial Officer

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

Results of Operations

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

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

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

Financial Position

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

Cash Flow Generation

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

Key Performance Indicators

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

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

Profitability and Efficiency

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

Liquidity

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

Notes to Financial Statements

1. *Summary of Significant Accounting Policies*

These condensed consolidated interim financial statements have been prepared in accordance with PAS 34 *Interim Financial Reporting* and do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2018.

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments effective after the reporting period ended December 31, 2018:

PFRS 16, *Leases*

This standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less (i.e. short-term lease) or the underlying asset has a low value (i.e. lease of low-value assets).

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use. An asset is typically identified by being explicitly specified in a contract, but an asset can also be identified by being implicitly specified at the time it is made available for use by the customer.

Lessors continue to classify leases as operating or finance, with PFRS 16's approach to lessor accounting substantially unchanged from its predecessor, PAS 17.

The standard is effective for annual reporting periods beginning on or after January 1, 2019.

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

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

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

The amendments include:

Changes regarding symmetric prepayment options
Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

Clarification regarding the modification of financial liabilities
The amendments contain a clarification regarding the accounting for a modification or exchange of a financial liability measured at amortized cost that does not result in the derecognition of the financial liability. An entity recognizes any adjustment to the amortized cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. A retrospective change of the accounting treatment may therefore become necessary if in the past the effective interest rate was adjusted and not the amortized cost amount.

The amendments are effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

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

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

The amendment clarify that an entity applies PFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The amendment is effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

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

Amendments to PAS 19, *Plan Amendment, Curtailment or Settlement*

The amendments in Plan Amendment, Curtailment or Settlement are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The amendments are effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

The management of the Group will consider the impact of the amendments as it comes due.

Annual Improvements to PFRSs 2015-2017 Cycle

Amendments to PFRS 3 and PFRS 11, *Previously held interest in a joint operation*

The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

The amendment is not applicable to the Group.

Amendments to PAS 12 — *Income tax consequences of payments on financial instruments classified as equity*

The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

The amendment is not applicable to the Group.

Amendments to PAS 23 — *Borrowing costs eligible for capitalization*

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalization rate on general borrowings.

The amendments are effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

The management of the Group will consider the impact of the amendments as it comes due.

PFRS 17 — *Insurance Contracts*

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of PFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The key principles in PFRS 17 are that an entity:

- identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- divides the contracts into groups that it will recognize and measure;
- recognizes and measures groups of insurance contracts at:
  a risk-adjusted present value of the future cash flows (the fulfillment cash flows) that incorporates all of the available information about the fulfillment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)
  an amount representing the unearned profit in the group of contracts (the contractual service margin);
- recognizes the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately;
- presents separately insurance revenue (that excludes the receipt of any investment component), insurance service expenses (that excludes the repayment of any investment components) and insurance finance income or expenses; and
- discloses information to enable users of financial statements to assess the effect that contracts within the scope of PFRS 17 have on the financial position, financial performance and cash flows of an entity.

PFRS 17 includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts.

The standard is effective for periods beginning on or after January 1, 2021. Earlier application is permitted.

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

New Accounting Standards Effective After the Reporting Period Ended December 31, 2018 - Adopted by Financial Reporting Standards Council (FRSC) but pending for approval by the Board of Accountancy

The Group will adopt the following once these become effective.

Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

This interpretation applies in determining the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under PAS 12, *Income Taxes*.

An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

- If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.

- If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

An entity has to reassess its judgements and estimates if facts and circumstances change.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The management of the Group is still evaluating the impact of the new interpretation on the Group's determination of taxable profit/loss, unused tax losses, unused tax credit and tax rate.

Amendments to PAS 1 and PAS 8, *Definition of Material*

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

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

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

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

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

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

Amendments to PFRS 3, *Definition of Business*

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

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

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

2. ***Seasonality Aspects of the Business***

Like any other company in the construction industry, the operations of the Group are affected by seasonality. Net sales are generally higher in dry months from February to May and lower during the rainy months of June to November. Low sales are also experienced during December due to holidays until early January. Unpredictable weather could also significantly affect sales and profitability compared to previous periods coupled with any unforeseen circumstances like disruptions in productions.

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

General Risk Management Approach

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

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

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

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

Market Risks

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

Foreign Currency Risk

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

The Group has foreign exchange exposures, arising primarily from purchases of goods and services and debt servicing requirements in currencies other than the Philippine Peso that leads to currency translation effects. As of September 30, 2019, there are no revenues denominated in currencies other than the Philippine Peso.

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

As of September 30, 2019, the Group had minimal assets and liabilities exposed to foreign currency risks.

Interest Rate Risk

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

The Group is exposed to fluctuations in financing costs and market value movements of its debt portfolio related to changes in market interest rates. The Group's interest rate exposure is mainly addressed through the steering of the fixed/floating ratio of net debt. To manage this mix, the Group may enter into derivative transactions, as appropriate. As at September 30, 2019, the Group has minimal exposure to interest rate risk.

Credit Risk

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

The Group constantly monitors its credit risk exposures.

The Group trades only with recognized, credit-worthy third parties. It is the Group's policy that all third-party customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts to minimal. In addition, the Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

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

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

Liquidity Risk

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

The Group maintains sufficient reserves of cash and cash equivalents, which are short-term in nature, unused credit lines and readily available marketable securities to meet its liquidity requirements at all times. In addition, the strong credit worthiness of the Group allows it to make efficient use of the financial markets for financing purposes. As at September 30, 2019, the Group has unutilized credit facilities of ₱4.3 billion.

Capital Management Policy

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

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

The Group monitors capital, among others, on the basis of gearing ratio.

4. *Financial Assets and Liabilities*

Fair Value of Financial Instruments

The estimated fair value of each class of the Group's financial instruments is equal to their carrying amount as at September 30, 2019 and December 31, 2018. The following methods and assumptions are used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Trade and Other Receivables, Short-term Financial Receivables, Loans Payable and Trade and Other Payables. Due to the short-term nature of the transactions, the fair values of these instruments approximate the corresponding carrying values as at end of each reporting period.

Derivative Liabilities. The fair values of the embedded currency forwards with notional amount of US$5.0 million are calculated by reference to current forward exchange.

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

Fair Value Hierarchy

As at September 30, 2019 and December 31, 2018, the Group does not have financial instruments whose fair values are determined using inputs that are not based on observable market data (Level 3). There were no reclassifications made between the different fair value hierarchy levels in 2019 and 2018.

5. *Segment Reporting*

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

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

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

- Other Construction Materials and services segment, which includes operations from the RMX business, Helps-U-Build-Better (HUBB), Specialty Products and Aggregates Trading.

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

Segment revenues, EBITDA, assets and liabilities as at September 30, 2019 and 2018 are presented below:

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

	2018				
	Clinker and cement	Others	Total	Adjustments and eliminations	Consolidated
			(In Thousands)		
Revenue:					
External customers	₱25,323,941	₱1,805,001	₱27,128,942	₱138,846	₱27,267,788
Inter-segment	209,516	-	209,516	(209,516)	-
	₱25,533,457	₱1,805,001	₱27,338,458	(₱70,670)	₱27,267,788
Operating EBITDA	₱3,406,572	₱215,220	₱3,621,792	(₱853,718)	₱2,768,074
Segment assets	31,167,423	185,021	31,352,444	6,968,909	38,321,353
Segment liabilities	8,610,693	229,076	8,839,769	8,094,439	16,934,208

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

6. *Retained Earnings*

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

Interim Disclosures

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

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

Aside from the disclosure above, the Group is not aware of the following or is not applicable to the Group's interim operations:

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

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

3. Issuances and repurchases of equity securities.

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

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

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

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

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

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

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

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

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

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

Material Changes in Balance Sheet Accounts

82% decrease in Cash and cash equivalents
Mainly due to lower cash generated from operations, higher spending in capital expenditure and settlement of loans.

13% decrease in Trade and other receivables - net
Primarily due to improved collection as per days sales outstanding (DSO) for September 2019 of 17 days was lower compared to 20 days as of December 2018 due to lower sales outstanding coupled with resolute receivables collection.

24% decrease in Inventories
Majority of the movement pertains to the lower fuel inventory and disposal of coal through sale of petcoke.

179% increase in Short-term financial receivables
Increase was attributed to the intercompany loans to parent holdings company.

15% increase in Other current assets
Movement pertains mostly to the advances to suppliers, and creditable withholding taxes, net of decrease due to the release of cash bond and prepaid expenses.

18% increase in Property, Plant and Equipment - net
Due to additional capital expenditures, net of depreciation recognized during the period. Capitalized right-of-use asset in Q3 2019 pertains to lease agreement for office spaces.

273% increase in Intangibles - net
Increase was mainly due to net of additional software cost acquired by the Group and decrease in accumulated amortization due to retirement of HPI's Corporate Life in compliance with the Revised Corporation Code.

53% decrease in Loan payables
Payment of third party loans.

14% decrease in Trade and other payables
Due to lower advances from customers and outstanding third party payables.

22% increase in Income tax payable
Mainly due to higher taxable income for the period.

91% decrease in Other reserves
Due to accrual of share-based remuneration for the period.

25% increase in Retained earnings
Due to net profit recognized for the period.

Material Changes in Income Statement Accounts

13% decrease in Sales
Due to lower demand and delayed government projects.

17% decrease in Cost of goods sold
This was attributable to lower distribution costs from lower outbound costs due to lesser delivered volumes coupled with better fixed costs from improved management of third party services. Favorable production cost, on the other hand, was driven by favorable fuel mix from higher consumption of petcoke in BL and LN plants and lower electricity prices.

37% decrease in Operating expenses
Reduction on the support process cost mainly from lower labor expenses and recalibration of branding program expenses.

43% increase in Depreciation and amortization
Mainly due to increase in Right-of-Use Assets (RoU)-depreciation of fixed assets under IFRS 16.

241% increase in Net financial expenses
Mainly due to higher interest expenses recognized during the period from existing short-term loan payables and lease interest expense from the recognized lease liabilities.

205% increase in Other income (expense)
Mainly due to the higher share in net income from associates compared to same period last year, net of write-off of Corporate Life in compliance with the Revised Corporation Code.

9% increase in Provision for income tax
Due to higher taxable income for the three quarters of the year compared to same period last year.

24% increase in Noncontrolling interest in net income
Increase was mainly due to higher profit of subsidiaries compared to same period last year.

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

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

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOLCIM PHILIPPINES, INC.

Jesa Rojas

Jesusa Natividad L. Rojas
Chief Financial Officer
Date:

Exhibit 4

Schedule of Pending Material Legal Proceedings

MATERIAL LEGAL PROCEEDINGS

1. **In Re: Petition for Interim Measure of Protection under Rule 5 of the Special Rules of Court on Alternative Dispute Resolution; Seasia Nectar Port Services, Inc. vs. Holcim Philippines, Inc.; SP Proc Case No. 377-ML; Branch 95 of the Regional Trial Court in Mariveles, Bataan**

   In the Matter of an Arbitration under the 2015 Arbitration Rules of the Philippine Dispute Resolution Center, Inc.; Seasia Nectar Port Services, Inc. vs. Holcim Philippines, Inc.; PDRCI Case No. 95-2018

   Seasia Nectar Port Services, Inc. ("*Seasia*") filed a petition for interim measure of protection with the Regional Trial Court in Mariveles, Bataan ("*Bataan RTC*") against the Company for the alleged purpose of securing any judgment Seasia may secure from the arbitration case it will supposedly file against the Company with the Philippine Dispute Resolution Center, Inc. ("*PDRCI*"), questioning the Company's termination of their Port Services Agreement effective 22 September 2018. In an Order dated 22 November 2018, the Bataan RTC granted Seasia's petition and issued a writ of preliminary attachment of the Company's properties. The Company's motion for reconsideration was denied by the Bataan RTC.

   Meantime, on 14 December 2018, the Company filed a notice of arbitration with the PDRCI for a declaration that the termination of the Port Services Agreement is valid and for the reversal of the Bataan RTC's Order dated 22 November 2018. Pending the constitution of the arbitration panel, the Company filed an application for interim relief via emergency arbitration for the purpose of lifting the garnishment over the Company's funds.

   The Company's prayer for interim relief was granted by the emergency arbitrator. However, the Bataan RTC refused to enforce and implement the decision in the emergency arbitration proceedings, stating that it is only bound by the decision in the main arbitration proceedings.

   The main arbitration proceedings is currently ongoing.

2. **In the Matter of Waste Pollution Control and Abatement Case vs. Holcim Philippines, Inc.; DENR-PAB Case No. NCR-00909-17**

   On 26 March 2018, the Company received the Pollution Adjudication Board's ("PAB's") Order dated March 8, 2018, directing the Company to cease and desist from undertaking any activity and/or operating machines or equipment generating pollution at its concrete batching plant in Bicutan, Parañaque City.

   Following the Company's completion of the pollution control program approved by the Environmental Management Bureau, presentation of satisfactory proof of the Company's compliance to the wastewater discharge parameters, and satisfaction of its environmental compliance obligation under Republic Act No. 9275, the PAB issued an Order dated 9 October 2018 formally and permanently lifting its March 8, 2018 Order.

3. **In the Matter of Violation of PD 1826 and its Implementing Rules and Regulations (DENR EMB Calabarzon Region Case No. 0220-001-BA-2019)**

In February 2019, the Regional Director of the Environmental Management Bureau – Regional Office No. IV-A ("EMB") issued an order directing the Company to cease operating its cement grinding plant in Mabini, Batangas ("Mabini Plant"). The EMB claims that the Company was operating the Mabini Plant without the requisite permits, including an Environmental Compliance Certificate ("ECC"), and in breach of the regulatory parameters on noise and dust emissions.

In October 2019, the EMB lifted its February 2019 order and allowed the Company to resume operations at the Mabini Plant after the Company proved that: (i) the requisite ECC is in place; and, (ii) the installations that will further reduce the noise and dust emissions, as approved by the EMB, had been completed.

TAX CASES (Parent)

a. The Company filed on June 24, 2014, a Complaint before the Regional Trial Court of Malolos, Bulacan for the annulment of the Notice of Assessment of Business Tax on alleged discovered Unreported Cement Sales dated February 24, 2014 issued by the Municipal Treasurer of the Municipality, Bulacan; and, for the reversal of the denial of the Company's Protest letter dated April 23, 2014 questioning the 2014 Assessment Notice.

While this action was pending, the Company received on October 26, 2015, a 2015 Assessment Notice which assessed the Company for alleged deficiency LBT in the aggregate amount of ₱118.2 Million Pesos for the years 2006 to 2015. Unlike the 2014 Assessment Notice which involves the defendants' assessment of LBT against the Company based on purported undeclared gross sales or receipts for the years <u>2006 to 2012</u>, the 2015 Assessment Notice concerns the Treasurer's assessment of LBT against the Company based on purported undeclared gross sales or receipts for the years <u>2006 to 2015</u>. The Municipal Treasurer did not act on the Company's protest within the 60-day period provided in Section 195 of the LGC, and thus, on March 21, 2016, the Company filed a Complaint/Appeal with the Bulacan RTC which sought the cancellation/nullification of the 2015 Assessment Notice. The two cases were consolidated before Branch 19 of the Regional Trial Court of Bulacan. The Company has completed the presentation of its witnesses and submitted a Formal Offer of Evidence. The consolidated cases are still pending for resolution.

b. The Company received an Assessment from the Provincial Assessor and a Notice of Realty Tax Delinquencies issued by the Provincial and Municipal Treasurers on December 18, 2012, which demanded a total of 80.3 Million Pesos in RPT taxes on Company's machineries and equipment for the years 2011 and 2012. The LBAA granted Company's Motion to Post Bond amounting to 80.3 Million Pesos. The appeal is still pending with the Local Board Assessment Appeals ("<u>LBAA</u>").

On 23 April 2013, the Provincial Assessor of Bulacan issued a revised tax declaration on machineries and equipment at the Company's Bulacan Plant. Thereafter, on 30 June 2013, the Company received an assessment for the years 2011 to 2013 and a computation of real property taxes for the first and second quarters of 2013. The Company was assessed for additional real property taxes in the total amount of 23.8 Million Pesos. On 13 September 2013, the Company received an assessment from the Municipal Treasurer of Norzagaray, Bulacan for real property taxes dues on its 1998 and Additional Line 2 Properties for the third quarter of 2013. The said assessment also reiterated the previous assessments made for 2011 to 2012 and the first and second quarters of 2013. The Company's supplemental appeals, covering the 2013 1st and 2nd Quarter RPT Assessment and September 2013 Assessment with the Local Board of Assessment Appeals are pending resolution.

On 10 March 2014, the Company received 71 tax declarations and 71 notices of assessment over its machineries for 2014 from the Municipal Assessor of Norzagaray, Bulacan. Thereafter on 9 May 2014, the Company received a notice of assessment from the Provincial Assessor of Norzagaray, Bulacan. On 15 May 2014, the Company also received an assessment from the Municipal Treasurer of Norzagaray, Bulacan requiring it to pay deficiency real property taxes for the years 2011 to 2013 in the total amount of 129 Million. On 9 July 2014, the Company's supplemental appeals with the LBAA covering these assessments are pending resolution.

At the suggestion of the Provincial Governor of Bulacan and the Municipal Mayor of Norzagaray, Bulacan, the Company paid under protest on 9 December 2014 real property taxes in the total amount of 120 Million Pesos, allocated as follows; (a) lands: 8.6 Million Pesos; (b) buildings: 3.3 Million Pesos; and (c) machineries: 107.9 Million Pesos. On 9 January 2015, the Company filed three protests with the Provincial Treasurer. Following the Provincial Treasurer's inaction over the Company's protests, the Company filed its appeal with the LBAA, raising the following issues: (a) whether the Company is entitled to an annual depreciation allowance; (b) what is the correct amount that should be credited in the Company's favor on account of its real property tax payments from 2011 until the third quarter of 2013; and (c) whether it is correct to assess interest, surcharges and penalties on the real property taxes that the Company attempted to pay on time but which the local government officials refused to accept in respect of real property taxes for the fourth quarter of 2013 and 2014. This appeal is pending resolution.

On 30 March 2015, the Company received an assessment for deficiency real property taxes for 2015 in the amount of 49.3 Million Pesos. The Company paid the assessed amount and filed a protest with the Provincial Treasurer of Bulacan. Following the Provincial Treasurer's failure to act on the Company's protest within the prescribed period, the Company filed its appeal with the LBAA, which is pending resolution.

On 31 March 2016, the Company received from the Municipal Treasurer of Norzagaray, Bulacan an assessment for deficiency real property taxes for 2016 in the total amount of 103 Million Pesos. The Company paid the said amount and filed a protest with the Provincial Treasurer. Thereafter, on 13 May 2016, the Municipal Treasurer of Norzagaray, Bulacan issued a revised computation of the Company's liabilities for 2016 in the total amount of 46.8 Million Pesos. The Company thus filed a supplement to its earlier protest with the Provincial Treasurer. Following the Provincial Treasurer's inaction over the Company's protest, the Company filed an appeal with the LBAA.

On March 29, 2017, the Company received an RPT assessment corresponding to its lands, buildings and machineries located at the Bulacan Plant for the year 2017. The 2017 RPT Assessment and RPT payment amount to 41.1 Million Pesos. On August 17, 2017, the Company filed an appeal with the LBAA in respect of its payment under protest of the 2017 RPT Assessment in the amount of 41.1 Million Pesos. The LBAA has not yet acted on this Appeal.

On March 26, 2018, the Company received a computation of realty taxes in respect of the RPT due on the Company's Bulacan Plant for the year 2018 in the amount of 52 Million Pesos. On the same date, the Company paid the RPT due on machineries under protest in the amount of 41.1 Million Pesos the Company also paid the RPT due on other properties in the Company's Bulacan Plant on March 26, 2018. The LBAA has not yet acted on this Appeal.

The Company's motion for the resolution of all its pending appeals are pending resolution with the LBAA.

1. HPI has an on-going tax audit for 2016 national taxes. As of December 31, 2019, the BIR has not made any determination of deficiency taxes.

2. HPI has an on-going tax audit for 2017 national taxes. As of December 31, 2019, the BIR has not made any determination of deficiency taxes.

3. HPI has an on-going tax audit for 2018 national taxes. As of December 31, 2019, the BIR has not made any determination of deficiency taxes.

TAX CASES (Subsidiaries)

1. CACI received a final assessment notice from the BIR in December 2014 for alleged deficiency income tax and value-added tax covering the taxable year 2011 amounting to P2.5M, inclusive of penalties and interest. CACI's protest remains pending with the BIR.

2. MGMC received a final assessment notice from the BIR in September 2018 for alleged deficiency income tax amounting to P16.5M, inclusive of penalties and interest. The BIR released its final decision on disputed assessment at an aggregate amount of P7.5M. The Company paid the said amount on April 29, 2019.

3. MGMC received a formal letter of demand from the BIR in November 26, 2018 for alleged deficiency income tax amounting to P11.9M, inclusive of penalties and interest. The BIR released its final decision on disputed assessment at an aggregate amount of P279K. The Company paid the said amount on September 13, 2019.
4. ECLI has an on-going tax audit for 2017 national taxes. As of December 31, 2019, the BIR has not made any determination of deficiency taxes.

5. HPMC has an on-going tax audit for 2017 national taxes. As of December 31, 2019, the BIR has not made any determination of deficiency taxes.

6. HPMC has an on-going tax audit for 2018 national taxes. As of December 31, 2019, the BIR has not made any determination of deficiency taxes.

7. HSSI has an on-going tax audit for 2016 national taxes. As of December 31, 2019, the BIR has not made any determination of deficiency taxes.

8. HSSI has an on-going tax audit for 2017 national taxes. As of December 31, 2019, the BIR has not made any determination of deficiency taxes.

9. HSSI has an on-going tax audit for 2018 national taxes. As of December 31, 2019, the BIR has not made any determination of deficiency taxes.

Exhibit 5

SEC Form 17-C

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. **22 February 2019**
   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. **Philippines** (SEC Use Only)
   Province, country or other jurisdiction of Incorporation 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**
   Registrant's telephone number, including area code

9. **Not Applicable**
   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)*

At the regular meeting of the Board of Directors (the "Board) held today, 22 February 2019, the Board:

1. Accepted the resignation of Mr. David Lucas N. Balangue as an Independent Director and as Chairman of the Audit Committee of Holcim Philippines, Inc. effective immediately;

2. Appointed Mr. Yasuo Kitamoto as Chairman of the Audit Committee to serve for the unexpired term of Mr. David Balangue and until his successor shall have been duly elected and qualified.

3. Approved the postponement of the company's Annual Stockholders Meeting for 2019, which pursuant to its By-laws should be held on the second Thursday of May of each year, to May 24, 2019.

4. Set the record date of the annual stockholders' meeting on April 24, 2019 and delegated to the Corporate Secretary the responsibility of confirming the agenda, venue and time of the annual stockholders' meeting.

5. Approved the Company's Audited Financial Statements for fiscal year 2018, which shall be duly filed with the Commission together with the SEC Form 17-A report.

6. Approved the appointment of Navarro Amper & Co. as the Company's external auditor for year 2019.

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.
Issuer

BELINDA E. DUGAN
Corporate Secretary

February 22, 2019
Date

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY)SS.

Before me, a notary public in and for the city named above, personally appeared Belinda E. Dugan with Passport No. P7916925A issued at DFA-Legaspi on July 10, 2018, who is personally known to me to be the same person who presented the foregoing report and signed the same in my presence, and who took an oath before me as to said report.

Witness my hand and seal this FEB 7 2019 day of February 2019.

Doc. No. 76;
Page No. 17;
Book No. X;
Series of 2019.

ATTY. JONATHAN O. FERNANDEZ
NOTARY PUBLIC
APPOINTMENT NO. 17 (2019-2020) TAGUIG
UNTIL DECEMBER 31, 2020
PTR NO. 3957078; 01-04-2019; BAGUIO CITY
LIFETIME IBP NO. 08909; Bag-Beng Chapter
ROLL NO. 52589
MCLE COMPLIANCE NO. VI-0001319
7/F Two World Square, McKinley Hill
Fort Bonifacio, Taguig City

COVER SHEET

26126

S.E.C. Registration Number

HOLCIM PHILIPPINES, INC.

(Company's Full Name)

7F VENICE CORPORATE CENTER 8 TURIN ST. MCKINLEY TOWN CENTER FORT BONIFACIO TAGUIG

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

BEATRIX R. GUEVARRA

Contact Person

(02) 4593333

Company Telephone Number

12 31

Month *Day*

Fiscal Year

17C

FORM TYPE

Second Thursday of 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. **20 March 2019**
   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. **Philippines** (SEC Use Only)
   Province, country or other jurisdiction of Incorporation 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**
   Registrant's telephone number, including area code

9. **Not Applicable**
   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)*

At the special meeting of the Board of Directors (the "Board) held today, 20 March 2019, the Board:

1. Accepted the resignation of Ms.Leighna Katrina Abarquez as Data Protection Officer effective on April 6, 2019;

2. Appointed Ms. Beatrix R. Guevarra as Data Protection Officer effective on April 6, 2019; and

3. Approved the amendment to Article II of the Company's Articles of Incorporation (to provide for an additional secondary purpose), subject to the approval of stockholders representing at least 2/3 of the capital stock of the Company.

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.
Issuer

March 20, 2019
Date

BELINDA E. DUGAN
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 5, 2019**
   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
   Address of principal office
   1634
   Postal Code

8. **(632) 4593333**
   Registrant's telephone number, including area code

9. **Not Applicable**
   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)

Pursuant to the delegation by the Board of Directors of Holcim Philippines, Inc. (the "Company") to the Corporate Secretary of the responsibility of confirming the agenda, venue, and time of the annual meeting of the company's stockholders for 2019, the undersigned confirms the following details:

Date:	24 May 2019
Time:	10:00 AM
Place:	Marquis Events Place Rizal Drive, Bonifacio Global City, Taguig City, 1634
Record Date:	24 April 2019

Agenda:

1. Call to Order
2. Proof of Notice and Determination of existence of quorum
3. Approval of the minutes of the previous annual stockholders' meeting held on May 18, 2018
4. Approval of the Annual Report and the Audited Financial Statements of the Company for the period ended December 31, 2018
5. Approval of Amendment to Article Second of the Company's Articles of Incorporation
6. Approval and Ratification of all acts, contracts, investments and resolutions of the Board, Committees and Management since the last annual stockholders' meeting
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

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.
Issuer

05 April 2019
Date

Belinda E. Dugan
Corporate Secretary

COVER SHEET

2 6 1 2 6

S.E.C. Registration Number

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

(Company's Full Name)

7 F V E N I C E C O R P O R A T E C E N T E R
8 T U R I N S T . M C K I N L E Y T O W N
C E N T E R F O R T B O N I F A C I O T A G U I G

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

BEATRIX R. GUEVARRA

Contact Person

(02) 4593333

Company Telephone Number

1 2 | 3 1

Month *Day*

Fiscal Year

17C

FORM TYPE

Second Thursday of 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. **10 May 2019**
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. **Philippines** (SEC Use Only)
Province, country or other jurisdiction of Incorporation 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**
Registrant's telephone number, including area code

9. **Not Applicable**
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: *Item1. Change in Control of Issuer*

Today, Holcim Philippines, Inc. (the "Company") received information that an agreement for the sale and purchase of shares in the Company was executed by Holderfin B.V., First Stronghold Cement Industries, Inc., San Miguel Corporation and Lafargeholcim Ltd. whereby Holderfin B.V. agreed to sell its shares in Holcim Philippines, Inc. and shall procure Cemco Holdings, Inc. and Union Cement Holdings Corporation to likewise sell their shares to First Stronghold Cement Industries, Inc, for a consideration of USD 2.15 billion, subject to adjustments upon closing, if any.

First Stronghold Cement Industries, Inc., is a wholly owned subsidiary of San Miguel Equity Investments, Inc. which in turn is a wholly owned subsidiary of San Miguel Corporation.

The transaction is subject to approval of the Philippine Competition Commission and customary closing conditions. Holcim Philippines, Inc. will provide information upon closing of transaction and when actual change of control takes place.

HOLCIM PHILIPPINES, INC.
Issuer

BELINDA E. DUGAN
Corporate Secretary

March 10, 2019
Date

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 24, 2019
   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. Not Applicable
   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. Annual Stockholders Meeting

At the Annual Stockholders Meeting of the Company held today, May 24, 2019, at Marquis Events Place, Rizal Drive, Fort Bonifacio, Taguig City, the stockholders of the Company:

1. Approved the Minutes of the Annual Meeting held on May 18, 2018;

2. *Approved the Annual Report and the Audited Financial Statements of the Company as of* December 31, 2018;

3. Approved the Amendment to the Second Article of the Company's Articles of Incorporation (to provide for an additional secondary purpose)

4. Approved and ratified all acts, contracts, proceedings, investments and resolutions of the Board of Directors, Board Committees, Corporate Officers and Management since the last annual meeting;

4. Elected the following as members of the Board of Directors for the year 2019-2020 and until their successors shall have been duly elected and qualified;

a. Tomas I. Alcantara
b. Martin Kriegner
c. John William Stull
d. Rajani Kesari
e. Yasuo Kitamoto (Independent Director)
f. Leandro Javier (Independent Director)
g. Thomas Aquino (Independent Director)

5. Approved the appointment of Navarro Amper & Co. as External Auditor of the Company *for the year 2019-2020.*

III. Organizational Meeting of the Board of Directors

At the Organizational Meeting of the Board held today, May 24, 2019, at Marquis Events Place, Rizal Drive, Fort Bonifacio, Taguig City, the following officers were elected to serve for the year 2019-2020, until their successors shall have been duly elected and qualified:

Chairman	-	Tomas I. Alcantara
Vice Chairman	-	Martin Kriegner
President & Chief Executive Officer	-	John William Stull
Senior Vice President, Chief Finance Officer/ Treasurer/ Investor Relations Officer	-	Jesusa Natividad L. Rojas
Senior Vice President, Head Manufacturing	-	Neils Ledinek
Senior Vice President, Head of Sales	-	William C. Sumalinog
Senior Vice President, Head of Aggregates and Construction Materials & Infrastructure	-	Fredric Fabien
Senior Vice President, Head of Marketing and Innovation	-	Ramakrishna Maganti
Senior Vice President, Head of Organization and Human Resources	-	Bernadette Tansingco
Vice President, Plant Manager (Lugait)	-	Bobby Garza
Vice President, Plant Manager (Davao)	-	*Xavier Kennedy Savarimuthu*
Vice President, Plant Manager (La Union)	-	Eraño Santos
Vice President, Plant Manager (Bulacan)	-	Geert Kuiper
Vice President, Head of Geocycle	-	Frederic Vallat

Vice President, Head of Sales Greater Manila Region	-	Edwin Villas
Vice President, Head of Sales Mindanao Area	-	Allan Valencia
Vice President, Head of Sales Central Philippines Region	-	Ernesto Paulo Tan
Vice President, Head of Sales Northern Philippines Region	-	*Albert Leoveras*
Vice President , General Counsel, Corporate Secretary and Compliance Officer	-	Belinda Dugan
Vice President, Head of Health, Safety & Security	-	Richard Cruz
Vice President, Head of Communications	-	Ann Claire Ramirez
Vice President, Head of Strategy	-	Zoe Verna Sibala
Chief Internal Auditor	-	Victoria Tomelden
Data Privacy Officer/ Assistant Corporate Secretary	-	*Beatrix R. Guevarra*

In the same meeting, the following members of the Committees of the Board were also elected:

Executive Committee

1) Martin Kriegner	-	Chairman
2) Tomas I. Alcantara	-	Member
3) Rajani Kesari	-	Member
4) John William Stull	-	Member

Audit Committee

1) Yasuo Kitamoto (Independent)	-	Chairman
2) Leandro Javier (Independent)	-	Member
3) Rajani Kesari	-	Member

Corporate Governance Committee

1) Martin Kriegner	-	Chairman
2) Tomas I. Alcantara	-	Member
3) Yasuo Kitamoto (Independent)	-	Member
4) Leandro Javier (Independent)	-	Member
5) Thomas Aquino (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

Belinda E. Dugan
Corporate Secretary

May 24, 2019
Date

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. **June 18, 2019**
   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. **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
   Address of principal office
   1634
   Postal Code

8. **(632) 4593333**
   Registrant's telephone number, including area code

9. **Not applicable**
   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 special meeting of the Board of Directors (the "Board") of Holcim Philippines, Inc. (the "Company") held today, June 18, 2019, the Board approved the closure and dissolution of the Company's fully-owned subsidiary, Wellborne International Group Limited.

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.
Issuer

June 18, 2019

BELINDA E. DUGAN
Corporate Secretary

109242019004693

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
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Company Information

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Company Name	HOLCIM PHILIPPINES, INC.
Industry Classification	
Company Type	Stock Corporation

Document Information

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No. of Days Late	0
Department	CFD
Remarks	

COVER SHEET

2 6 1 2 6

S.E.C. Registration Number

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

(Company's Full Name)

7 F V E N I C E C O R P O R A T E C E N T E R

8 T U R I N S T . M C K I N L E Y T O W N

C E N T E R F O R T B O N I F A C I O T A G U I G

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

BEATRIX R. GUEVARRA

Contact Person

(02) 4593333

Company Telephone Number

1 2 3 1

Month *Day*

Fiscal Year

17C

FORM TYPE

Second Thursday of 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

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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. **23 September 2019**
   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. 6. (SEC Use Only)
   Province, country or other jurisdiction of Incorporation 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**
   Registrant's telephone number, including area code

9. **Not Applicable**
   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. Frederic Fabien has resigned as Senior Vice President, Head of Aggregates and Construction Materials & Infrastructure effective 01 October 2019.

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.
Issuer

BELINDA E. DUGAN
Corporate Secretary

23 September 2019
Date

110282019001550

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

Document ID	110282019001550
Document Type	17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code	17-C
Period Covered	October 25, 2019
No. of Days Late	0
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)

BELINDA E. DUGAN

Contact Person

(02) 8459333

Company Telephone Number

12 31

Month Day

Fiscal Year

17C

FORM TYPE

Month Day

ANY DAY OF APRIL/MAY

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

Top be accomplished by SEC Personnel concerned

LCU

CASHIER

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. **25 October 2019**
   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. **Philippines** (SEC Use Only)
   Province, country or other jurisdiction of Incorporation Industry Classification Code:

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

8. **(632) 84593333**
   Registrant's telephone number, including area code

9. **Not Applicable**
   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: *Item9. Other Events*

The undersigned Corporate Secretary received information today, October 25, 2019, that the Company's Manila terminal received from the Laguna Lake Development Authority ("LLDA") an order to pay the amount of Five Hundred Thirty Thousand pesos (Php 530,000.00) in connection with the samples of the wastewater discharged from the Company's terminal at Manila Harbor Center, Industrial Park, Vitas, Tondo, Manila. The covering resolution was received by the Manila Terminal on 16 October 2019.

HOLCIM PHILIPPINES, INC.

BELINDA E. DUGAN
Corporate Secretary

October 25, 2019
Date

Exhibit 6

Sustainability Report

Annex A: Reporting Template

Company Details	
Name of Organization	Holcim Philippines, Inc. and its Subsidiaries
Location of Headquarters	7th Floor, Two World Square, Mckinley Hill, Fort Bonifacio, Taguig City
Location of Operations	Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	1. Holcim Philippines, Inc. 2. Excel Concrete Logistics, Inc. 3. Holcim Philippines Business Services Center, Inc. 4. Hubb Stores and Services, Inc. 5. Holcim Philippines Manufacturing Corporation 6. Mabini Grinding Mill Corporation 7. Bulkcem Philippines, Inc. 8. Calamba Aggregagates, Inc.
Business Model, including Primary Activities, Brands, Products, and Services	The Company is primarily enagaged in the manufacture, sale and distribution of cement and cementitious materials.
Reporting Period	December 31, 2019
Highest Ranking Person responsible for this report	Ann Claire Ramirez

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount (in thousands)	Units
Direct economic value generated (revenue)	33,486,771	PhP
Direct economic value distributed:		
a. Operating costs	7,448,592	PhP
b. Employee wages and benefits	1,773,627	PhP
c. Payments to suppliers, other operating costs	18,913,510	Php
d. Dividends given to stockholders and interest payments to loan providers	390,905	PhP
e. Taxes given to government	6,644,167	PhP
f. Investments to community (e.g. donations, CSR)	15,192	PhP

What is the impact and where does it	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
Holcim Philippines' operations provide opportunities for employment directly to people particularly around the communities where we operate, and indirectly through our various suppliers and contracted service providers that support the day-to-day operations of the company. Under the Company's Corporate Social Responsibility (CSR) programs, various projects involving livelihood, skills training, educational scholarships, disaster response and the like are being implemented to help in the development of the communities where our plants are located.	Holcim employees, host community, suppliers and service providers, government	Holcim Philippines promotes global health and safety standards, participates andimplements CSR projects both at the plant and corporate level, and seeks to operate its plants at best-in-class standards guided by the LafargeHolcim Cement Industrial Framework (CIF). Our corporate governance system ensures that our operations are fully compliant with government rules and regulations, adhere to fair competition and our employees perform their functions adhering to the Company's core values which are Customers, Results, Integrity, Sustainability and People.

What is the impact and where does it	Which stakeholders are affected?	Management Approach
Holcim Philippines' building products and solutions are essential materials used by builders to execute a wide range of projects with high performance and efficiency, from massive infrastructures to simple home repairs. Our products are vital to the success of the government's Build Build Build program. Holcim Philippines is a key partner in the government's thrust to develop and grow its local manufacturing industry.	Government, customers and end-users such as builders, property developers, users of buildings, roads and other infrastructure	Holcim Philippines promotes innovation that help improve the building industry through research and development initiatives. It also leverages on the Global technological expertise of the LafargeHolcim Group. Each integrated plant is capable of conducting in-house test through its cement and concrete testing laboratory. This initiative has been extended to support the Company's key customers through the availability of Holcim Mobile Laboratories capable to conduct tests in offsite location to provide easy access to its services. The Company has a technical sales team who provide support to customers on concrete and other building solutions to enhance efficiency and productivity.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Identify risk/s related to material topic of the organization Holcim Philippines continues to implement its cost management initiatives while driving more topline sales for a sustainable profitable growth. The high cost of production and inability to sustain profitable cement operations may lead to plant closure.	Holcim employees, investors and shareholders, end-users/customers, communities surrounding the plants	Holcim Philippines has processes and programs in place to ensure its operations meetits financial objectives and shareholder expectations a all times: 1. Cement Industrial Framework (CIF) program that implements best-in-class standards across all operational aspects of our cement plants 2. Corporate governance system to ensure business practices across our operations are compliant at all times. A disciplinary system is in place to address unethical behaviour/practices of HPI employees in accordance with our Code of Business Ethics 3. Annual business and strategic planning and monthly management reviews with top management to review performance against set targets and objectives 4. Investments on new capacity in response to growth in demand as well as in the maintenance of equipment 5. Product innovation through the Product Development Committee 6. Community Relations and CSR programs to ensure harmonius and mutually beneficial relationship with the local communities

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Identify risk/s related to material topic of the organization Government regulations in the form of new taxes in an already heavily-taxed mining industry would further increase cost of production impacting the viability of cement manufacturing operations	Holcim investors and shareholders, direct and indirect employees, end-users/customers	Holcim maintains regular engagement with government and community stakeholders toanticipate any regulatary changes that would adversely impad the continued viability of the company.
Identify risk/s related to material topic of the organization With the Philippines' strong demand for cement due to the growth of the construction industry, the unabated entry and dumping of cheap cement imports from neighboring countries can impair the ability of local manufacturers to compete profitably.	Holcim investors and shareholders, direct and indirect employees, end-users/customers	Holcim continously works with government stakeholders to help strike a good balance between promoting the development of the local industry and protecting consumer interest through active participation in public consultations and trade policy planning.

What are the Opportunity/ies	**Which stakeholders are affected?**	**Management Approach**
Identify opportunity/ies related to material topic of the organization Holcim Philippines remains committed to support the government as a partner for progress. This leads to assessment of current operations to see need for further capacity expansion to meet growing demand and support local manufacturing industry development.	Holcim investors and shareholders, direct and indirect employees, end-users/customers	Holcim Philippines continously works with government stakeholders to help government strike a good balance between promoting the development of the local industry and protecting consumer interest through active participation in public consultations and trade policy planning
Identify opportunity/ies related to material topic of the organization Holcim Philippines' mission is to be known as one of the best building solutions providers in the country and this is realized through the introduction of new innovative products and solutions that enhance efficiency, productivity and promote sustainable construction.	End-users/customers, masons, contractors, government agencies ie. Department of Trade and Industry, Department of Public Works and Highways.	Holcim Philippines has strengthened its Marketing and Innovation department to ensure the following: 1. Establishment of a Product Development Committee that oversees the development of products that are sustainable and environmental-friendly, ie. low clinker factor products, Go Blended Strategy. 2. Expansion and continuous review of offer range is being implemented to include other related products, concrete and construction solutions. 3. The Company takes lead of the continuous education of the market on new construction practices based on international practice.
Identify opportunity/ies related to material topic of the organization Holcim Philippines economic contributions goes beyond cement. The company's operations creates opportunities for direct and indirect employment. It is also one the top tax payers in the municipalities or cities where it operates. The company's livelihood training and scholarship program for its communities also improves beneficiaries' ability to improve their lives.	Holcim employees, suppliers and contractors, government, local community	Holcim Philippines creates an attractive environment for employees. The company works with the communities for its livelihood programs to help support their day-to-day activities.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach	
Climate-related risks and opportunities			
Disclose the organization's governance around climate-related risks and opportunities	Disclose the actual and potential impacts[16] of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

Recommended Disclosures			
The Chief Executive Officer, who is a member of the Board, oversees the Company's sustainability initiatives. He leads the Executive Committee as they work together in ensuring that the Company achieves its sustainability commitments. The climate-related risks and opportunities are considered in developing the sustainability strategy and commitments.	The Philippines cement industry is associated with high CO_2 intensity, and Holcim Philippines is subject to a variety of government regulations to reduce emissions, some of which may be under revision. These regulations can affect the business activities of the Company. In addition, a perception of the sector as a high emitter could impact its reputation, thus reducing its attractiveness to investors.	The Company follows the risk managemement approach of LafargeHolcim Group composed of several stages: 1. Risk Identification and Analysis: The management assesses and evaluates the potential impact and likelihood of the key risks which could have a material adverse effect on the current or future operation of the business. The risk horizon includes long-term strategic risks and also short- to medium-term business risks. 2. Risk Mitigation: The management defines the actions and/or controls to mitigate the risks identified. 3. Monitor and Reporting: Regular progress on the actions and/controls are followed up by risk leaders at country level and reported to the Group. 4. Verification and Remediation: Internal control audit performs assessments of the effectiveness of risk assessment process. The Group Internal Audit also performs independent assessment of the effectiveness of Internal Control.	Holcim Philippines measures its climate goals interms of reduced net CO_2 emissions (measured in kilograms of CO_2 per tonne of cementitious material, or kg CO_2/tonne). The company's emission targets are aligned with and contribute to the LafargeHolcim Group's target of 520 kg/t by 2030.

Recommended Disclosures			
The Executive Committee ensures the implementation of the sustainability strategy and its integration to the overall planning and operations. The sustainability strategy and commitments are translated into functional objectives, action plans, milestones and responsibilities across the operations.	Being a signatory of the Paris Agreement, the Philippine government has revised and submitted its nationally determined contribution (NDC) to the reduction of carbon emissions, which includes mitigation options for the cement industry such as transition to low-carbon products. This shift entails increase in production of blended cement and introduction of innovative cement solutions. Although there are already some regulations to use more blended cement in the market, a push from government is necessary to implement these. In addition, should the government fail to incentivize consumption of low-carbon products, customers may be unwilling to pay additional costs and the cement sector's low carbon roadmap might be compromised.	The Company's sustainability strategy to address CO2 and climate challenge in construction value chain are divided into two sets of actions; short-term and long-term: • Short-term actions: (i) improved clinker production technology; (ii) higher usage of alternative fuels and alternative raw materials; (iii) optimization of the cement portfolio with lower CO2 footprint; (iv) optimization of the concrete product portfolio; (v) increase share of solutions and products with favorable CO2 impact; • Long-term actions: Innovation and research and development into (i) carbon capture solutions and alternative clinker; (ii) decarbonized fuel and energy; (iii) low-carbon cement; (iv) low-carbon concrete; (v) ultimate construction methods to reach low-carbon construction. These long-term actions are mostly initiated by the Group company and cascaded to member companies. Holcim Philippines also engages proactively and transparently with external stakeholders on the basis of positions that are aligned and consistent with the goals of the Paris Agreement.	Themain drivers in reducing our CO2 net emissions are clinker substitution in cement, use of alternative fuels such as waste-derived fuels and biomass and energy efficiency. In 2019, Holcim Philippines' net CO2 per tonne of cementitious materials is 646 kg/t. The Company plans to reduce this by producing more blended cements such as its new product called "Solido", increase usage of alternative fuels and continuous improvement of operations for more effcient energy use.
		Responsibilities concerning risks are clearly defined following the underlying principle that risk management is line management responsibility. Clear roles and responsibilities are defined aligned to the sustainability strategy and commitments.	

[15] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

[16] For this disclosure, impact refers to the impact of climate-related issues on the company.

Procurement PracticesProportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	14,726,727,028.00	89%

What is the impact and where does it	Which stakeholders are affected?	Management Approach
Holcim Philippines evaluates new and current suppliers using its Code of Business Conduct, OHS, Human Rights & Labor, Environmental Systems and Legal Requirements which are the focus areas of the Sustainable Procurement Initiative (SPI). SPI is anchored on the LafargeHolcim 2030 Plan for Sustainable Development.	Employees, suppliers, contractors, community and government	As part of the Holcim Philippines' accreditation process, suppliers are required to answer a self-assessment questionnaire on sustainable development and to sign a Vendor Master Agreement (VMA) which affirms, among others, suppliers' commitment to the SPI. In addition to the questionnaire, suppliers also agree to a fact-finding inspection or audit, if necessary, by Holcim Philippines or its designated representative to check actual compliance with the SPI.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Holcim Philippines strives to ensure it operates with safety, integrity and sustainability in mind. However, dealing with suppliers and service providers poses risks to the Company in the following circumstances: 1. Contractors affecting the safety performance of the company 2. Engaging with suppliers not licensed to operate. 3. Unintentional purchasing of fake or stolen materials 4. Joint liability on the unlawful practices of contractor including non-payment of wages; remittance of contribution, child labor, etc.	Holcim employees, suppliers, contractors and service providers	The LafargeHolcim Group engages a third party to assess high risk suppliers against sustainability targets; identify deviations and provide recommended actions. At the local level, Holcim Philippines addresses the deviations with the concerned supplier with agreed actions, timeline and consequences for continued deviations and/or non-compliance. Checks and assessments on supplier compliance with legal requirements are conducted regularly, and they are made to comply to the Company's "zero tolerance" on bribery and corruption.

What are the Opportunity/ies	Which stakeholders are affected?	Management Approach
Identify the opportunity/ies related to		
Anti-corruptionTraining on Anti-corruption Policies and Procedures		

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	149	12 %
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	18	85%
Percentage of employees that have received anti-corruption training	149	12% (*only those employees who are identified as medium and highly exposed employees are required to undergo ABCD training)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Holcim Philippines endeavors to conduct its business with integrity. Pursuant to this and aligned with the global policies on business conduct, Holcim practices zero tolerance to corruption in its private and public relations.	Holcim employees, communities, government, suppliers and service providers	Holcim Philippines Inc. implements a Code of Business Conduct (CoBc) which provides guidelines for intercation with external entities, business partners and government agencies. To aid in the implementation and monitoring of the compliance with the policy through continuous awareness and training programs, audit activities, third party due diligence and integrity line monitoring. The company untilizes both face-to-face trainings and online materials to enhance and supplement the basic awareness of its empoyees and strengthen their understanding of the CoBC. Further, the CoBC is discussed with stakeholders and business partners to align with the objectived of the Company and ensure compliance in all aspects of the business. Business partners including suppliers are required to adhere with the anti-corruption objectives and policies of the company and maintain their commitmet throughtout the business replationship.

What are the Risk/s Identified?	Which stakeholders are affected?	
Holcim Philippines' commitment to zero tolerance to corruption faces challenges with regard to the following: 1. Maintaining a culture of compliance; 2. Ensuring the consistency of an effective tone from management; and 3. Retaining good practices to exposed employees and functions.	Holcim employees, communities, government, suppliers and service providers	The Code of Business Conduct seeks to ensure zero tolerance from corruption through the implementation of the following directives and policies: 1. Anti-bribery and corruption; 2. Gifts and entertainment; 3. Sponsorship and donations; 4. Conflict of Interest; 5. Third Party Due Diligence; and, 6. Integrity Line.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The legal and compliance team aims to ensure the Company's integrity and reputation vis-a-vis corruption directives.	Holcim employees, communities, government, suppliers and service providers	The persistent challenges of norms, customs and complacent behaviors have been slowly addresed through effective and prompt planning and proactive development of means to avoid exposure to corruption.

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	None	#
Number of incidents in which employees were dismissed or disciplined for corruption	6	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Holcim Philippines' procurement process requires it to evaluate prospective and current suppliers and third parties to check compliance anti-corruption policies as well as review possible cases of corruption. A hotline where employees can proactively report violations of the Code of business conduct has been utilized consistently to investigate allegations in all levels of management.	Employees, suppliers, community stakeholders	The Code of Business Conduct and business processes delineates the roles, responsibilities and functions of employees and management in the operations and conduct of business while the HPHI Way identfies guide behavior for all employees and the management to remain consistent with the company's commitment to integrity. Business tools are utilized to maintain objectivity of interactions and fill open gaps where corruption may occur.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Pursuing a culture of integrity and compliance showed several challenges namely: 1. Employee interaction with external parties are gaps where corruption may occur; and, 2. Checks and balances within the company should be reviewed and reinforced based on actual incidents.	Employees, suppliers, community stakeholders	Holcim Philippines continuous the enhancement of the efficiency and transparency in the conduct of its business and interactions with various stakeholders. Internal policies and business processes have strong integrity checks to ensure that exposure to curruption and/or impropriety is limited.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The internal framework for reviewing issues and incidents is a valuable tool in developing the business processes which ensure integrity of anti-corruption policies. Mechanisms for checks and balances are also strengthened because of practical learnings and experiences. Likewise, awareness of the policies is developed because of precedent cases which illustrate the commitment of the Company to integrity.	Employees, suppliers, community stakeholders	Holcim Philippines has a multi-function approach in creatng and enforcing business processes. Regular audits are conducted accross all funcions and processes within the organization to ensure compliance with the CoBC and business process. Further to this, investigation of incidents includes review of peers from associate functions who contribute valuable perspective on findings.

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	1,868,994	GJ
Energy consumption (gasoline)	*na*	GJ
Energy consumption (LPG)	*na*	GJ
Energy consumption (diesel)	*na*	GJ
Energy consumption (electricity)	640,334,836	kWh
Reduction of energy consumption		
Disclosure	**Quantity**	**Units**
Energy reduction (gasoline)	*na*	GJ
Energy reduction (LPG)	*na*	GJ
Energy reduction (diesel)	*na*	GJ
Energy reduction (electricity)	12,085,675	kWh
Energy reduction (gasoline)	*na*	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* Cement production is an energy-intensive process. Energy costs and security of supply are key business drivers. Improving our energy efficiency reduces the carbon intensity of our products and lowers our production costs.	*(e.g. employees, community, suppliers, government, vulnerable groups)* Holcim employees, community, suppliers and service providers	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* Holcim Philippines is committed to embed sustainability along its entire value chain. The Company's strategy is aligned with the LafargeHolcim's 2050 vision with four strategic drivers: Climate and Energy, Circular Economy, Environment and Community. Under Climate Energy, the Company commits to reducing its CO2 emissions by consuming less energy per tonne of product, mostly by using alternative fuels and improving the efficiency of our processes. This is also achieved by reducing its clinker-to-cement ratio. In 2019, Holcim Philippines Company ran its plants for 38 days in total using alternativefuels leading to 32 days of carbon-neutral operations. This is made possible by utilizing qualified wastes such as industrial and municipal solid waste as alternative fuel in cement kilns through co-processing technology.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Identify risk/s related to material topic of the organization Holcim continues to implement its cost management initiatives while driving more topline sales for a sustainable profitable growth. However, the risks identified that may impact our operations are high energy costs and unstable supply of raw materials. On the use of alternative fuel, current legislation proposals on banning importation of some alternative fuels such as PEF (processed engineered fuel) may affect the sustainable supply of alternative fuels.	Holcim, suppliers and service providers.	The Company has secured long-term contracts with service providers for power to supplyour operations. In terms of coal and fuel requirements, we secure annual supply contracts. In addition, we continuously seek to increase our usage of alternative fuels through Geocycle to support fuel requirements of the company.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Identify the opportunity/ies related to material topic of the organization As part of Holcim Philippines' commitment to sustainable operations, we are exploring alternative energy supply to lessen our impact to the environment.	Holcim employees, community, suppliers and service providers	Renewable sources of energy to supply the Company's requirements are constantly being explored through potential partnerships, for example with solar energy suppliers and service provides. This initiative will lead to lower down carbon intensity of cement products. The use of alternative fuels is strongly being positioned to increase as among the solutions to ease the country's waste management challenges. The company has partnered with different municipalities to co-process their properly sorted wastes or MSW.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	1,621,057	Cubic meters
Water consumption	1,606,025	Cubic meters
Water recycled and reused	140,142	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* The construction material industry is not a large consumer of water compared to other industries however water is an essential resource in operations so its sustainable management should be ensured.	*(e.g. employees, community, suppliers, government, vulnerable groups)* Holcim employees, community, suppliers and service providers	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* Reducing the Company's freshwater withdrawal for operations is one of its sustainabiity commitments. In 2019, Holcim Philippines reduced its freshwater withdrawal by around 15% compared to last year. The following actions are being implemented to ensure sustainable management of water resource: 1. Measurement of operational water footprint 2. Optimization of plant water efficiency through water recycling, rainwater harvesting and stormwater management to reduce freshwater withdrawal and consumption 3. Assessment of water risks 4. Engagement with stakeholders on sharing water resources more effectively and efficiently 5. Sharing water used at sites to communities and the environment located in water-scarce areas.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Identify risk/s related to material topic of the organization The pressure of population growth, urbanization and increased industrialization are expected to increase the demand for water and cause its price to rise.	Holcim employees, community, suppliers and service providers	Water efficiency measures are continuously being implemented across Holcim Philippines sites to ensure less withdrawals of fresh water.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Holcim Philippines strives to achieve a sustainable operation. It shares water resources with earby communities and it is therefore important to utilize water resources efficiently in operations.	Holcim employees, community, suppliers and service providers	The Company continuously engages with stakeholders especially nearby communities on sharing water resources more effectively and efficiently.

<u>Materials used by the organization</u>

Disclosure	Quantity	Units
Materials used by weight or volume		
☐ renewable	n/a	kg/liters
☐ non-renewable	10,056,170	metric tons
Percentage of recycled input materials used to manufacture the organization's primary products and services	3.9	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* Cement production is one of the most resource-intensive operations in the country. It utilizes raw materials such as limestone, silica and shale to produce clinker, the main ingredient of cement. Mineral components (MIC) such as pozzolan, limestone, fly ash and slag are then added to the limestone to produce cement. Gypsum is also added as cement retarder. Holcim Philippines sources most of the raw materials for clinker from associate company, Holcim Mining and Devt Corp. (HMDC) and its subsidiaries which hold Mineral Production Sharing Agreements for its quarries in various areas in La Union, Bulacan, Davao and Misamis Oriental. The MICs are sourced from various suppliers.	*(e.g. employees, community, suppliers, government, vulnerable groups)* Holcim, community, supplier and service providers	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* As part of Holcim Philippines' sustainability commitments, the company continuously reduces its clinker consumption in cement by increasing alternative mineral components such as fly ash, pozzolan and slag. The fly-ash and slag are waste-derived resources. Replacing the clinker in the final cement products with these alternative mineral components (MIC) reduces the clinker in cement while enhancing its properties. This is important since clinker is carbon intensive to produce and using such mineral components enablesto produce more cement while keeping emissions down.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Identify risk/s related to material topic of the organization Sustainable supply of these raw materials especially the MICs remains to be a risk. Slag and neutralized phosphogypsum are being imported. The fly ash are supplied by local coal-fired power plants and potentially can be imported.	Holcim, suppliers	The Company continuously conducts exploration of raw materials (and alternatives), and implements plant optimization to reduce risk.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Identify the opportunity/ies related to material topic of the organization The Company sees the shift to more waste-derived resources as means to minimize the use of virgin raw materials mined from quarries.	Holcim, suppliers	As a Company, there is a continuous drive to source for more waste-derived resources for cement production. Due to limited local supply however, we support the regulatory frameworks for importation of these materials.

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	
Habitats protected or restored	N/A	
IUCN[17] Red List species and national conservation list species with habitats in areas affected by operations	N/A	

What is the impact and where does it occur? What is the	Which stakeholders are affected?	Management Approach
17 International Union for Conservation of Nature		
Organization's involvement in the impact?		
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
Environmental impact management Air Emissions *GHG*		

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	4,105,956	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	301,459	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	n/a	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or* Holcim Philippines acknowledges the environmental impacts of operations and remains committed to implementing measures that prevent or limit its effects. The clinkering process with the use of raw material such limestone and fossil fuels are the major contributors to CO2 emissions. It is during the production of clinker, the main component of cement, when most CO2 emissions associated with cement occurs. The majority of these emissions are unavoidable, as they result from the chemical reaction that occurs when the raw material (limestone) calcinates into clinker in the kiln.	*(e.g. employees, community, suppliers, government, vulnerable groups)* *Holcim, community, suppliers and service providers*	What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic? As of 2019, Holcim Philippines has reduced CO2 emission by 18% from the 1990 baseline. The Company achieved these through the following: 1. Clinker Substitution Replacing the clinker with alternative mineral components such as pozzolan, slag or fly ash reduces the carbon intensity of the cement. A significant portion of these constituents come from waste or byproducts recovered from other industries. These waste-derived resources are used for blended cement production. 2. Alternative Fuels (Waste derived-fuels and biomass) Using pretreated waste and low-carbon fuels is another key way to reduce the carbon intensity of cement. Such alternative fuels emit less CO2 than traditional fuels. Other sources, such as biomass that we use, are considered carbon neutral. Using these alternative energy sources also diverts waste from incineration or landfill, providing a solution to waste management issues, and helps in keeping fossil fuels in the ground. 3. Energy efficiency

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Identify risk/s related to material topic of the organization Sustainable supply of alternative fuels and waste-derived resources such as fly ash and slag remains to be a challenge.	Holcim employees and suppliers	The Company continuously explores more sources and support regulations allowing for importation of these materials due to local supply limitation.
Identify the opportunity/ies related to material topic of the organization The Department of Trade and Industry (DTI) also recently approved the amendment of the Philippine National Standard (PNS) on Portland Cement with the goal of promoting common understanding among stakeholders of the cement industry in building safe, resilient, and sustainable infrastructures for inclusive industrialization. The new PNS highly promotes the use of different types of mineral components such as slag and fly ash from waste-derived resources to produce blended cement for different applications.	Holcim employees and suppliers	Holcim Philippines takes the lead to shifting the market to more blended cement. It has deliberately increased its production of blended cement with waste-derived resources to reduce CO2 emission as this main driver for reduction.

<u>Air pollutants</u>

Disclosure	Quantity	Units
^{NO}x	5,881,140	kg
^{SO}x	229,380	kg
Persistent organic pollutants (POPs) - *PCB-contaminated transformers (quantity covers the oil + container)*	47,028	kg
Volatile organic compounds (VOCs)	176,303	kg
Hazardous air pollutants (HAPs)	0	kg
Particulate matter (PM)	318,709	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
Air emissions are a key environmental aspect of cement production. Holcim Philippines ensures that emissions are monitored and managed through improvement of emissions from point sources and fugitive sources.	Holcim employees, community, contractors and/or service providers	Holcim Philippines' integrated plants are equipped with Continuous Emission Monitoring System (CEMS) to measure and monitor major atmospheric emissions such as dust or particulate matter, N0x, SOX and VOC. The company ensures 100% availability of this system through annual maintenance and calibration by a third-party. The company also conducts external monitoring through the following: 1. Multi-partite monitoring with a team composed of representatives from the local government, community, non-government organizations and DENR-PENRO / CENRO and conducts quarterly monitoring and witnesses ambient monitoring 2. Annual test house measurements (point sources) - third-party conducts stack sampling and testing of all plants to validate the results from CENS and provides information on heavy metals emissions including levels of dioxins and furans during testing 3. Quarterly ambient air monitoring - engagement of DENR-accredited third-party laboratory to conduct quarterly monitoring for self-monitoring

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Identify risk/s related to material topic of the organization There is a potential stricter regulatory limits for air emission to be implemented for companies like Holcim Philippines.	Holcim employees, community, contractors and/or service providers	The Holcim Philippines plants shall need to invest on upgrading and/or replacing current facilities with new technologies and which may require CAPEX to ensure continued compliance and improving environmental performance of the plant.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Holcim Philippines' commitment to sustainability targets pushes its operations to reduce emissions significantly below the regulatory limits.	Holcim employees, community, contractors and/or service providers	The company continuously improves operations through process optimization and emission control techniques. Holcim plants are equipped with electrostatic precipitators (EP) and baghouses to manage particulate matters. In one plant, we have upgraded our dust collector system with baghouse filters worth 30 million CAPEX. Holcim Philippines continuously improve its thermal process through optimizations to effectively manage NOx and VOC. It has in place strict quality controls for raw materials, fuels and AFR to manage SOx and heavy metals emissions.

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	241,173	kg
Reusable	83,472	kg
Recyclable	75,230	kg
Composted	56,326	kg
Incinerated	0	kg
Residuals/Landfilled	26,145	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* Holcim Philippines ensures proper management and disposal of wastes in the plant and complies to regulatory requirements.	*(e.g. employees, community, suppliers, government, vulnerable groups)* Holcim employees, contractors and/or service providers	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* Holcim Phillippines follows the waste management hierarchy which prioritizes waste avoidance, reduction, re-processing, and recycling. The materials at the plants that can be recycled are sold to accredited scrap buyers while the rest of the wastes are composted when applicable and others are sent to Geocycle for co-processing. These practices are included in the company's waste managment protocols which are strictly being implemented in the sites.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Identify risk/s related to material topic of the organization Potential risks may occur if Holcim employees and its contractors do not adhere to the proper waste management protocols across sites.	Holcim employees, contractors and/or service providers	As a Company, we strengthen and promote the change in behavior through various initiatives. We promote proper waste management campaigns through rewards and consequence managements.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization As the country has huge waste management issues, Holcim Phillippines helps through the co-processing of properly sorted municipal wastes collected from our partner municipalities. As we try engage our employees and contractors on proper waste management, they can bring these good practices in their homes and to the community where they live.	Holcim employees, contractors and/or service providers	Holcim Philippines aims to constantly engage its employees, contractors and communities to promote proper waste management. Through Information, Education and Campaigns (IEC), our Company strengthens the capacity of the local government in implementing and promoting proper waste management. Part of social developmet programs are supporting and strengthening the Material Recovery Facilities (MRFs) in the barangays where we operate.

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	112,295	kg
Total weight of hazardous waste transported	28,511	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
As part of compliance and operating with sustainability in mind, Holcim Philippines ensures proper management and disposal of hazardous wastes in the sites, and complies with regulatory requirements.	Holcim employees, contractors and/or service provider	Our Company executes strict regulations on hazardous wastes. The wastes are monitored and properly stored in a hazardous waste facility with proper labelling. An accredited service provider is engaged to dispose the hazardous wastes.

What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization Potential risks may occur if Holcim employees and its contractors do not adhere to the proper waste management protocols across sites.	Holcim employees, contractors and/or service provider	The Company strengthens and promotes the change in behavior through various initiatives. It promotes proper waste management through rewards and consequence managements.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Identify the opportunity/ies related to material topic of the organization Holcim Philippines contributes to providing solutions to properly manage and dispose hazardous waste from external sources.	Holcim employees, contractors and/or service provider	Holcim Philippines' Geocycleor co-processing facilities have TSD permits and can treat qualified hazardous waste such as used oil.

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	15,032	Cubic meters
Percent of wastewater recycled	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* The plant's effluent from process water are minimal and facilities are in place to manage and comply to Clean Water Act.	*(e.g. employees, community, suppliers, government, vulnerable groups)* Holcim employees, contractors and community	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* As part of compliance, Holcim Philippines ensures the following treatment facilities are in place: 1. Settling ponds to manage effluent and/or surface-run off 2. Septic tanks and water treatment facilities for treatment of sewage 3. Grease traps for removal of grease/oil 4. Olil/water separators for oil storage run-off Regular monitoring across sites is being implemented to ensure compliance to DAO 2016-08. As additional support, a third party accredited laboratory is engaged to monitor water quality for self-monitoring reporting.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization There is a potential stricter regulatory on water parameters to be monitored for companies like Holcim Philippines.	Holcim employees, contractors and community	As a Company, there is a regular assessment of facilities and upgrade if necessary to ensure compliance.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**

Identify the opportunity/ies related to material topic of the organization Holcim Philippines' plant facilities allow the use of rainwater to minimize effluent and withdrawal from freshwater and/or groundwater sources.	Holcim employees, contractors and community	As a Company, it continuously explores improvements and plans for long-term actions for a more water efficient usage in the operations.

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	530,000	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	1	#
No. of cases resolved through dispute resolution mechanism	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* Holcim Philippines' environmental policy, as directed by the LafargeHolcim Group's global framework, goes beyond compliance to applicable laws, and is committed to improving the affected environments in which the Company operate in to create sustainable sites for stakeholders. The Company's plants are certified under ISO 14001:2004 (Environmental Management System) to ensure proper management of environmental risks and impacts.	*(e.g. employees, community, suppliers, government, vulnerable groups)* Holcim employees, contractors and community	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* *The following actions are being implemented by the Company to ensure environmental compliance:* *1. Regular self-monitoring* *2. Quarterly or as needed multi-partite monitoring. The MMT is composed of LGU, NGO and community leaders from direct impact barangays.* *3. Annual internal and external audits* *4. Inclusion of environmental targets in Key Performance Indicators (KPI) across the organization* *5. Environmental awareness trainings to strengthen sustainability culture and drive environmental performance*

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[18]		
a. Number of female employees	253	#
b. Number of male employees	932	#
Attrition rate[19]	1.37	rate
Ratio of lowest paid employee against minimum wage	1:1	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100%	100%
PhilHealth	Y	100%	100%
Pag-ibig	Y	100%	100%
Parental leaves	Y	1.95%	4.49%
Vacation leaves	Y	18.98%	77.20%
Sick leaves	Y	8.64%	32.63%
Medical benefits (aside from PhilHealth))	Y	100%	100%
Housing assistance (aside from Pag-ibig)	Y	1.02%	5.85%
Retirement fund (aside from SSS)	Y	1.53%	6.78%
Further education support	Y	3.39%	19.66%
Company stock options	Y	0.08%	0.17%
Telecommuting	Y	0.40%	0.32%
Flexible-working Hours	N	N/A	N/A

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* *Impact occurs in Employee Productivity, Performance, Retention and Attrition. The Benefits policies of HPI result in low attrition, high engagement, performance, average tenure at 10 years.*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you* *have to manage the material topic?* *It is the policy of Holcim Philippines to position the employee's compensation package that is competitive to attract and retain-high performing employees. This reflects our Company core values and strategy of having a performance-focused culture. It engages employees to delivery superiorperformance, and puts us in a strogner position to hire and retain high-performaing employees for the company's sustainable growth. The Company's Total Rewards System (TRS) is performance-based, competitive and sustainable.*

[18] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[19] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization? Holcim Philippines is fully compliant to all statutory benefits. There are no risks or issues identified.	The Company adheres to delivering the correct statutory benefits to all its employees to ensure compliance to regulations. We also provide benefits over and above the industry practices.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization. Holcim Philippines continuously works on the enhancement of benefits and its policies that is within the target market group.	The Company participates in external surveys e.g. salary, benefits and practices with an independent partner to compare Holcim's position against the target market group.

Employee Training and Development

Disclosure	**Quantity**	**Units**
Total training hours provided to employees		
a. Female employees	6,750	hours
b. Male employees	24,223	hours
Average training hours provided to employees		
a. Female employees	27	hours/employee
b. Male employees	26	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* Having a competent and skilled workforce helps ensure high level of performance of each employee. This ultimately contributes to the achievement of company objectives.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* It is the policy of Holcim Philippines to train and develop employees to ensure that all jobs and functions are performed in the required manner, to encourage personal growth of each employee, and to ensure that Company's current and future skill requirements are met.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization The Company drives to achieve a high-performing organization. This entails having a highly skilled workforce that makes employees also marketable which may result to high attrition.	Holcim Philippines continues and sustains retention strategy programs such as rewards and recognition, learning and development and succession planning.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization The implementation of the Learning & Development (L&D) Programs is key to the success of building the high-performing culture. There is a continuous effort to improve its execution across the organization.	New L&D approaches are developed to ensure effectiveness of programs. Regular and periodic competency assessment of each employee is conducted to ensure relevance of L&D programs.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	54	%
Number of consultations conducted with employees concerning employee-related policies	53	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* Good labor-management relations result in industrial peace, improved employee performance, stronger labor & management relationship, and increased employee engagement.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company maintains the good labor-management relations through regular joint Labor Management Council meeting, and labor union involvement in company initiatives & programs.

What are the Risk/s Identified?	Management Approach
The possible risk is the non-resolution of labor cases which may result to silent protest.	The Company ensures there is a continuous open and regular dialogue with the labor unions.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Implementation of performance-based approach establishes stronger compliance to Labor standards.	Holcim Philippines implements performance management and ensures labor compliance through consistent implementation of contractor management and procurement process.

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	21	%
% of male workers in the workforce	79	%
Number of employees from indigenous communities and/or vulnerable sector*	2	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* Diversity and Inclusion (D&I) and Equal Opportunity affected the company in terms of : 1. Increased chance of attracting and retaining talent; 2. Increased employee engagement	The Company established the D&I Policy to show its commitment towards achieving the gender balance targets. Holcim Philippines hires, develops and deploys talent according to the best available match between current job requirements; future business needs and people profiles. D&I is integrated in all the company's people processes, trying to minimize biases and ensuring diverse talent is considered in all recruitment and talent management decisions.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization None identified	The Company continues to educate the organization regarding the importance, and the benefits of compliance to the D&I policy through communication, and training workshops. This mitigates any risk regarding perceived discrimination or inequality.

What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	**Quantity**	**Units**
Safe Man-Hours	10,506,588	Man-hours
No. of work-related injuries	9	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	102	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Our Holcim operations impact the health and safety of our work force and also of those of nearby communities because of our contracted transport operations. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* The Company is directly involved for the onsite impact with regards to health and safety our employees and contractors. Transporter with exclusive contract with Holcim Philippines under our management control as long as they transport goods and materials on behalf of the company.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* Holcim Philippines has the annual Health and Safety Improvement Plan (HSIP) sponsored by the Executive Committee and Leadership Team that focuses on addressing the key risk of the business. This includes focus on Road Safety, Health, Contractor Safety Intervention Program, raising hazard awareness, and control hot meal exposure through equipment and procedure improvement Each site has its own unit HSIP to address their specific concerns in this area. Annual corporate H&S audits are done to validate effectiveness of programs and initiatives implemented. Training on high risk job inspection and permitting like scaffolding and working and heights were conducted for line personnels to raise H&S competencies.

What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization *Apart from* *The following are the major risk identified: Lifting and supporting loads, hotworks, machine guarding, electrical, confined space, energy isolation, working at heights, mobile equipment and onsite traffic, working near water, stability of quarry and stockpiles, hot materials, digging and excavation, vibration, ergonomics, noise, hazardous substance and dust.*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* Holcim Philippines has the annual Health and Safety Improvement Plan (HSIP) sponsored by the Executive Committee and Leadership Team that focuses on addressing the key risk of the business. This includes focus on Road Safety, Health, Contractor Safety Intervention Program, raising hazard awareness, and control hot meal exposure through equipment and procedure improvement Each site has its own unit HSIP to address their specific concerns in this area. Annual corporate H&S audits are done to validate effectiveness of programs and initiatives implemented. Training on high risk job inspection and permitting like scaffolding and working and heights were conducted for line personnels to raise H&S competencies.

What are the Opportunity/ies Identified?	Management Approach
Identify the opportunity/ies related to material topic of the organization *The Company strives for continuous improvement and there is an opportunity to 1) address recurrence of critical incidents, 2) improve our performance on road safety, 3) continue the initiatives on occupational health programs and 4) continue contractor engagement through safety intervention program.*	The identified opportunities for improvement have been indude in the 2020 HSIP, and H&S KPIs of the organization. There is a plan to conduct additional H&S training to all employees as a refresher.

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	Holcim Philippines complies with the Labor Code in terms of forced labor. No local company policy.
Child labor	N	Holcim Philippines complies with the Labor Code in terms of forced labor. No local company policy.
Human Rights	Y	Code of Behavior (HPHI Way), Sexual Harassment Policy, Health & Safety Policies, Data Privacy Policy, Solo Parent Policy, D&I Policy

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* *Compliance to labor laws and human rights has direct impact on safety of employees, company reputation, avoidance of potential financial risk.*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* *Holcim Philippines observes full compliance to labor laws and standards complemented by its own policies and programs.*
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization *None identified*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* *Holcim Philippines observes full compliance to labor laws and standards complemented by its own policies and programs.*
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization *None identified*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* *Holcim Philippines observes full compliance to labor laws and standards complemented by its own policies and programs.*

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	Signed Vendor Master Agreement
Forced labor	Y	Signed Vendor Master Agreement
Child labor	Y	Signed Vendor Master Agreement
Human rights	Y	Signed Vendor Master Agreement
Bribery and corruption	Y	Signed Vendor Master Agreement

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms,*
Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*and/or projects, programs, and initiatives do you have to manage the material topic?*

Relationship with Community
Significant Impacts on Local Communities

Operations with significant	Location	Vulnerable	Does the particular	Collective or individual rights that have been	Mitigating measures (if negative) or
Bulacan Integrated Plant	Norzagaray, Bulacan	General population	N	waste water discharge may affect nearby river system	Waste water discharge is closely monitored to avoid impact to nearby major water body.
Davao Integrated Plant	Bunawan, Davao City	General population	N	fugutive dust concern may affect nearby residential area	Dust and emission from the plant facilities is closely monitored due to higher risk of being situated in an urban area.
La Union Integrated Plant	Bacnotan, La Union	General population	N	waste generated in plant consuming space at landfill	Reduction of waste sent to local landfill is a priority, while sorting remains strictly enforced since this is the only Holcim plant that does not have its own waste co-processing facility
Lugait Integrated Plant	Lugait, Misamis Oriental	General population	N	waste water discharge may affect nearby coastal area	Wastewater treatment facility in compliance to regulatory standards was established, however monitoring remains strict due to close scrutiny of community residing or working near the coast.
Mabini Grinding Plant	Mabini, Batangas	General population	N	fugutive dust concern may affect nearby residential area	Several rehabilitation works have been implemented: concreting of access roads, installation of curtains and dry fogging system to warehouse and windfences to ecohoppers, planting of vegetation around plant premises.

Operations with significant	Location	Vulnerable	Does the particular	Collective or individual rights that have been	Mitigating measures (if negative) or
Bicutan Dry-Mix Plant	Bicutan, Paranaque	General population	N	water quality did not pass regulatory standards	Wastewater treatment facility has been constructed in compliance to regulatory standards.
Manila Terminal	Tondo, Manila	General population	N	water and air quality did not pass regulatory standards	WATER - Wastewater treatment facility has been constructed in compliance to regulartory standards. AIR - Regular monitoring has been done which included maintenance for dedusting equipment, improved housekeeping, planting of vegetation around terminal vicinity. This also includes reporting to the authorities coal stockpiling of neighboring establishments.
Calaca Terminal	Calaca, Batangas	N/A	N	N/A	There is no foreseen risk or issue since the facility is located inside an industrial zone and far from the residential area.
Iloilo Terminal	Lapuz, Iloilo City	N/A	N	N/A	There is no foreseen risk or issue since the facility is located inside an industrial zone and far from the residential area.
Calumpit Bag Plant	Calumpit, Bulacan	N/A	N	N/A	There is no foreseen risk or issue since the facility is located inside an industrial zone and far from the residential area.

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _______________

Certificates	Quantity	Units
FPIC process is still undergoing	N/A	N/A
CP secured	N/A	N/A

What are the Risk/s Identified?	Management Approach
Identify risk/s related to material topic of the organization Failure to comply to regulatory standard in air, noise, and water quality will not only result to penalities from the concerned agencies, but more importantly can risk the creation of health hazards to the nearby communities. This will severely affect stakeholder relationship which may escalate to a wider and more public (i.e. media) negative exposure. Such incidents may severely affect the reputation of the company and the confidence of its investors and customers.	Holcim Philippines' plants are certified under ISO 14001 (Environmental Management System) to ensure the management of environmental risks and impacts. Multi-partite monitoring (MMT) by stakeholders from both government offices and non government organizations, as mandated by law, is conducted every quarter. It serves as a venue to identify emerging risks and collectively come up with approaches to find a common solution. Close coordination with stakeholders is ensured to avoid the risk of misinformation as concerns are being addressed.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Strict compliance to regulatory requirements in air, noise, and water quality will minimize possibility of health hazards. This will result to higher confidence of stakeholders, especially the community, on the company's ability to fulfill its promise as a responsible neighbor. Stronger relationships can improve the company's reputation and ultimately draw positive attention from new investors and customers.	The culture of sustainability is embedded in the Key Performance Indicators of all employees across functions within the organization. Training and workshops are conducted throughout each year to discuss opportunities to improve methodologies in environmental management and stakeholder relations. Aside from community advisory panels such as the MMT, community dialogues and plant open days are further opportunities for the company to showcase transparency and its focus on creating shared value.

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	51% (based on September to December 2019 Case Management Result	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
This may impact the buying experience of customer. Dissatisfied customer may refrain from sustaining business with the company. Different functions of the organization, as necessary, provides resolution to customers' feedback.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* *Customer Satisfaction report forms part of the monthly Sales Report presented in Exco. Approved processes under the Voice of Customer (VOC) program states that feedback shall be addressed through either operational or strategic approach. Depending on the gravity of the risk of a specific feedback, resolution will be escalated to high management level for resolution.*

What are the Risk/s Identified?	Management Approach
Reputational Risk, Financial Risk	Approved processes under the VOC program states that feedback shall be addressed through either operational or strategic approach. Depending on the gravity of the risk of a specific feedback, resolution will be escalated to high management level for resolution.
What are the Opportunity/ies Identified?	**Management Approach**
Review and improvement of processes identified in a feedback	Provide review and approval of the new processes which comes from the identified feedback of the customer.

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Holcim Philippines employees have access to management regarding communicating the support they need when it comes to their own health and safety at the workplace. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* Involvement is high as these concerns directly come from our own employees.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* Holcim Philippines employees can raise their concerns and give their feedback during the Central Health and Safety Committee meeting. For sensitive issues, they can resort to the integrity line if needed. H&S team in collaboration with OHR shall reinforce workers rights during the 2020 H&S trainings.
What are the Risk/s Identified?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Holcim Philippines employees have access to management regarding communicating the support they need when it comes to their own health and safety at the workplace. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* Involvement is high as these concerns directly come from our own employees.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* Holcim Philippines employees can raise their concerns and give their feedback during the Central Health and Safety Committee meeting. For sensitive issues, they can resort to the integrity line if needed. H&S team in collaboration with OHR shall reinforce workers rights during the 2020 H&S trainings.

What are the Opportunity/ies Identified?	Management Approach
Identify the opportunity/ies related to material topic of the organization	

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Customers (resellers and direct users), government officials (such as DTI, DPWH) and advertising agencies can directly contact the Company's published numbers and our Commercial personnel, i.e., Sales and Marketing including Plant QA personnel in any instance they see inconsistencies in the marketing and labelling of our brands.* *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* *Direct involvement assigned to the Marketing & Innovation organization when it comes to marketing & labelling matters.*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* Holcim Philippines strictly adheres to the Philippine National Standards directives of DTI BPS on matters pertaining to product licensing and labelling. For this reason, the Company ensures participation in DTI's annual audits in securing certification for its products; approval for new packaging designs prior to commercial run; and because of its CEMAP membership, we actively participate in Technical Committees discussions.

What are the Risk/s Identified?	Management Approach
Identify risk/s related to material topic of the organization Risks identified brought about by product misuse.	Aside from adherence to the PNS requirements, Holcim Philippines includes specific applications of the brand as part of its labelling and clear advisories on whether it's purpose is for use concrete structures or not.

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	N/A	#
No. of complaints addressed	N/A	#
No. of customers, users and account holders whose information is used for secondary purposes	Only company - authorized engagements are being facilitated	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The organization complied with the Data Privacy Audit initiated by Legal Departmentt. Specific to Sales, Sales Officers were asked to submit signed External Consent Form/ Data Privacy Agreement.	*Customer Information Sheet was upated to reflect the Data Privacy Agreement clause - authorizing HPHI to process their data for effective customer servicing.*
What are the Risk/s Identified?	**Management Approach**
Compliance Risk, Reputational Risk	Holcim Philippines has assigned a Data Privacy Officer (DPO) to mobilize different functions to address any compliance gap.
What are the Opportunity/ies Identified?	**Management Approach**
New processes/ practices and New material that are Data Privacy Compliant	Holcim Philippines has assigned a Data Privacy Officer (DPO) to mobilize different functions to address any compliance gap.

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	1	1

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* *Laptop was stolen from a Project Engineer from his residence at night, with thief breaking into house through window, iron grill of which was damaged by said thief. Project Engineer is part of Bulacan Plant, under Project & Capex Engineering.*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* Security procedures were followed to validate risk of theft, as well as provided user with means to revert back to tasks immediately.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization Access to the LafargeHolcim network via laptop is possible. Risk of accessing data is seen as well.	All access of the user was reset to disable user from accessing additional information from Lafarge Holcim network. No sensitive information has been reported in the laptop impacting the business finances and operations. Major files were stored in Google Drive.

[20] This publication may be accessed at https://www.globalreporting.org/resourcelibrary/GRI_UNGC_Reporting-on-SDGs_Practical_Guide.pdf

UN SUSTAINABLE DEVELOPMENT GOALS Product or Service Contribution to UN SDGs Key products and services and its contribution to sustainable development.			
Key Products and Services	**Societal Value / Contribution to UN SDGs**	**Potential Negative Impact of Contribution**	**Management Approach to Negative Impact**
Blended Cement	Less use of clinker to produce cement	It is during the production of clinker, the main component of cement, when most carbon dioxide emissions associated with cement occur. The majority of these emissions are unavoidable, as they result from the chemical reaction that occurs when the raw material (limestone) calcinates into clinker in the kiln.	Replacing the clinker in the final product with alternative mineral components reduces the carbon footprint of cement production. A significant portion of these alternative components come from waste or byproducts recovered from other industries, such as using pretreated waste and low-carbon fuels as a replacement for fossil fuels.
Waste management solution	Application of circular economy principle	Cement kiln co-processing itself cannot address the waste management challenges of the country, but can be an integral part of the whole waste management value chain. This technology fits with any circular economy program following the waste management hierarchy which prioritizes first waste avoidance, reduction, re-processing, and recycling.	Holcim Philippines uses cement kiln co-processing technology, wherein qualified waste materials are used as an alternative to coal in producing cement. Co-processing provides a practical, cost-effective, and environmentally preferred alternative to landfills and traditional incineration. This technology is unique because it encompasses both material recycling and energy recovery within an industrial process.

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*