COVER SHEET

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HOLCIM PHILIPPINES INC.

(Company's Full Name)

7TH FLOOR VENICE
CORPORATE CENTER 8 TURIN
ST. MCKINLEY TOWN CENTER
FORT BONIFACIO TAGUIG

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

MIA JAZMIN M. ORMITA
Contact Person

687-1195
Company Telephone Number

12 31
Month *Day*
Fiscal Year

Preliminary Information Statement
FORM TYPE

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.

Republic of the Philippines
DEPARTMENT OF FINANCE
SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, 1554

PAYMENT ASSESSMENT FORM

No. 04122018-009641

DATE 04/12/2018

RESPONSIBILITY CENTER (DEPARTMENT) MRD

PAYOR: HOLCIM PHILIPPINES, INC.
TAGUIG CITY

NATURE OF COLLECTION	ACCOUNT CODE	AMOUNT
LRF (A0823)	131	75.00
MISCELLANEOUS INCOME	678	7,500.00

TOTAL AMOUNT TO BE PAID Php 7,575.00

Assessed by:
SHELLA SILVA

Machine Validation:
OR# 1646531 Apr 12, 2018 03:00PM SEC No: null
08kcsales PHP 7,575.00**********

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

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

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
APR 12 2018
REGULATION
BY: Ayne TIME: 2:55 p

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
May 18, 2018
10:00 A.M.

You are cordially invited to attend the Annual Meeting of the Stockholders of HOLCIM PHILIPPINES, INC. (the "Company") which will be held on May 18, 2018 at Ballroom 2, 2nd Level Fairmont Makati, 1 Raffles Drive, Makati Avenue, 1224 Makati City, at 10:00 A.M.

The Agenda of the meeting is as follows:

1. Call to Order
2. Proof of Notice and Determination of existence of quorum
3. Approval of the minutes of the previous annual stockholders' meeting held on May 26, 2017
4. Approval of the Annual Report and the Audited Financial Statements of the Company for the period ended December 31, 2017
5. Approval of Amendment to Article II of the Company's Articles of Incorporation (to provide for an additional secondary purpose)
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

These items are fully disclosed in the Information Statement, which will be sent to you together with this Notice. Only Stockholders of record in the books of the Company at the close of business on April 18, 2018 will be entitled to notice of, and to vote at, the Annual Meeting. A list of stockholders entitled to vote will be available for inspection fifteen (15) days prior to the Annual Meeting at the office of the Corporate Secretary at 7th Floor Venice Corporate Center, 8 Turin St., McKinley Town Center, Fort Bonifacio, Taguig City, Philippines.

HOLCIM PHILIPPINES, INC.

By:

BELINDA E. DUGAN
Corporate Secretary

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [✓] Preliminary Information Statement
   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter: **Holcim Philippines, Inc.**

3. Province, country or other jurisdiction of incorporation or organization: **Manila, Philippines**

4. SEC Identification Number: **026126**

5. BIR Tax Identification Code: **000-121-507-000**

6. Address of Principal Office/Postal Code: **7th Floor, Two World Square McKinley Hill, Fort Bonifacio Taguig City 1634, Philippines**

7. Registrant's telephone number, including area code: **(632) 459-3333**

8. Date, time and place of the meeting of security holders:

   May 18, 2018, Friday, at 10:00 A.M.
   Ballroom 2, 2nd Level Fairmont Makati
   1 Raffles Drive, Makati Avenue 1224, Makati CIty

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **April 26, 2018**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code or Sections 4 and 8 of the Revised Securities Act (information on number of shares and amount of debt is applicable only to corporate registrants):

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

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

    Yes __x__ No _____

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

HOLCIM PHILIPPINES, INC.

INFORMATION STATEMENT

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

A. GENERAL INFORMATION

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

(a) Date: **May 18, 2018, Friday**

Time: **10:00 a.m.**

Place: **Ballroom 2, 2nd Level Fairmont Makati**
1 Raffles Drive, Makati Avenue 1224, Makati City

Principal office: **7th Floor, Two World Square**
McKinley Hill, Fort Bonifacio
Taguig City 1634, Philippines

(b) Approximate date on which copies of the Information Statement are first to be sent or given to Security Holders:

April 26, 2018

ITEM 2. DISSENTERS' RIGHT OF APPRAISAL

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

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

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

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

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

Management intends to present to the Board of Directors, the merger of the Company and select subsidiaries, with the Company as the surviving entity. The subsidiaries to be merged with the Company are: (1) Holcim Philippines Manufacturing Corporation; (2) Bulkcem Philippines Inc.; (3) Mabini Grinding Mill Corporation; and (4) Holcim Philippines Business Service Center Inc. Upon Board approval, the proposed merger will be presented to the stockholders for approval during the Annual Meeting. The proposed merger is subject to dissenting stockholders' right of appraisal.

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

ITEM 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

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

As of March 14, 2018,[1] there are 6,452,099,144 shares of the Company's common stock outstanding and entitled to vote at the Annual Meeting. One share is equivalent to one vote except in the election of directors where one share is entitled to as many votes as there are directors to be elected.

(b) Record Date

Only stockholders of record at the close of business on **April 18, 2018** (the "**Record Date**") acting in person or by proxy on the day of the Annual Meeting are entitled to notice of, and to vote at, the Annual Meeting.

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

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

[1] To be updated in the DIS.

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

(1) Security Ownership of Certain Record and Beneficial Owners

The table below shows persons or groups known to the Company as of March 14, 2018[2] to be directly or indirectly the record or beneficial owner of more than 5% of the Company's voting securities:

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

[2] To be updated in the DIS.

The respective Board of Directors of each of UCHC, Holderfin, Sumitomo and Cemco has the power to decide how their shares in the Company are to be voted. The Company only has common shares outstanding. As of March 14, 2018, the Company's foreign stockholders hold 30.13% of the common shares.[3]

(2) *Security Ownership of Management*

The table below shows the securities beneficially owned by all directors and executive officers of the Company as of March 14, 2018:[4]

Title of Class	Name and Address of Beneficial Owner	Amount & Nature of Beneficial Ownership	Citizenship	Registered (R) or Beneficial (B)	% of Ownership
Common	Tomas I. Alcantara	1(D)	Filipino	R	0.00%
Common	Martin Kriegner	1(D)	Austrian	R	0.00%
Common	Daniel Bach	1(D)	Swiss	R	0.00%
Common	Sapna Sood	1(D)	British	R	0.00%
Common	Simeon V. Marcelo	1(D) 54,262 (I)	Filipino	R	0.00%
Common	Yasuo Kitamoto	1(D)	Japanese	R	0.00%
Common	David Lucas B. Balangue	1(D) 102,301(I)	Filipino	R	0.00%
	Total	**156,570**			**0.00%**

Directors and officers as a group hold a total of 156,570 common shares, equivalent to approximately 0.00% of the Company's issued and outstanding capital stock.

(e) Voting Trust Holders of 5% or more

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

(f) Changes in Control

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

ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS

(a) The Board of Directors

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

[3] To be updated in the DIS.
[4] To be updated in the DIS.

The following are the members of the Board:

Office	Name	Age	Nationality
Chairman	Tomas I. Alcantara	71	Filipino
Vice Chairman	Martin Kriegner	56	Austrian
Director	Daniel N. Bach	54	Swiss
Director	Sapna Sood	44	British
Independent Director	Simeon V. Marcelo	64	Filipino
Independent Director	Yasuo Kitamoto	57	Japanese
Independent Director	David Lucas B. Balangue	66	Filipino

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

Tomas I. Alcantara, 71, 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, 56, holds an MBA from the University of Economics in Vienna and a Doctorate degree from Vienna University Law Centre. He joined the Lafarge Group in 1990. In 1995, Mr. Kriegner was appointed as Chief Financial Officer of Lafarge Perlmooser AG, Austria. He served as Country CEO of Lafarge Austria from 1998 to 2001 and Lafarge India from 2002 to 2005 and 2012 to 2015. Mr. Kriegner was Lafarge Regional President, Asia and South West Asia, and was a member of the Lafarge Executive Committee from 2005 to 2012. Mr. Kriegner served as LafargeHolcim Area Manager for Central Europe from 2015 to 2016. He is presently LafargeHolcim Group's Head of India and South East Asia and a member of the LafargeHolcim Group Executive Committee. He was elected as director of the Company on August 18, 2016.

Daniel N. Bach, 54, was formerly a member of the Board of Directors and the Company's Senior Vice President for Manufacturing in 2007 until his assignment as CEO of Holcim Romania in 2011. In January 2014, he took on the role of Holcim's Area Manager for South East Asia. He graduated with a Mechanical Engineering degree and a doctoral degree in Technical Sciences, both from the Swiss Federal Institute of Technology in Zurich, Switzerland. In July 2015, Mr. Bach was appointed Area Manager for South East Asia (East).

Sapna Sood, 44, is the Company's Chief Executive Officer and President. She is a graduate of Chemical Engineering from the University of Sydney with an Executive MBA from IMD Business School. Ms. Sood started her career as an Applications Engineer with Fisher Rosemount. In 1999, she joined the Linde Group where she held various senior positions in Australia, the United States of America, Singapore, Germany and China. From 2011 to 2013 Ms. Sood served as Linde Group's Head of Global Helium, Asia Pacific Zone. She joined Lafarge in 2013 as its Senior Vice President of Health and Safety. Prior to her appointment as the Company's Chief Operating Officer in November 2016, she served as the LafargeHolcim Group Head of Health and Safety starting July 2015.

Simeon V. Marcelo, 64, graduated among the top of his class at the University of the Philippines - College of Law and placed 5th in the 1979 bar examination.

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

Yasuo Kitamoto, 57, holds a Bachelor of Laws degree from the Doshisha University in Kyoto, Japan. He is currently General Manager responsible for International Business of Sumitomo Osaka Cement Co., Ltd. prior to his current position, he was Deputy General Manager, General Affairs Department in 2005 and General Manager, Corporate Planning Department in 2008 of Sumitomo Osaka Cement Co., Ltd.

David Lucas B. Balangue, 66, is a certified public accountant with a Bachelor's Degree in Commerce in Commerce, major in Accounting, Magna Cum Laude, from Manuel L. Quezon University and a Master of Management degree, with distinction, from the Kellogg Graduate School of Management. He placed second highest in the 1972 Philippine CPA Board Examinations. Mr. Balangue's career in the accounting and auditing professions spanned 38 years at SGV & Co., where he was Chairman from January 2004 to January 2010 and Managing Partner from January 2004 to February 2009, after being admitted to partnership in 1982. He is currently the Chairman of the Philippine Center for Population and Development, the Philippine Financial Reporting Standards Council, the National Citizens Movement for Free Elections (NAMFREL) and Coalition Against Corruption and a non-executive independent director of the following listed companies: Phinma Energy Corp., Roxas Holdings, Inc., Philippine Bank of Communications and Manulife Financial Corp.

Directorships in other reporting companies

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

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

Nomination of Directors for 2018-2019

The directors of the Company elected at the Annual Meeting shall hold office for one year and until their respective successors have been elected and qualified. [5]

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

[5] List of nominees to the Board to be updated in DIS following close of nomination period.

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

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

The members of the Corporate Governance Committee are as follows:

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

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

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

(b) The Executive Officers

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

The Company's executive officers are set forth below:

Position	Name	Age	Nationality
President/ Chief Executive Officer	Sapna Sood	44	British
Chief Financial Officer/ Treasurer	Jesusa Natividad L. Rojas	51	Filipino
Head – Cement Industrial Performance	Roman Menz	43	Swiss
Head – Sales	William C. Sumalinog	48	Filipino
Head – Marketing	Paul Vu-Huy-Dat	44	French
Head – Organizational Human Resources	Bernadette Tansingco	44	Filipino
Head – Communication	Anne Claire M. Ramirez	39	Filipino
Head –Health, Safety & Security	Carmela Dolores S. Calimbas	61	Filipino
Head – Aggregates, Construction Materials, and Infrastructure	Frederic Fabien	46	French
Head – Procurement & Logistics	Kevin Savory	49	Australian
Head – Strategy	Zoe Verna M. Sibala	43	Filipino
General Counsel/Corporate Secretary/Compliance Officer	Belinda E. Dugan	49	Filipino

The business experience of Ms. Sapna Sood during the last five years is provided above. Below sets forth the business experience of the Company's other executive officers during the last five years:

Jesusa Natividad L. Rojas 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.

Roman Menz is the Head of Cement Industrial Performance. He holds a Bachelor of Science degree in Electrical Power Engineering from the Higher Technical College in Baden, Switzerland and a Master's degree in Electrical Engineering from the University of Brunel in London. Before joining the Company, he served as Plant Manager of Holcim Romania in 2005, Technical Director of Holcim Russia in 2012, and Manufacturing Director of Holcim Vietnam in 2015.

William C. Sumalinog is the Head of Sales. William holds a Bachelor of Science degree in Computer Engineering from the University of Cebu where he graduated with leadership honors in 1992. He started his career in sales as a sales representative in Market Developers, Inc., where he went on to assume other sales positions. He joined Alsons Cement Corporation in 1998 where he occupied various key positions in sales. Prior to assuming his current position, he was the Company's Regional Operating Head for various areas in Mindanao and Visayas since 2005.

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

Bernadette Tansingco is the Head of Organization and Human Resources. She holds a degree in Bachelor of Arts major in Psychology and Masters of Business Administration from Dela Salle University. Ms. Tansingco joined Holcim Philippines, Inc. in 2001 as Manager of Organization & HR Systems and assumed the position of Head, Talent Management in 2010. Prior to her appointment as Head of Organization and Human Resources, she served as the Head of Human Resources of Holcim East Asia Business Service Centre B.V. – Philippine ROHQ (HEABS) from November 2014 to February 2017.

Zoe Verna M. Sibala is the 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.

Anne Claire M. Ramirez 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.

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

Frederic Fabien is the Head of Aggregates and Construction Materials and Infrastructure. Frederic served as Sales Director, Building Segment of LafargeHolcim Morocco from July 2011 – July 2015. Prior to assuming his current position, he served as the Head of Ready-Mixed Concrete Business Unit of LafargeHolcim Indonesia. He has a degree of MSc Engineering from Ecole Centrale Paris, France.

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

Belinda E. Dugan 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.

(c) Family Relationships

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

(d) Independent Directors

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

(e) Warrants and Options Outstanding

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

(f) Involvement of Directors and Officers in Legal Proceedings

To the knowledge and/or information of the Company, the present members of the Board of Directors or the Executive Officers are not, presently, or during the last five (5) years, involved or have been involved in criminal, bankruptcy or insolvency investigations or proceedings, except for the pending legal proceedings described in **Annex A** hereof.

(g) Certain Relationships and Related Transactions

For a detailed discussion of other material related party transactions, please see Note 29 – Related Party Transactions to the accompanying consolidated financial statements in Item 11.

Except for the transactions discussed in Note 29 – Related Party Transactions to the accompanying consolidated financial statements in Item 11, there were no other material related party transactions during the last three financial years, nor are there any material transactions currently proposed between the Company and any: (i) director, officer, direct or indirect owner of 10% or more of the outstanding shares in the Company; (ii) close family member of such director, officer or owner; (iii) associates of the Company; (iv) enterprises controlling, controlled by or under common control with the Company; or (v) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any director, officer or owner of 10% or more of the outstanding shares in the Company or any close family member of such director, key officer or owner, or collectively, the Related Parties.

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

(h) Disagreement with a Director

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

ITEM 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

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

The following table shows the compensation of the Company's Executive Officers serving as of December 31, 2017.

Executive Compensation (in Php)

<table>
<tr><th>Name and Principal Position</th><th>Year</th><th>Salary</th><th>Bonus</th><th>Benefits</th></tr>
<tr><td rowspan="3">The CEO and five most highly compensated Executive Officers:

▪ Sapna Sood – Chief Executive Officer
▪ Michael Kevin Savory – Head, Procurement and Logistics
▪ Roman Menz – Head, Cement Industrial Performance
▪ Paul Vu-Huy-Dat – Head, Marketing & Innovation
▪ Jesusa Natividad L. Rojas – Chief Finance Officer (CFO)
▪ William C. Sumalinog – Head, Sales</td><td>2018*</td><td>60,068,285</td><td>12,871,846</td><td>34,004,724</td></tr>
<tr><td>2017</td><td>60,068,285</td><td>12,871,846</td><td>34,004,724</td></tr>
<tr><td>2016</td><td>72,232,549</td><td>4,404,011</td><td>42,820,943</td></tr>
<tr><td rowspan="3">All other Executive Officers and Directors as a group unnamed</td><td>2018*</td><td>40,436,702</td><td>26,720,529</td><td>144,193.161</td></tr>
<tr><td>2017**</td><td>40,436,702</td><td>26,720,529</td><td>144,193,161</td></tr>
<tr><td>2016</td><td>56,231,948</td><td>10,520,984</td><td>22,733,980</td></tr>
</table>

**Estimated compensation of executive officers for the ensuing year is assumed to approximate the 2018 level. Bonuses given are driven by actual performance of the company; hence, estimate may vary from actual.*
*** Benefits of All Other Executive Officers and Directors include retirement and separation benefits of Executives.*

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

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

ITEM 7. INDEPENDENT PUBLIC ACCOUNTANTS

For year 2018, the accounting firm of Navarro, Amper & Co. ("**Deloitte**") is being recommended for reappointment by the stockholders at the Annual Meeting. Deloitte has accepted the Company's invitation to stand for appointment this year.

Deloitte has been the Company's independent public accountant/external auditor for starting 2017. Representatives of said firm are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The Company complies with SRC Rule 68, Part I, Item 3(B)(iv)(ix) on the 5-year rotation of the External Auditor and the two-year cooling-off period on the re-engagement of the same signing partner or individual auditor. The Company engaged Deloitte for the examination of the Company's financial statements starting the year 2017. Previously, the Company engaged Mr. Gemilo San Pedro of SyCip Gorres Velayo & Co. ("**SGV**") for the examination of the Company's financial statements for the years 2009 to 2011. He was replaced by Ms. Catherine E. Lopez, for the years 2012 to 2015, and, Mr. Roel E. Lucas, for the year 2016.

Audit and Audit-Related Fees

The aggregate fees billed for professional services rendered by Deloitte in 2017 was PhP6.7 million while the aggregate fees billed by SGV was PhP9.0 million for 2016. 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 2017 and 2016.

Tax Fees & Other Fees

The Company did not engage Deloitte for tax and other services in 2017, while in 2016, the Company engaged SGV for tax services, due diligence audit and advisory services amounting to PhP3.7 million.

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.

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

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

ITEM 8. COMPENSATION PLANS

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

Not applicable.

ITEM 10. MODIFICATION OR EXCHANGE OF SECURITIES

Not applicable.

ITEM 11. FINANCIAL AND OTHER INFORMATION

The consolidated audited financial statements of the Company for the period ended on December 31, 2017 is attached as **Annex B**. Management's Discussion and Analysis of Financial Condition and Results of Operations are incorporated in the Management Report.

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

ITEM 12. MERGERS, CONSOLIDATIONS, ACQUISITIONS AND SIMILAR MATTERS

Management intends to present to the Board of Directors, the merger of the Company and select subsidiaries, with the Company as the surviving entity. The subsidiaries to be merged with the Company are: (1) Holcim Philippines Manufacturing Corporation; (2) Bulkcem Philippines Inc.; (3) Mabini Grinding Mill Corporation; and (4) Holcim Philippines Business Service Center Inc. Upon Board approval, the proposed merger will be presented to the stockholders for approval during the Annual Meeting.

The objective of the proposed merger is to simplify the Company's corporate structure, ease finance operations, and potentially reduce tax risks exposure.

The Company presently beneficially owns 99.35% in HPMC, 99.35% in BPI, 100% in MGMC, and 100% in HPBSCI.

The effective date of the merger shall be on the 1st calendar quarter upon the issuance of the Certificate of Merger by the Securities and Exchange Commission.

The Company will issue 4,275,485,993 shares of stock to the shareholders of the absorbed entities in exchange for the net asset values, representing an exchange ratio of 1:1, with a par value of Php1.00 per share. Accordingly, the Company will increase its authorized capital stock to from Pho10 Billion to Php11 Billion. The Company's total issued and outstanding shares after the merger will be 10,727,585,137.

If the merger is completed, HPMC, BPI, MGMC, and HPBSCI will cease to operate and lose their respective corporate existence.

The proposed merger shall be subject Board and stockholders' approval, and the relevant regulatory consents.

Representatives of Navarro Amper & Co at the annual stockholders' meeting on May 18, 2018 will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

ITEM 13. ACQUISITION OR DISPOSITION OF PROPERTY

Not applicable.

ITEM 14. RESTATEMENT OF ACCOUNTS

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

D. OTHER MATTERS

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

There is no action to be taken with respect to any report of the Company or of its directors, officers or committees, except the approval of the minutes of the previous annual stockholders' meeting, and the Annual Report of the Company for 2017.

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

Date of Disclosure	Subject
May 26, 2017	▪ Declaration of cash dividend in the amount of Php0.98 per share to all stockholders of record as of June 15, 2017 and setting the payment date no later than July 6, 2017. ▪ Appointment of Navarro Amper & Co. as external auditor for the year 2017.
July 4, 2017	▪ Accepted resignation of Ms. Kristine N.L. Evangelista as the Company's General Counsel, Corporate Secretary and Compliance Officer effective June 30, 2017
November 22, 2017	▪ Approval of the amendment to Article II (Secondary Purposes) of the Company's Articles of Incorporation to include provision of technical support to ready-mix (RMX) plants and contractors on various quality control, optimization, solutions development and skills upgrade. ▪ Accepted resignation of Mr. William de Lumley as Head of Aggregates and Construction Materials. ▪ Approved retirement of Ms. Nerissa V. Ronquillo as Head of Communications and Corporate Affairs. ▪ Ratification of the appointment of Ms. Mary Grace Sanchez as Data Privacy Officer. ▪ Appointment of Atty. Belinda E. Dugan as Corporate Secretary and Compliance Officer. ▪ Appointment of Ms. Anne Claire R. Tecson as Head of Communications. ▪ Appointment of Mr. Frederic Fabien as Head of Aggregates and Construction Materials and Infrastructure, effective January 1, 2018.
February 27, 2018	▪ Approved the Company's audited financial statements for 2017 and the annual report. ▪ Approval of the nomination of Navarro Amper & Co. as the Company's external auditor for the year 2018. ▪ Approval of the postponement of the Company's annual stockholders' meeting from the second Thursday of May each year, as stated in the By-Laws, to May 18, 2018, and setting the record date for stockholders entitled to notice of, and to vote, at the annual meeting to April 18, 2018.
April 4, 2018	▪ Confirming the agenda, venue and time of the Annual Stockholders' Meeting

The approval of the minutes, Annual Report and audited financial statements for the period ended December 31, 2017, and ratification of all acts, proceedings and resolutions of the Board, the Board Committees and the acts of the officers and management since the date of the last annual meeting require the affirmative vote of a majority of the votes cast at the Annual Meeting by the stockholders entitled to vote.

ITEM 16. MATTERS NOT REQUIRED TO BE SUBMITTED

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

ITEM 17. AMENDMENT OF CHARTER, BY-LAWS OR OTHER DOCUMENTS

The Company is presenting for stockholders' approval the amendment of the Company's Articles of Incorporation providing for an additional secondary purpose to enable the Company to provide technical support to ready-mix (RMX) plants and contractors on various quality control, optimization, solutions development and skills upgrade. The amendment is being proposed in order to add an activity that complements the business of the Company.

Management will present to the Board for approval, the merger of the Company and select subsidiaries, and pursuant to the merger, a corresponding increase in the authorized capital stock of the Company to allow for the issuance of shares to the stockholders of the absorbed subsidiaries. The Company will increase its authorized capital stock from Php10 Billion divided into 10 billion common shares with a par value of Php1 per share, to Php11 Billion divided into 11 billion common shares with a par value of Php1 per share. Once approved by the Board, the capital increase shall be presented to the stockholders for approval at the Annual Meeting.

ITEM 18. OTHER PROPOSED ACTION

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

1. Election of directors for 2018-2019; and
2. Appointment of external auditor.

ITEM 19. VOTING PROCEDURES

(a) Matters for Stockholders' Approval

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

The merger of the Company with its subsidiaries, Holcim Philippines Manufacturing Corporation, Bulkcem Philippines Inc. Mabini Grinding Mill Corporation, and Holcim Philippines Business Service Center Inc., with the Company as the surviving entity, and the corresponding increase in the authorized capital stock of the Company as a consequence of the merger, requires the vote of stockholders representing at least 2/3 of the outstanding capital stock of the Company.

(b) Election of directors

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

Number of shares held on record x Seven (7) = Total votes that may be cast.

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

In accordance with Article I, Section 3 of the Amended By-laws, stockholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy duly given in writing and duly presented to the Corporate Secretary for inspection and recorded at or prior to the opening of said meeting. No proxy bearing a signature which is not legally acknowledged shall be recognized at any meeting unless such signature is known and recognized by the Secretary of the meeting.

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

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

The agenda for the Annual Meeting is as follows:

1. Call to Order
2. Proof of Notice and Determination of existence of quorum
3. Approval of the minutes of the previous annual stockholders' meeting held on May 26, 2017
4. Approval of the Annual Report and the Audited Financial Statements of the Company for the period ended December 31, 2017
5. Approval of Amendment to Article II of the Company's Articles of Incorporation (to provide for an additional secondary purpose)
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. Approval of the Merger of the Company and its Subsidiaries

9 Approval of the Capital Increase of the Company from Php10 Billion to Php11 Billion]

10. Appointment of External Auditor
11. Other Matters
12. Adjournment

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Taguig, Metro Manila, on April 12, 2018.

HOLCIM PHILIPPINES, INC.

By:

Belinda E. Dugan
General Counsel &
Corporate Secretary

MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS

OF

HOLCIM PHILIPPINES, INC.

The Ballroom 2, 2nd Level, Fairmont Makati
1 Raffle Drive, Makati Avenue, Makati City

May 26, 2017 at 10:00 a.m.

I. CALL TO ORDER

The meeting was called to order and presided over the same by the Chairman, Mr. Tomas I. Alcantara.

II. PROOF OF NOTICE OF MEETING AND PRESENCE OF A QUORUM

Proof of notices was certified by Ms. Kristine N.L. Evangelista, Corporate Secretary. She further certified that notices for the Annual Stockholders Meeting were sent out to all stockholders of record as of April 26, 2017, the date fixed by the Board of Directors for the determination of stockholders entitled to notice of, and to vote at the meeting. There are represented in person or by proxy, stockholders owning 5,076,748,699 shares representing 78.68% of the total issued and outstanding shares of the Company, thus, there is a quorum. The Secretary also certified that the Chairman is holding votes for 5,076,574,450 shares representing 78.68% of the total issued and outstanding shares of the Company.

III. APPROVAL OF THE MINUTES OF PREVIOUS STOCKHOLDERS' MEETING

Upon motion duly made and seconded, the minutes of the previous meeting of shareholders held on May 18, 2016 were unanimously approved.

IV. APPROVAL OF ANNUAL REPORT AND THE AUDITED FINANCIAL STATEMENTS OF THE CORPORATION AS OF DECEMBER 31, 2016

The Chief Operating Office, Ms. Sapna Sood, presented the report on Company's operations and highlights of the audited financial statements for the year 2016.

Upon motion made and duly seconded, the stockholders unanimously approved the annual report and the audited financial statements of the Company as of December 31, 2016.

V. APPROVAL AND RATIFICATION OF ALL ACTS, INVESTMENTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS AND MANAGEMENT

Upon motion duly made and seconded, all acts, contracts, investments and resolutions and actions by the Board of Directors and management from the last annual meeting were unanimously approved, confirmed and ratified.

VI. ELECTION OF DIRECTORS

The Chairman asked the Secretary to read the names of the persons nominated as directors of the Company. The Secretary then proceeded to read the names of the following persons who were nominated in accordance with the provisions of the By-Laws:

1. Tomas I. Alcantara
2. Martin Kriegner
3. Daniel N. Bach
4. Sapna Sood
5. Yasuo Kitamoto– Independent Director
6. Simeon V. Marcelo – Independent Director
7. David Lucas B. Balangue - Independent Director

Upon motion to declare all the nominees elected as Directors for the ensuing year duly made and seconded, the stockholders unanimously approved the motion and the Chairman declared that all the nominees were elected as Directors for the ensuing year, who shall act as such until their successors shall have been duly elected and qualified.

VII. APPOINTMENT OF EXTERNAL AUDITOR

Upon motion duly made and seconded, the stockholders unanimously approved the appointment of the auditing firm of Navarro, Amper & Co. as the Company's external auditor for the current year.

VIII. ADJOURNMENT

There being no further business to transact, on motion duly made and seconded the meeting was adjourned.

KRISTINE N. L. EVANGELISTA
Corporate Secretary

ATTEST:

TOMAS I. ALCANTARA
Chairman

MANAGEMENT REPORT

HOLCIM PHILIPPINES, INC.

MANAGEMENT REPORT

I. CONSOLIDATED AUDITED FINANCIAL STATEMENTS

Holcim Philippines, Inc.'s ("**HPI**" or the "**Company**") consolidated audited financial statements for the year ended December 31, 2017 attached to the Information Statement is incorporated herein by reference.

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

There was no event in the past five years where Navarro Amper & Co. ("**Deloitte**") or its predecessor, SyCip Gorres Velayo & Co., and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

III. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS BASED ON THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017 AND 2016

Review of CY 2017 Operations vs. CY 2016

In 2017, the Country's Gross Domestic Product (GDP) grew by 6.7%*, lower than the 6.9% growth in 2016. Among the major economic sectors, Industry had the fastest growth followed by Services. Agriculture sector also grew compared to prior year.

The Company's revenue decreased to PhP34.7 bio, or 13.9% lower compared to 2016 arising from the combined effect of lower sales volume and price amid the tighter market competition. Sales performance was affected by soft market demand particularly the first three quarters of the year although sales volume started to pick-up in the last quarter of the year. The Company achieved a consolidated operating EBITDA of PhP5.4 bio, or 49.6% lower than 2016 mainly due to low topline performance and higher cost of goods sold. Net income after tax stood at PhP2.7 bio compared with PhP6.8 bio, or 60.7% lower than last year. Despite this, the Company continues to ramp up and upgrade its facilities particularly its cement 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

The comparative financial KPI for the years ended December 31, 2017 and 2016 are as follows:

Financial KPI	Definition	For the Calendar Year ended December 31	
		2017	2016
Profitability			
Return on Assets (ROA)	Net Income / Ave. Total Assets	7.8%	20.2%

Return on Equity (ROE)	Net Income / Ave. Total Equity	11.1%	26.7%
Operating EBITDA Margin	Operating EBITDA / Net Sales	15.7%	26.8%
Liquidity			
Gearing Ratio	Net Financial Debt / Total Equity	12.2%	-6.3%
EBITDA Net Interest Cover (times)	Operating EBITDA / Net Interest	63.5	486.5

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 the Annual Report for 2017 for the significant disclosures made by the Company during the year. Other than those mentioned in the Annual Report, the Company is not aware of the following:

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

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

3. Issuances and repurchase of equity securities.

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

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

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

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

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

9. Material commitments for capital expenditures.

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

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

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

Notes to Financial Statements

Accounting Policies and Principles

The consolidated financial statements of the Company, which comprise the consolidated balance sheets as of December 31, 2017 and 2016 and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2017 have been prepared in compliance with Philippine Financial Reporting Standards applied in 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 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 production.

Financial Risk Management Objectives and Policies

<u>General Risk Management Approach</u>

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 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 0.03% and 0.09% were denominated in currencies other than the Philippine Peso in 2017 and 2016, 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, 2017, the Company had minimal assets and liabilities exposed to foreign currency risks.

Interest Rate Risk

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

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

Credit Risk

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

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

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

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

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

The Company's exposure to credit risks arising from outstanding financial assets is disclosed in Note 18 – 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, 2017 and 2016, the Company has unutilized credit facilities of PhP9.4 billion.

The Company's financial assets and liabilities as of December 31, 2017 and 2016 are disclosed in Note 18 – 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:

	2017	2016
Loans payable	**₱4,177,902**	₱ -
Customers' deposits	**497,035**	483,584
Financial debt	**4,674,937**	483,584
Less cash and cash equivalents	**1,945,797**	2,125,116
Net financial debt (asset)	**2,729,140**	(1,641,532)
Total equity	**22,354,748**	26,257,333
Gearing ratio	**12.2%**	(6.3%)

The Company's target is to maintain a gearing in the range of no more than 100 percent. The increase in gearing ratio was due to the PhP4.2 billion short-term loans from associates availed by the Company during the year.

Total equity decreased by 14.9% in 2017 as a result of lower operating results for the year.

Material Changes in Balance Sheet Accounts

Cash and cash equivalents

Decrease in cash and cash equivalents were mainly due to lower cash from operations, higher capex spending, net of proceeds from intercompany loans.

Trade and other receivables - net

Increase mostly pertains to increase in receivables from related parties due to increase in transfers of assets advances from the Company. This was mitigated by the decrease in trade receivables primarily due to lower sales and improvement in DSO as a result of the resolute collection activities this year.

Inventories - net

Increase is driven by high inventory levels of raw materials and fuels as of end of the year.

Other current assets

Increase was mainly attributable to increase in advances to suppliers and prepayment of taxes.

Property, Plant and Equipment - net

Increase was mainly from additional capital expenditures, net of transfers of assets to HMDC group and various disposals of property, plant and equipment under RMX segment.

Intangibles assets – net

Decrease was mainly due to sale/transfer of software and amortization recognized for the year.

Deferred income tax assets - net

The increase was mostly attributable to pension contributions and settlement of prior years' tax assessment.

Other non-current assets

The decrease was mainly due to the reclassification of the current portion of long-term financial receivable from Holcim East Asia Business Service Centre B.V. (HEABS) relating to the transfer of intellectual property rights and leasehold improvements, to other current assets.

Loans Payable

During the year, the Company availed various short term loans from related parties.

Trade and Other Payables

Increase in trade and other payables was an effect of the increased purchases of inventories and accruals for rebates during the year.

Income Tax Payable

Decrease was mainly due to lower taxable income for the year ended December 2017 as compared to year ended December 2016.

Retirement Benefit Liabilities

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

Provisions

Decrease in provisions pertains to reversal of prior period's provisions after settlement of tax assessments.

Reserves

Increase was due to HPI's performance compensation scheme accrual for the share-based remuneration for the year.

Re-measurement loss on retirement benefits – net

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

Retained Earnings

Decrease was due to lower net income realized for the year and higher dividend declaration.

Non-controlling interests

Decrease was due to the higher share in remeasurement loss on retirement benefits than the share in realized net income during the year.

Material Changes in Income Statement Accounts

Revenues

Decrease was mainly driven by lower volume and price from strong competition and soft market demand.

General and administrative expenses

Decrease was mostly due to lower expenditure on third-party services as a result of various savings initiatives taken across support functions.

Selling Expenses

The increase was mostly attributable to higher expenditure for advertising and promotion, third party services, transportation and communication and other expenses incurred for strategic commercial initiatives.

Interest and Financing Charges

The increase was due to the short-term loans availed from third party in July and from related parties by end of 2017.

Interest and Other Financial Income

Increase was mainly attributable to increased short-term deposits.

Other income – net

Increase was mostly attributable to the gain as a result of HPMC's transfer of MPSA to HRDC and higher undistributed earnings from HMDC group.

Provision for Income Tax

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

Review of CY 2016 Operations vs. CY 2015

In 2016, the Country's Gross Domestic Product (GDP) grew by 6.9%*, higher than the 5.8% growth in 2015. Among the major economic sectors, Industry had the fastest growth. Services decelerated as compared from prior year while Agriculture sector further declined.

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

The Company's revenue increased to PhP40.3 bio, or 7.5% higher compared to that of last year brought about by the strong and increasing demand from both public and private sectors. The Company achieved a consolidated operating EBITDA of PhP10.8 bio, or 14.1% higher than 2015. Net income after tax stood at PhP6.8 bio compared with PhP8.1 bio, or 16.2% lower than last year. Prior year income benefited from one-time gain of PhP2.6 billion from the revaluation of its investment in an affiliate. Without the one-off item in 2015, profits were higher by 24% in 2016 on effective management of manufacturing costs even as the company successfully raised its cement production capacity.

**Source: Philippine Statistics Authority*
***Source: Cement Manufacturer's Association of the Philippines*

Key Performance Indicators ("KPI")

The comparative financial KPI for the years ended December 31, 2016 and 2015 are as follows:

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

Profitability

2016 Operating EBITDA Margin was higher compared to 2015. ROE and ROA declined but largely due to the one-time gain recognized in 2015 from re-measurement of retained investment in an associate. On a like-for-like basis, both ROA and ROE improved by 3.3 basis points compared last year.

Liquidity

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

Significant Disclosures

Please refer to the Annual Report for 2017 for the significant disclosures made by the Company during the year. Other than those mentioned in the Annual Report, the Company is not aware of the following:

1. Unusual items that materially affect the Company's consolidated assets, liabilities, equity, net income or cash flows because of their nature, size or incidents.
2. Changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts in prior financial years that have a material effect in the current period.
3. Issuances and repurchase of equity securities.

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

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

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

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

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

9. Material commitments for capital expenditures.

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

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

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

Notes to Financial Statements

Accounting Policies and Principles

The consolidated financial statements of the Company, which comprise the consolidated balance sheets as of December 31, 2016 and 2015 and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2016 have been prepared in compliance with Philippine Financial Reporting Standards applied on a consistent basis. The detailed accounting policies are disclosed in Note 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 HPI are affected by seasonality or cyclicality. During the months starting December to May, demand for cement is greater than in the rainy months from June to November.

Financial Risk Management Objectives and Policies

General Risk Management Approach

The Company is exposed to various financial risks, which include the effect of changes in debt structure, equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential and adverse effects on the financial performance of the Company. The Company 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 0.1% were denominated in currencies other than the Philippine Peso in 2016. The Company had no foreign currency denominated sales transaction in 2015.

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

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

Interest Rate Risk

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

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

Credit Risk

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

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

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

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

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

The Company's exposure to credit risks arising from outstanding financial assets is disclosed in Note 18 – Financial Risk Management Objectives and Policies in the Consolidated Financial Statements.

Liquidity Risk

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

The Company maintains sufficient reserves of cash and cash equivalents, which are short-term in nature, unused credit lines and readily available marketable securities to meet its liquidity requirements at all times. In addition, the strong credit worthiness of the Company allows it to make efficient use of the financial markets for financing purposes. As at December 31, 2016 and 2015, the Company has unutilized credit facilities of ₱9.4 billion and ₱8.1 billion, respectively.

The Company's financial assets and liabilities as of December 31, 2016 and 2015 are disclosed in Note 18 – Financial Risk Management Objectives and Policies in the Consolidated Financial Statements.

Capital Management Policy

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

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

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

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

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

Total equity grew by 5.2% in 2016 as a result of improved operating results for the year.

Material Changes in Balance Sheet Accounts

Cash and cash equivalents

Decrease in cash and cash equivalents were mainly due to higher dividend payments and payment of loans payable.

Trade and other receivables

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

Other current assets

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

Investments

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

Property, Plant and Equipment - net

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

Other Non-Current Assets

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

Intangibles assets – net

Decrease was mainly due to amortization recognized for the year.

Loans Payable

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

Trade and Other Payables

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

Income Tax Payable

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

Retirement Benefit Liabilities

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

Provisions

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

Deferred tax liabilities

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

Reserves

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

Re-measurement loss on retirement benefits – net

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

Retained Earnings

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

Non-controlling interests

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

Material Changes in Income Statement Accounts

Revenues

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

Cost of Sales

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

General and administrative expenses

Decrease was mainly due to lower depreciation and amortization expense.

Selling Expenses

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

Interest and Financing Charges

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

Foreign Exchange Gains (Losses) – net

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

Gain on re-measurement of retained equity in a subsidiary

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

Provision for Income Tax

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

Information on Independent Accountant

The accounting firm of Navarro Amper & Co. ("**Deloitte**") has been the Company's independent public accountant / external auditor since 2017.

Audit and Related Fees

The aggregate fees billed for professional services rendered by Deloitte in 2017 was PhP6.7 million while the aggregate fees billed by SyCip Gorres Velayo & Co ("**SGV**") was PhP9.0 million for 2016. 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 2017 and 2016.

Tax Fees & All Other Fees

The Company did not engage Deloitte for tax and other services in 2017, while in 2016, the Company engaged SGV for tax services, due diligence audit and advisory services amounting to PhP3.7 million.

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

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

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

- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit scope;

- Determine the extent of the internal and external auditor's responsibility in the preparation of the financial statements of the Company

- Review the reports submitted by the internal and external auditors;

- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Company's annual report.

- Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.

Upon recommendation 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.

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

Item 1. Business

Holcim Philippines, Inc. (HPI or the "Company"), is one of the premier cement manufacturers in the Philippines and is a member of the LafargeHolcim Group, one of the world's leading suppliers of cement, as well as aggregates, concrete and construction-related services. HPI is mainly engaged in the manufacture, sale and distribution of cement and cementitious products.

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

The consolidated operations of the four cement production facilities have fortified HPI's premier position in the Philippine cement industry with a total installed clinker production capacity of 5.2 million metric tons per year (MTPY) and cement production capacity of 9.1 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, 2017, HPI is 60.55% owned by Union Cement Holdings Corporation (UCHC), 18.11% owned by Holderfin B.V. (Holderfin), and 7.08% owned by Cemco while the remainder of its shares is owned by the public. HPI common shares are listed in the PSE

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

Holcim Philippines Manufacturing Corporation (HPMC)

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

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

In January 2017, 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. CACI is in the process of completing regulatory requirements for its eventual dissolution.

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.

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

Excel Concrete Logistics, Inc. (ECLI)

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

Holcim Philippines Business Services Center, Inc. (HPBSCI)

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

HuBB Stores and Services Inc. (HSSI)

HuBB Stores and Services Inc. was incorporated and registered with the SEC on June 2, 2014. HSSI was set up to engage in the business of buying, selling and distributing construction 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, 2017. Neither is the Company a party to any significant purchase of assets.

(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 the most extensive sales and distribution footprint due to its strategically located plants and terminals in the Philippines. The Company's product quality and operational capability are geared toward meeting the customers' needs here and abroad.

(a) Product Lines

HPI manufactures four (4) main cement product brands namely: Holcim Premium (Type 1 Portland cement), Holcim 4X (Type 1 high performance Portland cement), Holcim Excel (Type 1P Blended cement) and Holcim WallRight (Type S Masonry cement). Its products are sold mostly in bags except for Holcim 4X (mainly bulk). Other packaging formats include tonner, jumbo bags and bulk. HPI also sells to cement producers a semi-finished product called clinker, which is sold only in bulk. Moreover, it is involved in the ready-mix concrete business and selling of aggregates. 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.

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

Holcim 4X

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

Holcim Premium

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

Holcim Excel

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

Holcim WallRight Cement

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

Clinker

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

Ready Mix Concrete

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

Over the course of its business operations, RMX has been incurring losses thus the management has decided to cease its operations. The winding up activities have started in Q4 of 2017 and are expected to be fully completed by end of June 2018.

Aggregates

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

Holcim Tile Adhesive

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

Holcim Skim Coat

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

Holcim Concrete Waterproofing

Holcim Waterproofing is one-component cement-based waterproofing specially formulated using Holcim cement, high-quality polymers and chemical admixtures to provide superior flexible waterproofing of structures. This product is currently being sold on a per request basis.

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

Table 1 – Revenue by Product Line

(In Thousand Pesos)	Calendar Year Ended December 31, 2017	Calendar Year Ended December 31, 2016	Calendar Year Ended December 31, 2015
Cement and cementitious materials	₱31,686,117	₱38,364,642	₱35,562,583
Others	3,054,644	1,971,166	1,963,472
Total	₱34,740,761	₱40,335,808	₱37,526,055

(b) Contribution of Export Sales

The amounts and percentages of revenue attributable to export sales, including breakdown per region, for the calendar years ended December 31, 2017, 2016 and 2015 are as follows:

Table 2 – Export Revenue

(In Thousand Pesos)	Calendar Year Ended December 31, 2017	Calendar Year Ended December 31, 2016	Calendar Year Ended December 31, 2015
Total Export Revenues	₱9,264	₱34,423	NIL
% to Total Revenues	0.03%	0.09%	NIL
Breakdown of Export Revenues per Region (in %)			
Southeast Asia			
Eastern Asia			
Oceania	0.03%	0.09%	NIL
North America			
Western Europe			
Middle East			
Total % to Total Revenues	0.03%	0.09%	NIL

(c) Marketing and Distribution

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

(d) New Product

Superfast-Crete (SF-Crete) was released in the market in first quarter of 2017. It is now a DPWH-accredited road solutions technology that reduces the concrete hardening time from three days to less than one day. With the use of SF Crete, road repairs and construction in highly urban areas are much faster thus lessening inconvenience to motorists and commuters.

In fourth quarter of 2017, the Roller Compacted Concrete (RCC) pavement technology was accredited by DPWH. It is a dry concrete mix constructed without forms, dowels or reinforcing steel and does not require finishing. This innovative building solution will speed up road infrastructure development in the country.

(e) Competition

There are eight cement manufacturers in the Philippines, including: Lafarge-Holcim, Republic, Cemex, Taiheiyo, Northern, Eagle, Goodfound and Mabuhay. According to data from the Cement Manufacturers Association of the Philippines (CeMAP), these manufacturers operate a total of 19 plants all over the country, grinding stations included.

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

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

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

Raw Materials

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

Energy Supply

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

The Bulacan plant's peak demand is currently at 35 megawatts ("MW") while La Union plant's peak demand is currently at 15 MW. On August 12, 2011, a 15-year Energy Services Agreement (ESA) was signed with Trans-Asia Oil and Energy Development Corp. (TA Oil), now Phinma Energy Corporation (PEC) 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 Operations Committee (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.

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.

(g) *Dependence on a Single or a Few Customers*

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

The aim is for the business not to be dependent on a single or a few customers but rather achieve a well-balanced customer portfolio. The loss of one or more customers will have no material adverse effect on the Company and its subsidiaries taken as a whole.

(h) Related Party Transactions

Please see Note 29 – Related Party Transactions to the Consolidated Financial Statements for details.

(i) 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 m.

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".

(j) Governmental Approval of Principal Products

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

(k) Research and Development

The Company is engaged in research and development for improving the production process used in its plants and for improving the quality and strength of its products. The Company spent a total of ₱99.8 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, 2017	₱37,780	0.11%
CY ended December 31, 2016	34,431	0.09%
CY ended December 31, 2015	27,578	0.07%
Total	₱99,789	

(l) Costs and Effects of Compliance with Environmental Laws

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

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

The operating Continuous Emission Monitoring System (CEMS) in all four plants ensures real time monitoring of the overall performance of the plants. Information provided by this system which includes monitoring of Nitrogen oxide (NOx) and

Sulfur dioxide (SO2) emissions confirms that all HPI plants are compliant with the existing government standards.

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

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

(m) Employees

As of December 31, 2017, HPI and subsidiaries had a total of 1,332 officers and regular employees broken down as follows:

Table 4 – Officers and Employees

Location	HPI	Subsidiaries	TOTAL
Head Office*	368	34	402
Bulacan Plant	234	36	270
La Union Plant	185	4	189
Davao Plant	202	1	203
Lugait Plant	68	147	215
Calumpit	43		43
Calaca	10		10
Total	1,110	222	1,332

** Includes ECLI, RMX, HSSI and Mabini plants*

The Company expects an increase in the number of employees in the first quarter of 2018 to fill positions in Sales and Marketing department.

Strengthening of performance management and employee development programs will continue to be the focus to support the company's growth objectives.

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

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

Table 5 – Labor Unions

Location of Cement Plant	Labor Union	CBA Expiry Date
Bacnotan, La	La Union Cement Workers Union	March 31, 2022

Location of Cement Plant	Labor Union	CBA Expiry Date
Union	Holcim La Union Supervisory Employees Union	March 31, 2019
Norzagaray, Bulacan	Holcim Philippines Employees Association (HPEA) UCC Bulacan Supervisory Employees Union (UBSEU)	March 31, 2020 February 28, 2019
Lugait, Misamis Oriental	Holcim Lugait Employees Labor Union Holcim Lugait Supervisors Independent Union	July 31, 2021 March 31, 2021
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	March 31, 2018
Norzagaray, Bulacan	Excel Concrete Logistics, Incorporated Workers Union – National Union of Building and Construction Workers	March 31, 2018

2017 has been remarkable in terms of CBA Negotiations. Both La Union Associate and Supervisory unions were closed in two (2) days and considered best in class practice by DOLE Regional Director.

HPBEA-FFW Chapter or Calumpit Bag Plant Associates Union CBA replicated this milestone and also closed its CBA in three days.

Furthermore, Associates Union of Lugait Plant (HOLELU) concluded their negotiation in four days. This indicates good partnership, trust and confidence built between management and the unions.

(n) Risk Factor

<u>Political and Economic Factors</u>

The Company and its subsidiaries are primarily engaged in the manufacture of clinker and cement in the Philippines. Generally, cement sales are highly dependent on the economic and political conditions in the country.

One of the principal factors that may materially affect financial performance is the level of construction activity in the public and private sectors. Public sector construction activity has always been a significant part of cement demand. However, government spending on construction-related activities (e.g., infrastructure and housing) is dependent on various factors, namely budgetary constraints, political considerations and the stage of economic development in the country.

On the other hand, private sector spending is primarily driven by investors' confidence in the country, which in turn, is dependent on the country's economic and political conditions. Any perceived political instability or lower-than-expected economic growth could have an adverse effect on the Company's financial performance.

Availability of Stable Power Supply

The 15-year contract with TA Oil, now PEC, 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 PEC 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. More plants are under construction and some went online by 2017 while others are expected by 2018. 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 2017 Bangko Sentral ng Pilipinas Annual Exchange Rate Report, the Philippine Peso slightly depreciated from PhP49.81 against the US Dollar as of December 31, 2016 to PhP49.92 as of December 31, 2017. The Peso has undergone fluctuations during the year with an average rate of PhP50.40. It has also slid to an 11-year low of PhP51.77 in October 2017. The weakening of the Peso resulted in the increase of cost of production inputs such as imported fuel, coal and supplies.

Environmental and Regulatory Matters

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

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

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

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

The status of compliance on the conditions stated in the Environmental Compliance Certificate (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).

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

Item 2. Properties

The Company's major items of property, plant and equipment are located in Norzagaray, Bulacan; Bacnotan, La Union; Bo. Ilang, Davao City; Lugait, Misamis Oriental; Mabini, Batangas; Calaca, Batangas; Iloilo; and Manila. The table shows the consolidated properties of HPI as of December 31, 2017 compared to December 31, 2016.

Table 6 – Plant, Property and Equipment (Consolidated)

(In Thousand Pesos)	December 31, 2017	December 31, 2016
Land and land improvements	₱-	₱58,298
Machinery and equipment	23,980,205	23,555,892
Buildings and installations	12,958,244	12,907,565
Furniture, vehicles and tools	939,071	1,025,833

(In Thousand Pesos)	December 31, 2017	December 31, 2016
Construction in progress	4,376,368	2,416,553
	42,253,888	39,964,141
Less: Accumulated depreciation, depletion		
and allowance for impairment loss	24,654,050	23,507,115
Total	₱-24,654,050	₱16,457,026

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	2017 Lease Payments (in '000)	Renewal Options
Plants, Terminals, Ports	01.01.2016	01.01.2041	₱963,003	The contracts may be renewed or extended upon the mutual agreement of the Parties.
HO Office	15.11.2014	15.12.2020	35,627	The lease may be renewed upon the written agreement and under such terms and conditions as maybe acceptable to both parties.
RMX lot	28.08.2008	26.08.2021	15,359	Renewable as may be mutually agreed by the parties
Industrial Warehouse	16.01.2013	24.04.2021	22,362	The contract may be renewed or extended upon the mutual agreement of the Parties.

Item 3. Legal Proceedings

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

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

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

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

IV. COMPANY'S DIRECTORS AND EXECUTIVE OFFICERS

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

V. 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 2017, 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 2017		CY 2016		CY 2015	
	High	Low	High	Low	High	Low
January – March	15.48	15.02	13.80	13.78	14.50	14.50
April – June	13.32	13.20	15.10	15.00	13.88	13.02
July – September	12.60	12.40	16.42	16.32	13.74	12.90
October – December	10.80	10.74	16.50	16.50	14.24	14.24

Source: Philippine Stock Exchange, Inc.

As of February 27, 2018, the closing price of the Company's common shares at the PSE is ₱9.9 per share.

(2) *Stockholders*

As of December 31, 2017, HPI has 6,452,099,144 common shares outstanding held by 5,365 stockholders. The list of the top twenty stockholders of the Company as recorded by Stock Transfer Service, Inc., the Company's stock transfer agent, is as follows:

Table 8 – Top Twenty (20) Stockholders

Rank	Name	Citizenship	Shares (Sum)	%
1	UNION CEMENT HOLDINGS CORPORATION	FILIPINO	3,906,425,509	60.55%
2	B. V HOLDERFIN	DUTCH	1,168,450,997	18.11%
3	SUMITOMO OSAKA CEMENT CO., LTD.	JAPANESE	594,952,725	9.22%
4	CEMCO HOLDINGS, INC.	FILIPINO	456,689,560	7.08%
5	PCD NOMINEE CORP. (NON-FILIPINO)	FOREIGN	165,532,141	2.57%
6	PCD NOMINEE CORP. (FILIPINO)	FILIPINO	128,881,217	2.00%
7	ANTONIO M. DUMALIANG &/OR ROSALINDA S. DUMALIANG	FILIPINO	922,363	0.01%
8	LEONCIO TIU	FILIPINO	705,000	0.01%
9	KAKUGARA AKIHIKO	JAPANESE	559,580	0.01%
10	LUIS CO CHI KIAT	FILIPINO	511,242	0.01%
11	LUIS ROLANDO GARCIA FADRIGO	FILIPINO	419,578	0.01%
12	JOAQUIN Q. TAN	FILIPINO	380,000	0.00%
13	AMERICAN WIRE & CABLE CO., INC.	FILIPINO	290,933	0.00%
14	UNIVERSITY OF SANTO TOMAS	FILIPINO	190,750	0.00%
15	RAMON C. CHAN	FILIPINO	189,189	0.00%
16	FRANCIS L. ESCALER	FILIPINO	186,935	0.00%
17	ISABELA CULTURAL CORPORATION	FILIPINO	156,439	0.00%
18	LILIA V. QUITO	FILIPINO	150,000	0.00%

Rank	Name	Citizenship	Shares (Sum)	%
19	ROSALIA M. AMANDO	FILIPINO	141,069	0.00%
20	BENITO G. OBLENA	FILIPINO	137,337	0.00%
		Total	**6,425,872,624**	**99.59%**

(3) Dividends

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

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

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

	2017	2016	2015
Cash Dividend Per Share (PhP)	₱0.98	₱0.87	₱0.82
Amount Declared (PhP)	₱6.3 billion	₱5.6 billion	₱5.3 billion
Declaration Date	26-May-17	18-May-16	18-May-15
Record Date	15-June-17	15-June-16	15-June-15

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

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

VI. CORPORATE GOVERNANCE

(a) Evaluation System To Measure Compliance with Manual of 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 Compliance Officer is currently in the process of developing and establishing, subject to approval of the Board, a monitoring and evaluation system complete with procedure that fulfills the requirements of due process, to determine and measure compliance with the CG Code.

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

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.

(c) Plan to Improve 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.

THE ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2017 (SEC FORM 17-A) WILL BE AVAILABLE UPON REQUEST OF STOCKHOLDERS. YOUR REQUEST MAY BE SENT DIRECTLY TO THE OFFICE OF THE CORPORATE SECRETARY, AT THE 7TH FLOOR VENICE CORPORATE CENTER, 8 TURIN ST., MCKINLEY TOWN CENTER, FORT BONIFACIO, TAGUIG CITY, PHILIPPINES AND A COPY WILL BE SENT TO YOU, FREE OF CHARGE.

"Annex A"

MATERIAL LEGAL PROCEEDINGS

MATERIAL LEGAL PROCEEDINGS

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

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

TAX CASES (Parent)

1. The Company received a final assessment notice from the Bureau of Internal revenue in September 2015 for alleged deficiency income tax, value added tax, expanded withholding tax, final withholding tax and documentary stamp tax for taxable year 2008 in the aggregate amount of 720 Million Pesos, inclusive of penalties and interest. The Company filed its protest in October and December 2015 and the BIR released its final decision on disputed assessment on April 27, 2017 at an aggregate amount of 40 Million Pesos. The Company paid such amount on the same date.

2. The Company received a final assessment notice from the BIR for the alleged deficiency final withholding taxes for the taxable year 2010 amounting to P150.9 million, inclusive of penalties and interest. The assessment was issued as a result of the denial of the Company's application for tax treaty relief. The Company filed its protest in July 2013. The Company's protest remains pending with the BIR.

3. On 26 February 2014, the Company received from the Municipal Treasurer of Norzagaray, Bulacan an assessment for deficiency local business taxes on undeclared cement sales for the taxable years 2005 to 2011 in the aggregate amount of 58.4 Million Pesos ("2014 Assessment Notice"). Following the denial of the Company's protest by the Norzagaray Municipal Treasurer, the Company filed a complaint with the Regional Trial Court of Malolos for the cancellation of the 2014 Assessment Notice. Thereafter, on 26 October 2015, the Company received an assessment from the Municipal Treasurer of Norzagaray, Bulacan for deficiency local business taxes on undeclared cement sales for the taxable years 2012 to 2015 ("2015 Assessment Notice") in the total amount of 118.2 Million Pesos. After the Municipal Treasurer of Norzagaray, Bulacan failed to act on the Company's protest within the period provided under the Local Government Code, the Company filed a complaint with the Regional Trial Court of Malolos for the cancellation of the 2015 Assessment Notice. Upon motion filed by the Company, the two cases were consolidated and are pending resolution.

4. On 29 November 2012, the Company received an assessment from the Provincial Assessor and Provincial Treasurer of Bulacan, and the Municipal Treasurer of Norzagaray, Bulacan for deficiency real property taxes on certain machineries and equipment at the Company's Bulacan Plant for taxable years 2011 to 2012 amounting to 80.3 Million Pesos ("2011 to 2012 RPT Assessment"). The Company filed an appeal and motion to post bond with the Local Board of Assessment Appeals to contest the 2011 to 2012 RPT Assessment. The Company's motion to post bond was granted but the Company's appeal is still pending resolution with the Local Board of Assessment Appeals.

   On 23 April 2013, the Provincial Assessor of Bulacan issued 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 ("2013 1st and 2nd Quarter RPT Assessment"). On 13 September 2013, the Company received an assessment from the Municipal Treasurer of Norzagaray, Bulacan for real property taxes due on its 1998 and Additional Line 2 Properties for the third quarter of 2013 ("September 2013 Assessment"). 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, which supposedly consolidated the 71 notices of assessment issued by the Municipal 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 129.9 Million Pesos. On 9 July 2014, the Company's supplemental appeals with the Local Board of Assessment Appeals covering these assessments are pending resolution.

At the suggestion of the Provincial Governor of Bulacan and 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 Local Board of Assessment Appeals, 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 Local Board of Assessment Appeals, 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 Php103 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 Local Board of Assessment Appeals.

On 29 March 2017, the Company received an assessment for unpaid real property taxes on lands, buildings and machineries located at its Bulacan Plant for the taxable year 2017. The assessment, which the Company paid under protest, amounted to 41.1 Million Pesos. The Company filed an appeal with the Local Board of Assessment Appeals, which is still pending resolution.

5. The Company has an ongoing tax audit for national taxes in 2013. The BIR has not made any determination of deficiency taxes as of December 31, 2017.

Tax Cases (Subsidiaries)

1. HPMC received a final assessment notice from the BIR in June 2014 for alleged deficiency income tax, value-added tax, expanded withholding tax, and documentary stamp tax covering the taxable year 2008 in the aggregate amount of 283.8 Million Pesos inclusive of penalties and interest. The BIR released its final decision on disputed assessment on April 27, 2017 at an aggregate amount of 15.6 Million Pesos. The Company paid such amount on the same date.

2. CACI received a final assessment notice from the BIR in December 2014 for alleged deficiency income tax and value-added tax covering the taxable year 2011 in the amount of 2.5 Million Pesos, inclusive of penalties and interest. CACI's protest remains pending with the BIR.

3. HPMC has an ongoing tax audit for national taxes in 2014. The BIR has not made any determination of deficiency taxes as of December 31, 2017.

4. HSSI has an ongoing tax audit for national taxes in 2015. The BIR has not made any determination of deficiency taxes as at December 31, 2017.

5. MGMC has an ongoing tax audit for national taxes in 2015 and 2016. The BIR has not made any determination of deficiency taxes as of December 31, 2017.

6. HPBSCI has an ongoing tax audit for national taxes in 2014. The BIR has not made any determination of deficiency taxes as of December 31, 2017.

"Annex B"

Consolidated Audited Financial Statements as of December 31, 2017

Holcim

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

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

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 statement including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with Philippine Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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.

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

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

Navarro Amper & Co. and SyCip Gorres Velayo & Co., the independent auditors appointed by the shareholders, have audited the consolidated financial statements of the Group as at and for the years ended December 31, 2017 and 2016, respectively, in accordance with Philippine Standards on Auditing, and in their report to the shareholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Tomas I. Alcantara
Chairman of the Board

Sapna Sood
Chief Executive Officer and President

Jesusa Natividad L. Rojas
Chief Financial Officer

Signed this 27th day of February, 2018

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Holcim

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

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

SUBSCRIBED AND SWORN to before me this FEB 2 7 2018 with the presentation

Name	Passport No.	Place Issued	Date Issued
Tomas I. Alcantara	EB8610644	Manila	July 9, 2013
Sapna Sood	517992576	UK of Great Britain	January 10, 2014
Jesusa Natividad L. Rojas	ECO971234	Manila	April 29, 2014

of the following:

CHRISTOPHER ALBERT C. HERMOSISIMA
Notary Public for Makati City
Appointment No. M-30 until December 31, 2019
Roll of Attorney No. 69742
PTR No. 6623659; 1/9/2018; Makati City
IBP No. 022295; 1/6/2018; Makati Chapter
30th Floor 88 Corporate Center
Sedeño corner Valero Streets
Salcedo Village, Makati City 1227
Philippines

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Series of 2018.

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ANNEX A

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

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for **HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES** for the period ending **December 31, 2017**.

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

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

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

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

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

SIGNATURE OVER PRINTED NAME: Kamile Alysa S. Pineda

PROFESSIONAL IDENTIFICATION CARD NO. 0148706
VALID UNTIL: April 18, 2018

ACCREDITATION NUMBER: Bd. Res. No. 177 dtd. April 7, 2017
VALID UNTIL: April 18, 2020

NOTARY PUBLIC

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Series of 2018

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FLORIAN G. SALCEDO
Appointment No. M-130
Notary Public for Makati City
Until December 31, 2019
Unit 15A, ACT Tower, 135 H.V. Dela Costa St., Salcedo Village, Makati City 1226
Roll No. 67818
PTR No. 6615020/Makati City/01-03-2018
IBP No. 022731/Camarines Sur/01-03-2018

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-4

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITORS

To the Board of Directors and Shareholders
HOLCIM PHILIPPINES, INC.
7th Floor, Two World Square
McKinley Hill, Fort Bonifacio, Taguig City

Gentlemen:

We have audited the consolidated financial statement of Holcim Philippines, Inc. and Subsidiaries as at and for the year ended December 31, 2017 in accordance with Philippine Standards on Auditing, on which we have rendered the attached report dated February 27, 2018. In connection with our audit, we wish to state that the Company is listed with the Philippine Stock Exchange.

Navarro Amper & Co.
BOA Registration No. 0004, valid from December 4, 2015 to December 31, 2018
SEC Accreditation No. 0001-FR-4, issued on January 7, 2016; effective until January 6, 2019, Group A
TIN 005299331

By:

Oliver C. Bucao
Partner
CPA License No. 0086699
SEC A.N. 1623-A, issued on March 23, 2017; effective until March 22, 2020, Group A
TIN 129433612
BIR A.N. 08-002552-47-2017, issued on June 8, 2017; effective until June 8, 2020
PTR No. A-3745354, issued on January 5, 2018, Taguig City

Taguig City, Philippines
February 27, 2018

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NavarroAmper&Co.

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

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders
HOLCIM PHILIPPINES, INC.
7th Floor, Two World Square
McKinley Hill, Fort Bonifacio, Taguig City

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Holcim Philippines, Inc. and Subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statement, 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, 2017, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audit 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.

Other Matter

The financial statements of the Group as at and for the year ended December 31, 2016, was audited by another auditor who expressed an unmodified opinion on those statements on March 1, 2017.

Deloitte.

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 statement of the current period. These matters were addressed in the context of our audit of the consolidated financial statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matter:

Key Audit Matter	**Our audit performed and responses thereon**
Goodwill Impairment Testing Goodwill has been recognized in the consolidated financial statements which is attributable to the cement operations of one of the Group's Plants. Under 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 7.38% of the total assets of the Group as at December 31, 2017. In addition, Management conducts annual impairment tests to assess the recoverability of the carrying values 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, 2017 are disclosed in Note 14 to the consolidated financial statements.	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 possible 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 projected revenues and cash flows, margin growth rates and earnings before interest, taxes, depreciation and amortization to the historical performance of the cash-generating unit (CGU), Management plans and analysts' reports on market outlook. We also focused on the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill.

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, 2017, 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, 2017, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statement 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 statement, 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 statement 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 statement 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 statement.

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 statement, 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 statement, 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 audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.
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SEC Accreditation No. 0001-FR-4, issued on January 7, 2016; effective until January 6, 2019, Group A
TIN 005299331

By:

Oliver C. Bucao
Partner
CPA License No. 0086699
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TIN 129433612
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PTR No. A-3745354, issued on January 5, 2018, Taguig City

Taguig City, Philippines
February 27, 2018

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HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(With Comparative Figures for 2016)

		December 31	
	Notes	**2017**	2016
		(In Thousands)	
ASSETS			
Current Assets			
Cash and cash equivalents	8	**P 1,945,797**	P 2,125,116
Trade and other receivables - net	9	**3,439,049**	3,297,523
Inventories - net	10	**3,800,792**	3,450,727
Other current assets	11	**835,558**	598,896
Total Current Assets		**10,021,196**	9,472,262
Non-current Assets			
Investments	12	**4,468,357**	4,392,066
Property, plant and equipment - net	13	**17,599,838**	16,457,026
Goodwill	14	**2,635,738**	2,635,738
Intangible assets - net	14	**28,714**	40,806
Deferred income tax assets - net	30	**455,242**	349,503
Other non-current assets	15	**378,487**	416,428
Total Non-current Assets		**25,566,376**	24,291,567
		P35,587,572	P33,763,829
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	16, 29	**P 4,177,902**	P -
Trade and other payables	17	**7,862,742**	6,357,487
Income tax payable		**265,684**	520,411
Total Current Liabilities		**12,306,328**	6,877,898
Non-current Liabilities			
Retirement benefit liability	31	**845,154**	501,944
Provisions	20	**81,342**	126,654
Total Non-current liabilites		**926,496**	628,598
		13,232,824	7,506,496
Shareholders Equity			
Capital stock	21	**6,452,099**	6,452,099
Additional paid-in capital		**8,476,002**	8,476,002
Other reserves	21	**(1,430)**	(5,832)
Remeasurement loss on retirement benefits - net	31	**(350,987)**	(79,978)
Retained earnings	21	**7,773,468**	11,409,043
Equity Attributable to Equity Holders of the Parents Company		**22,349,152**	26,251,334
Non-controlling Interest		**5,596**	5,999
		22,354,748	26,257,333
		P35,587,572	P33,763,829

See Notes to Consolidated Financial Statements.

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(With Comparative Figures for 2016 and 2015)

		For the Years Ended December 31		
	Notes	**2017**	2016	2015
		(In Thousands, Except Per Share Amounts)		
Revenue		**P34,740,761**	P40,335,808	P37,526,055
Cost of Sales	22	**28,494,422**	28,504,537	27,248,041
Gross Profit		**6,246,339**	11,831,271	10,278,014
General and administrative expenses	23	**(1,260,864)**	(1,753,095)	(2,105,567)
Selling expenses	24	**(911,505)**	(591,496)	(583,740)
Interest and financing charges	27	**(107,428)**	(41,754)	(78,752)
Interest and other financial income	8	**21,707**	19,529	20,013
Gain on remeasurement of retained equity in a former subsidiary	12	**-**	-	2,635,755
Other income - net	28	**278,166**	162,490	199,962
Profit Before Income Tax		**4,266,415**	9,626,945	10,365,685
Income Tax Expense	30	**1,576,617**	2,779,832	2,216,117
Profit for the Year		**2,689,798**	6,847,113	8,149,568
Profit for the year attributable to:				
Equity holders of the parent comapany		**2,688,485**	6,845,856	8,148,071
Non-controlling interest		**1,313**	1,257	1,497
		P 2,689,798	P 6,847,113	P 8,149,568
Other Comprehensive Income				
Other Comprehensive income (loss) not to be reclassified to profit or loss in subsequent period:				
Remeasurement gain (loss) on retirement benefits	31	**(387,421)**	79,852	56,300
Income tax effect		**116,226**	(23,956)	(16,890)
		(271,195)	55,896	39,410
Other reserves	21	**4,402**	3,774	(13,380)
Net other comprehensive income (loss) not to be resclassified to profit or loss in subsequent periods		**(266,793)**	59,670	26,030
Total Comprehensive Income for the Year		**2,423,005**	6,906,783	8,175,598
Total comprehensive income for the year attributable to:				
Equity holders of the parent company		**2,421,878**	6,905,492	8,173,837
Non-controlling interest		**1,127**	1,291	1,761
Total Comprehensive Income		**P 2,423,005**	P 6,906,783	P 8,175,598
Basic/ Diluted Earnings Per Common Share of Net Income Attributed to Equity Holders of the Parent Company	33	**P 0.42**	P 1.06	P 1.26

See Notes to Consolidated Financial Statements.

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HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(With Comparative Figures for 2016 and 2015)

	For the Years Ended December 31							
	Share Capital (Note 21)	**Share Premium** (Note 21)	**Other Reserves** (Note 21)	**Remeasurement Gain (Loss) on Retirement Benefits - net** (Note 31)	**Retained Earnings** (Note 21)	**Attributable to the owners of the Parent**	**Noncontrolling Interest**	**Total Equity**
	(In Thousands, Except Per Share Amounts)							
Balance, December 31, 2014	P6,452,099	P8,476,002	P 3,774	(P174,986)	P 7,326,592	P22,083,481	P9,395	P22,092,876
Profit for the year	-	-	-	-	8,148,071	8,148,071	1,497	8,149,568
Other comprehensive loss for the year	-	-	(13,380)	39,146	-	25,766	264	26,030
Total comprehensive income (loss) for the year	-	-	(13,380)	39,146	8,148,071	8,173,837	1,761	8,175,598
Transaction with owners:								
Cash dividends - P0.82 per share	-	-	-	-	(5,295,938)	(5,295,938)	(3,070)	(5,299,008)
Balance, December 31, 2015	P6,452,099	P8,476,002	(9,606)	(135,840)	10,178,725	24,961,380	8,086	24,969,466
Profit for the year	-	-	-	-	6,845,856	6,845,856	1,257	6,847,113
Other comprehensive loss for the year	-		3,774	55,862	-	59,636	34	59,670
Total comprehensive income (loss) for the year	-	-	3,774	55,862	6,845,856	6,905,492	1,291	6,906,783
Transaction with owners:								
Cash dividends - P0.87 per share	-	-	-	-	(5,615,538)	(5,615,538)	(3,378)	(5,618,916)
Balance, December 31, 2016	6,452,099	8,476,002	(5,832)	(79,978)	11,409,043	26,251,334	5,999	26,257,333
Profit for the year	-	-	-	-	2,688,485	2,688,485	1,313	2,689,798
Other comprehensive loss for the year	-	-	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
Transaction with owners:								
Cash dividends - P0.98 per share	-	-	-	-	(6,324,060)	(6,324,060)	(1,530)	(6,325,590)
Balance, December 31, 2017	**P6,452,099**	**P8,476,002**	**(P 1,430)**	**(P350,987)**	**P 7,773,468**	**P22,349,152**	**P5,596**	**P22,354,748**

See Notes to Consolidated Financial Statements.

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(With Comparative Figures for 2016 and 2015)

		For the Years Ended December 31		
	Notes	**2017**	2016	2015
			(In Thousands)	
Cash Flows from Operating Activities				
Profit before income tax		**P4,266,415**	P 9,626,945	P10,365,685
Adjustments for:				
Depreciation, amortization and impairment	13, 14	**1,373,405**	1,326,175	1,890,611
Interest and financing charges	27	**107,355**	41,754	78,752
Retirement benefit expense	31	**76,634**	85,307	96,918
Provision for doubtful accounts	9, 24	**17,579**	4,191	50,217
Unrealized foreign exchange gains - net		**5,202**	(8,104)	(32,735)
Gain on remeasurement of retained equity in a former subsidiary	12	**-**	-	(2,635,755)
Interest and other financial income	8	**(21,707)**	(19,529)	(20,013)
Loss (gain) on sale of property, plant and equipment	13, 28	**(115,760)**	5,130	(107,810)
Share in undistributed earnings of an associate	28	**(143,615)**	(86,761)	-
Other losses	20, 28	**122,791**	-	84,993
Income before working capital changes		**5,688,299**	10,975,108	9,770,863
Decrease (Increase) in:				
Trade and other receivables		**(117,041)**	59,923	(1,096,132)
Inventories		**(370,019)**	505,295	(193,163)
Other current assets		**(164,693)**	45,681	270,374
Increase (Decrease) in:				
Trade and other payables		**1,465,503**	(177,699)	1,581,624
Net cash generated from operations		**6,502,049**	11,408,308	10,333,566
Cash generated from operations of a former subsidiary	8	**-**	-	143,929
Contribution to retirement fund	31	**(138,854)**	(80,201)	(121,440)
Benefits paid directly by the group	31	**(4,083)**	-	-
Income taxes paid		**(1,940,245)**	(3,095,540)	(2,531,374)
Net cash provided by operating activities		**4,418,867**	8,232,567	7,824,681
Cash Flows from Investing Activities				
Additions to property and equipment	13	**(2,584,780)**	(1,979,751)	(2,440,515)
Additions in other non-current assets		**(18,469)**	(147,945)	(4,205)
Proceeds from sale of property, plant and equipment		**180,841**	101,606	81,359
Dividends received	29	**24,705**	-	-
Interest received	8	**20,910**	19,529	20,013
Additional investment in associate	12	**-**	-	(242,931)
Additions to intangible assets	14	**-**	-	(11,329)
Cash used in investing activities of a former subsidiary	12	**-**	-	(3,612,264)
Net cash used in investing activities		**(2,376,793)**	(2,006,561)	(6,209,872)
Cash Flows from Financing Activities				
Payments of:				
Cash dividends	21	**(6,315,149)**	(5,618,916)	(5,299,008)
Loan payable	16, 29	**(2,322,000)**	(2,999,831)	(1,490,473)
Interest and financing charges	27	**(84,833)**	(17,447)	(78,752)
Proceeds from availment of loans	16, 29	**6,500,000**	2,000,000	1,625,000
Cash generated from financing activities of a former subsidiary		**-**	-	3,471,125
Net cash used in financing activities		**(2,221,982)**	(6,636,194)	(1,772,108)
Effects of Exchange Rate Changes		**589**	(4,894)	(710)
Net Decrease in Cash and Cash Equivalents		**(179,319)**	(415,082)	(158,009)
Cash and Cash Equivalents, Beginning		**2,125,116**	2,540,198	2,698,207
Cash and Cash Equivalents, End		**P1,945,797**	P 2,125,116	P 2,540,198

See Notes to Consolidated Financial Statements.

1. CORPORATE INFORMATION

Holcim Philippines, Inc. (HPI or the "Parent Company") and all of its subsidiaries (collectively referred to as the "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 and HPMC are in the provinces of Batangas and Misamis Oriental, respectively. The registered office 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 company incorporated in the Philippines. The Philippine-domiciled ultimate parent company of the Group is Clinco Corporation (Clinco).

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, 2017 and 2016 is P6.5 billion.

Status of Operations

Excel Concrete Logistics, Inc. (ECLI), one of the Parent Company's subsidiary, incurred losses in 2017 and 2016 amounting to P26,703,589 and P6,393,092, respectively, resulting in accumulated deficit of P61,187,025 and P34,946,276, as at December 31, 2017 and 2016, respectively.

HUBB Stores and Services, Inc. (HSSI), one of the Parent Company's subsidiary, incurred losses in 2017 and 2016 amounting to P45,963,580 and P21,984,907, respectively, resulting to accumulated deficit of P91,736,023 and P45,772,443 as at December 31, 2017 and 2016, respectively. Management is currently reviewing its current business model to improve results of operations going forward.

Management has taken appropriate actions by implementing strategies that will assist in improving the results of operations and maintaining financial stability. In addition, the Parent Company has committed to provide a continuous financial support to enable it to continue its operations. Accordingly, the financial statements 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 financial statements have been prepared on historical cost basis except for:

- financial assets measured at amortized cost;
- available for sale (AFS) financial assets which are valued at fair value;
- Derivative liabilities measured at fair value;
- inventories at lower of cost and net realizable value (NRV); and
- defined benefit obligation recognized as the net total of the present value of plan assets less the present value of the defined benefit obligation.

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 financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of PFRS 2, leasing transactions that are within the scope of PAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS 2 or value in use in PAS 36.

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, 2017 and 2016 are as follows:

	Ownership and Voting Interest 2017	2016
Held by HPI		
WEB [a]	100.00%	100.00%
Excel Concrete Logistics, Inc. (ECLI)	100.00%	100.00%
Holcim Philippines Business Services Center, Inc. (HPBSCI)	100.00%	100.00%
Hubb Stores and Services, Inc. (HSSI)	100.00%	100.00%
Holcim Philippines Manufacturing Corporation (HPMC)	99.62%	99.62%
Held by WEB		
Mabini Grinding Mill Corporation (MGMC)	100.00%	100.00%
Held by HPMC		
Alsons Construction Chemicals, Inc. (Alchem) [b]	99.62%	99.62%
Bulkcem Philippines, Inc. (Bulkcem)	99.62%	99.62%
Calamba Aggregates Co., Inc. (CACI) [c]	99.62%	99.62%

(a) *A company incorporated in British Virgin Islands*
(b) *Ceased commercial operations effective December 31, 2013*
(c) *In the process of liquidation*

4. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Adoption of New and Revised Accounting Standard Effective in 2017

The following new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and issued by the FRSC in the Philippines were adopted by the Group effective on January 1, 2017:

Amendments to PAS 7, *Disclosure Initiative*

The amendments clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments require that liabilities arising from financing activities are disclosed, among others:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchange rates; and
- changes in fair values.

Liabilities arising from financing activities is defined as the cash flows, or future cash flows, classified in the statement of cash flows as cash flows from financing activities. The new disclosure requirements also relate to changes in financial assets if they meet the same definition.

A reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities is not required.

Finally, changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The amendments will not have an impact on the Group's consolidated financial statements.

Amendments to PAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments will not have an impact on the Group's consolidated financial statements as the Group already assess the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to PFRSs 2014-2017 Cycle

Amendments to PFRS 12, *Disclosure of Interests in Other Entities*

The amendments clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those disclosures needed in the summarized financial for subsidiaries, joint ventures and associates, apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The management of the Group assessed that the application of the amendments in the future will have any impact on the Group's consolidated financial statements as the Group is neither a first time adopter of IFRS nor a venture capital organization. Furthermore, the Group does not have any associate or joint venture that is an investment entity

New Accounting Standard Effective after the Reporting Period Ended December 31, 2017

Amendments to PFRS 2, *Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 includes:

a. Accounting for cash-settled share-based payment transactions that contain a performance condition. The amendment added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.
b. Classification of share-based payment transactions with net settlement features. The amendment has introduced an exception into PFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
c. Accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendment has introduced the following clarifications:
    - On modifications, the original liability recognized in respect of the cash-settled share-based payment is derecognized and the equity-settled share-based payment is recognized at the modification date fair value to the extent services have been rendered up to the modification date.

- Any difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately.

The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

The management of the Group assessed that the application of the amendments will not have significant impact on the Group's consolidated financial statements as the Group does not have any cash-settled share-based payment transactions that contain a performance condition.

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

The amendments provide two options for entities that issue insurance contracts within the scope of PFRS 4:

- an option that permits entities to reclassify, from profit or loss to OCI, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; and
- an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

An entity applies the deferral approach for annual periods beginning on or after January 1, 2018.

The management of the Group assessed that the application of the amendments will not have impact on the Group's consolidated financial statements as the Group does not have any insurance contracts.

PFRS 9, *Financial Instruments (2014)*

This standard consists of the following three phases:

<u>Phase 1: Classification and measurement of financial assets and financial liabilities</u>

With respect to the classification and measurement under this standard, all recognized financial assets that are currently within the scope of PAS 39 will be subsequently measured at either amortized cost or fair value. Specifically:

- A debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.
- A debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms of the financial asset five rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at fair value through other comprehensive income (FVTOCI), unless the asset is designated at FVTPL under the fair value option.
- All other debt instruments must be measured at FVTPL.
- All equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognized in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognized in profit or loss.

This standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from PAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk for the liability. Under this standard, such changes are presented in other comprehensive income (OCI), unless the presentation of the effect of the change in the liability credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under PAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

The management of the Group assessed that the application of this phase of PFRS 9 will not have a significant impact on its consolidated statement of financial position as its current financial assets carried at fair value are not significant.

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

Phase 2: Impairment methodology

The impairment model under this standard reflects expected credit losses, as opposed to incurred credit losses under PAS 39. Under the impairment approach of this standard, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

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

Phase 3: Hedge accounting

The general hedge accounting requirements for this standard retain the three types of hedge accounting mechanism in PAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of economic relationships. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The Group assessed that the application of this phase of PFRS 9 will not have a significant impact as it does not apply hedge accounting on any existing hedge relationships.

The standard is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

The management of the Group plans to adopt the new standard on the required effective date. Based on the following preliminary assessment, the Group expects no significant impact to its consolidated statement of financial position.

PFRS 15, *Revenue from Contracts with Customers*

The standard combines, enhances, and replaces specific guidance on recognizing revenue with a single standard. An entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

It defines a new five-step model to recognize revenue from customer contracts.

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

The standard is mandatory for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

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

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

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

(a) Sale of goods

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

(b) Variable consideration

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

(c) Disclosure requirements

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

Amendments to PFRS 15, *Clarifications to PFRS 15*

The amendments in the standard addresses three topics namely identifying performance obligations, principal versus agent considerations, and licensing and provide some transition relief for modified contracts and completed contracts.

- Added a clarification that the objective of the assessment of a promise to transfer goods or services to a customer is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services are inputs.
- Clarification on how to assess control in in determining whether a party providing goods or services is a principal or an agent
- Clarification on when an entity's activities significantly affect the intellectual property by amending the application guidance.

The standard is mandatory for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

The management of the Group assessed that the application of the amendments will not have an impact on the Group's consolidated financial statements as the Group does not have complex revenue transactions.

PIC Q&A No. 2016-04, *Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts*

This interpretation applies to the accounting for revenue from the sale of a residential property unit under pre-completion stage (i.e., construction is on-going or has not yet commenced) by a real estate developer that enters into a Contract to Sell (CTS) with a buyer, and the developer has determined that the contract is within the scope of PFRS 15 by satisfying all the criteria in paragraph 9 of PFRS 15.

This interpretation does not deal with the accounting for other aspects of real estate sales such as variable considerations, financing components, commissions and other contract costs, timing of sales of completed properties, etc.

The interpretation is effective on the same date as the effective date of PFRS 15, *Revenue from Contracts with Customers*

The management of the Group does not anticipate that the application of the new accounting standard will have an impact on the Group's consolidated financial statements as the Group does not sell any residential properties.

PFRS 16, *Leases*

This standard specifies how a PFRS reporter will recognize, measure, present and disclose leases. It 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 or the underlying asset has a low value.

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. Earlier application is permitted only if PFRS 15, *Revenue from Contracts with Customers*, is also adopted.

The management of the Group is still evaluating the impact of the new standard.

Annual Improvements to PFRSs 2014-2017 Cycle

The annual improvements address the following issues:

Amendments to PFRS 1, *First-time Adoption of International Financial Reporting Standards*

The amendments include the deletion of short-term exemptions stated in the appendix of PFRS 1, because they have now served their intended purpose. The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

Amendments to PAS 28, *Investments in Associates and Joint Ventures*

The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

The management of the Group assessed that the application of the amendments will not have an impact on the Group's consolidated financial statements as the Group is neither a first time adopter of IFRS nor a venture capital organization. Furthermore, the Group does not have any associate or joint venture that is an investment entity.

Amendments to PAS 40, *Investment Property - Transfers of Investment Property*

The amendments in Transfers of Investment Property (Amendments to IAS 40) are:

- Stating that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of evidence in paragraph 57(a) – (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list

The amendments are effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

The management of the Group assessed that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should there be a change in use of any of its properties.

Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

The interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability.

The interpretation is effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

The management of the Group assessed that the application of the amendments will not have an impact on the Group's consolidated financial statements. This is because the Group already accounts for the transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

New Accounting Standards Effective After the Reporting Period Ended December 31, 2017 - Adopted by FRSC but pending publication by the Board of Accountancy

The Group will adopt the following once became effective.

PFRS 9, *Prepayment Features with Negative Compensation*

The amendments include:

Changes regarding symmetric prepayment options

Under the current IFRS 9 requirements, the SPPI condition is not met if the lender has to make a settlement payment in the event of termination by the borrower (also referred to as early repayment gain).

Prepayment Features with Negative Compensation amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

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 final amendments also 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. The IASB clarifies that 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 complex financial instruments.

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

The amendments are:

Clarification 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 consolidated financial statements as the Group does not have long-term interests in associates or joint ventures.

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.

5. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and all subsidiaries it controls. Control is achieved when the 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.

The 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 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 PAS 39, 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.

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.

For purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

A cash-generating unit 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 cash-generating unit 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 cash-generating unit, 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 balance sheet based on current or noncurrent classification. An asset is current if:

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

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

Fair Value Measurement

The Group measures financial instruments such as derivatives and AFS financial assets at fair value at each balance sheet date.

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

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

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

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

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

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

Initial recognition

Financial assets are recognized in the Group's consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Group's financial assets, except for investments classified at FVTPL.

Classification and subsequent measurement

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 time frame established by regulation or convention in the marketplace.

The Group's financial assets consist of AFS financial assets and loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment and are included in current assets, except for those with maturities greater than twelve months after the end of the reporting period.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group's financial assets classified under this category include cash and cash equivalents, trade and other receivables and due from related parties.

AFS financial assets

AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, HTM investments or financial assets at FVTPL.

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

AFS assets are included in non-current assets unless the investment matures or management intends to dispose it within 12 months after the end of the reporting period.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all financial assets carried at amortized cost, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counter party; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties; or

- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or

- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

<u>Financial assets carried at amortized cost</u>

For financial assets carried at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, i.e., the effective interest rate computed at initial recognition.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of financial assets carried at amortized cost is reduced directly by the impairment loss, with the exception of trade receivables wherein the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, these are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in the profit or loss.

<u>AFS financial assets</u>

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

If there is an objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses recognized on an investment in unlisted equity instrument classified as AFS are recognized in profit or loss. Impairment losses recognized on an investment in unquoted equity instrument classified as AFS are recognized in profit or loss.

In a subsequent period, if the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset to another party. 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 risk 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 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 or loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g., when the Group retains an option to repurchase part of a transferred asset), 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 or loss allocated to it that had been recognized in OCI is recognized in profit or loss. A cumulative gain or 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.

Cash and Cash Equivalents

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

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

Inventories

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

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

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

Other Current Assets

Other current assets mainly include advances to suppliers and prepaid expenses. These are amounts paid in advance for goods or services that are yet to be delivered and from which future economic benefits are expected to flow to the 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.

Investments in Associates

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 statement of 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 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 statement of 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 statement of 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.

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.

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.

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. 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 cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units 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 cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) 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.

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 definitions of a financial liability and equity instrument.

Financial liabilities

Initial recognition

Financial liabilities are recognized in the Group's consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Group's financial liabilities, except for debt instruments classified at FVTPL.

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

Subsequent measurement

Since the Group does not have financial liabilities classified at FVTPL, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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

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

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 capital stocks

Ordinary capital stocks 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 financial statements in the period in which the dividends are declared by the Group's Board of Directors.

Retained earnings

Retained earnings represent accumulated profit attributable to equity holders of the Parent Company 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 a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. 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 re-measured 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.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

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 re-measured, with any changes in fair value recognized in profit or loss for the year.

Employee benefits

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 twelve (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

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

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

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

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

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

ECLI's and HSSI's defined benefit pension plans are governed by Republic Act (RA) No. 7641, which requires a minimum benefit equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year. 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 retirement benefit obligation recognized in the consolidated statement 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

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

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from sale of goods is recognized when the goods are delivered and titles have passed, at which all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

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 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 decrease in future economic benefit 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 a direct association between the costs incurred and the earning of specific items of income; on the basis of 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 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 statement of comprehensive income are presented using the function of expense method. Costs of sales are expenses incurred that are associated with the goods sold. Operating expenses are costs attributable to administrative, marketing, selling and other business activities of the Group.

VAT

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

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

Leases

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

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 statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the 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 statement of comprehensive income on a straight-line basis over the lease term.

Borrowing Costs

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

All other borrowing costs are recognized as expense when incurred.

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.

Functional Currency and Foreign Currency Translation

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

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

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. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Judgments

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

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

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). Accordingly, the Group accounts these leases as operating leases, as disclosed in Note 32.

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 32.

Estimates

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

Useful Lives of Property, Plant and Equipment. The useful lives of property, plant and equipment are estimated based on the period over which the property, plant and equipment are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property, plant and equipment are reviewed at each financial year-end, and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property, plant and equipment. However, it is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recording of depreciation expense for any period would be affected by changes in these factors and circumstances. There were no changes in the estimated useful lives of property, plant and equipment in 2017 and 2016.

The Group recognized depreciation expense related to property, plant and equipment amounting to P1.4 billion and P1.3 billion in 2017 and 2016, respectively, as disclosed in Notes 13 and 26. The carrying value of depreciable property, plant and equipment amounted to P17.6 billion and P16.5 billion as at December 31, 2017 and 2016, 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 other nonfinancial assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposal of such assets. Future events could cause management to conclude that assets associated with an acquired business are impaired.

Any resulting impairment loss could have a material adverse impact on the 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.

On March 1, 2017, the BOD unanimously approved the write-off of investment to Asia Coal. Thus, the related allowance for impairment was also reversed amounted to P28.5 million, as disclosed in Note 12. No additional impairment losses were recognized in 2017 and 2016.

The allowance for impairment losses on non-financial assets totaled P321 million and P376.7 million as at December 31, 2017 and 2016, respectively. The carrying values of investments in associates, property, plant and equipment, and intangible assets are disclosed in Notes 12, 13 and 14, 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 cash-generating unit to which the goodwill is allocated. Value-in-use is estimated by making an estimate of the expected future cash flows from the cash-generating unit and to apply a suitable discount rate in order to calculate the present value of those cash flows. The recoverable amount of the goodwill has been determined based on a value-in-use calculation using cash flow projections based on the three-year financial plan approved by the senior management. The Group has determined that the goodwill is not impaired. The carrying amount of goodwill amounted to P2.6 billion as at December 31, 2017 and 2016, as disclosed in Note 14.

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

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 P223.3 million and P205.7 million as at December 31, 2017 and 2016, respectively. Trade and other receivables, net of allowance for doubtful accounts, amounted to P3.4 billion and P3.3 billion as at December 31, 2017 and 2016, respectively, as disclosed in Note 9.

Retirement Benefit Costs. 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 31.

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

Total retirement benefits liability amounted to P845.2 million and P501.9 million as at December 31, 2017 and 2016, respectively, as disclosed in Note 31.

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 financial position amounted to P603.2 million and P523.8 million as at December 31, 2017 and 2016, 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, 2017 and 2016, as disclosed in Note 30.

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 statement of income. The allowance for inventory obsolescence amounted to P201.7 million and P181.7 million as at December 31, 2017 and 2016, respectively. The carrying values of inventories amounted to P3.8 billion and P3.5 billion as at December 31, 2017 and 2016, 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, 2017 and 2016, the Group's provisions amounted to P81.3 million and P117.0 million, as disclosed in Note 20.

Onerous Contracts. 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, 2017 and 2016 provisions for onerous contracts is disclosed in Note 20.

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, 2017 and 2016 and for each of the three years ended December 31, 2017, 2016 and 2015 are presented below:

	Clinker and Cement	Others	Total	Adjustments and Eliminations	Consolidated
			(In Thousands)		
2017					
Revenue:					
External customers	**P31,686,117**	**P3,054,644**	**P34,740,761**	**P -**	**P34,740,761**
Inter-segment	**711,828**	**30,466**	**742,294**	**(742,294)**	**-**
	P32,397,945	**P3,085,110**	**P35,483,055**	**(P 742,294)**	**P34,740,761**
Operating EBITDA	**P 7,216,223**	**(P1,768,848)**	**P 5,447,375**	**P -**	**P 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**
2016					
Revenue:					
External customers	P38,364,642	P1,971,166	P40,335,808	P -	P40,335,808
Inter-segment	962,683	28,779	991,462	(991,462)	-
	P39,327,325	P1,999,945	P41,327,270	(P 991,462)	P40,335,808
Operating EBITDA	P12,646,891	(P1,834,036)	P10,812,855	P -	P10,812,855
Segment assets	26,100,036	797,108	26,897,144	6,866,685	33,763,829
Segment liabilities	6,025,027	449,236	6,474,263	1,032,233	7,506,496
Results -					
Depreciation, amortization and depletion	1,285,060	41,115	1,326,175	-	1,326,175
Other disclosures -					
Construction in-progress	2,393,050	23,503	2,416,553	-	2,416,553
2015					
Revenue:					
External customers	P35,562583	P1,963,472	P37,526,055	P -	P37,526,055
Inter-segment	1,237,827	44,268	1,282,095	(1,282,095)	-
	P36,800,410	P2,007,740	P38,808,150	(P1,282,095)	P37,526,055
Operating EBITDA	P 9,228,190	P 251,128	P 9,479,318	P -	P 9,479,318
Segment assets	25,811,461	1,167,845	26,979,306	7,100,465	34,079,771
Segment liabilities	4,896,749	386,834	5,283,583	3,826,722	9,110,305
Results -					
Depreciation, amortization and depletion	1,786,063	104,548	1,890,611	-	1,890,611
Other disclosures -					
Construction in-progress	2,499,329	-	2,499,329	-	2,499,329

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:

	2017	2016	2015
		(In Thousands)	
Operating EBITDA	**P5,447,375**	P10,812,855	P9,479,318
Depreciation, amortization and depletion	**(1,373,405)**	(1,326,175)	(1,890,611)
Interest and financing charges	**(107,428)**	(41,754)	(78,752)
Interest and other financial income	**21,707**	19,529	20,013
Gain on deconsolidation	**-**	-	2,635,755
Others - net	**278,166**	162,490	199,962
Profit before income tax	**P4,266,415**	P9,626,945	P10,365,685

	December 31, 2017	December 31, 2016
	(In Thousands)	
Segment assets	**P28,718,176**	P26,897,144
Cash and cash equivalents	**1,945,797**	2,125,116
Investments	**4,468,357**	4,392,066
Deferred income tax assets – net	**455,242**	349,503
Consolidated assets	**P35,587,572**	P33,763,829
Segment liabilities	**P 7,841,439**	P6,474,263
Notes payable	**4,177,902**	-
Trade and other payables	**947,799**	511,822
Income tax payable	**265,684**	520,411
Consolidated liabilities	**P13,232,824**	P7,506,496

Geographic Information

	2017	2016	2015
		(In Thousands)	
Revenues from external customers			
Local	**P34,731,497**	P40,301,385	P37,526,055
Export	**9,264**	34,423	-
Total revenues	**P34,740,761**	P40,335,808	P37,526,055

The Group has no revenue from transactions with a single external customer accounting for 10% or more of the consolidated revenues. All property, plant and equipment of the Group are located in the Philippines.

8. CASH AND CASH EQUIVALENTS

	2017	2016
	(In Thousands)	
Cash on hand and in banks	**P1,080,497**	P1,715,700
Short-term deposits	**865,300**	409,416
	P1,945,797	P2,125,116

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.

Interest income earned from cash in banks and short-term deposits amounted to P21.4 million, P18.3 million and P18.9 million in 2017, 2016 and 2015, respectively.

The Group holds restricted cash amounting to P82.1 million and P81.8 million in 2017 and 2016, respectively. These are maintained as minimum mine rehabilitation fund requirement by the Department of Environment and Natural Resources (DENR) for site restoration costs. The restricted cash is presented under Other non-current assets as disclosed in Note 15.

9. TRADE AND OTHER RECEIVABLES - net

	Note	2017	2016
		(In Thousands)	
Trade			
Dealers		**P 371,873**	P 804,509
Retailers		**454,672**	636,958
Institutional		**598,148**	447,691
Alternative fuel and raw materials (AFR)/ready mix (RMX)/others		**604,569**	663,284
Due from related parties	29	**1,226,316**	805,028
Others		**406,735**	145,738
		3,662,313	3,503,208
Less allowance for doubtful accounts		**223,264**	205,685
		P3,439,049	P3,297,523

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 interest.

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)			
2017							
Beginning of year		**P26,684**	**P64,538**	**P11,860**	**P 98,979**	**P3,624**	**P205,685**
Provisions (reversals)	24	**24,975**	**(36,794)**	**(4,592)**	**33,990**	**-**	**17,579**
End of year		**P51,659**	**P27,744**	**P7,268**	**P132,969**	**P3,624**	**P223,264**
Individually impaired		**P49,935**	**P26,387**	**P1,844**	**P91,758**	**P3,624**	**P173,548**
Collectively impaired		**P 1,724**	**P 1,357**	**P5,424**	**P41,211**	**P -**	**P 49,716**
2016							
Beginning of year		P31,353	P31,026	P71,704	P63,787	P3,624	P201,494
Provisions (reversals)	24	(4,669)	33,512	(59,844)	35,192	-	4,191
End of year		P26,684	P64,538	P11,860	P98,979	P3,624	P205,685
Individually impaired		P20,540	P28,948	P 4,945	P47,280	P3,624	P105,337
Collectively impaired		P 6,144	P35,590	P 6,915	P51,699	P -	P100,348

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 18.

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

10. INVENTORIES - net

	2017	2016
	(In Thousands)	
Finished goods	**P 921,148**	P 800,175
Goods in process	**650,338**	732,380
Raw materials	**378,569**	396,847
Fuel	**994,519**	708,278
Spare parts and others	**1,057,934**	994,809
	4,002,508	3,632,489
Less: Allowance for inventory obsolescence	**201,716**	181,762
	P3,800,792	P3,450,727

Total inventories charged to cost of sales amounted to P28.5 billion, P28.5 billion and P27.2 billion in 2017, 2016 and 2015, respectively, as disclosed in Note 22. Finished goods inventories with total cost of P34.1 million were directly write-off and charged to cost of sales in 2017.

Allowance for inventory obsolescence relates to allowance for spare parts and other inventory.

The following table shows the movement of allowance for inventory obsolescence as at December 31, 2017 and 2016:

	Note	2017	2016
		(In Thousands)	
Balance at beginning of year		**P181,762**	P314,595
Additions (reversal)	22	**19,954**	(132,833)
Balance at end of year		**P201,716**	P181,762

11. OTHER CURRENT ASSETS

	Notes	2017	2016
		(In Thousands)	
Advances to suppliers	32	**P315,825**	P272,043
Input VAT		**212,017**	100,998
Prepaid expenses		**178,931**	125,519
Current portion of long-term financial receivable	15, 29	**32,360**	-
Advances to employees		**14,772**	12,254
Creditable withholding taxes		**10,387**	1,776
Others		**71,266**	86,306
		P835,558	P598,896

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, 2017 and 2016 consist of the following:

	Notes	2017	2016
		(In Thousands)	
Investments in associates		**P4,464,417**	P4,388,126
AFS financial assets	18, 19	**3,940**	3,940
		P4,468,357	P4,392,066

The details of investment in associates as at December 31, 2017 and 2016 are as follows:

	Note	2017	2016
		(In Thousands)	
HMDC		**P4,464,417**	P4,387,507
Asia Coal			
Acquisition cost		**29,162**	29,162
Allowance for impairment of investment		**(28,543)**	(28,543)
Write-off of investment	28	**(619)**	-
		-	619
		P4,464,417	P4,388,126

HMDC – 40%

HMDC was incorporated in the Philippines and registered with the SEC on October 5, 1987. Its registered office and principal 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.

Prior to December 31, 2015, HMDC was a subsidiary of the Parent Company. In October 2015, HMDC, its shareholders HPI and HPMC, together with the Holcim Philippines, Inc. Retirement Fund (RF), executed a Shareholders Agreement governing HMDC, in relation to the subscription by the RF of shares in HMDC. HPI and HPMC waived their respective pre-emptive rights allowing the RF to subscribe to 60% of the issued and outstanding capital stock of HMDC.

In November 2015, RF paid its subscription (25% of the subscribed shares) to the voting preferred shares of HMDC. The latter applied for the increase in capital stock with the SEC to cover RF's subscription. HMDC's application for increase in capital stock was approved by the SEC on March 18, 2016.

Pursuant to the subscription by the RF to 60% of the issued and outstanding capital stock of HMDC, HPI and HPMC appointed and designated RF as their proxy for their respective 60% voting shares in HMDC, which proxy is irrevocable until SEC approves the increase in capital stock. Thereafter, three nominees of RF were elected to the five-member Board of HMDC. As a result, RF has effectively taken over the control of HMDC. Consequently, the Parent Company 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 P4.2 billion based on the fair value of its retained equity in HMDC.

Related gain on remeasurement of retained equity in HMDC recognized in profit or loss amounted to P2.6 billion, arising mainly from the fair value adjustments on land owned by HMDC and its subsidiaries. In accordance with the Shareholders Agreement, the Parent Company recognized full equity in the land owned by HMDC and the liabilities attached thereto, since RF will participate only in the operating profit of HMDC generated from raw materials supply, land and foreshore leasing, tolling arrangements, and earth-moving activities.

Following are the summarized consolidated balance sheet financial information of HMDC as at December 31, 2017 and 2016:

	2017	2016
	Unaudited	*Audited*
	(In Thousand)	
Current assets	**P2,251,547**	P1,975,637
Noncurrent assets	**6,951,494**	5,789,016
Current liabilities	**1,967,730**	1,427,078
Noncurrent liabilities	**4,953,440**	5,043,025
Net assets	**P2,281,871**	P1,294,550

Following are the summarized consolidated statement of income financial information of HMDC for the years ended December 31, 2017 and 2016:

	2017	2016
	Unaudited	*Audited*
	(In Thousand)	
Revenues	**P2,483,963**	P2,156,526
Cost and expenses	**(2,245,087)**	(2,009,672)
Gross profit	**238,876**	146,854
Other income	**191,991**	86,040
Income before income tax	**430,867**	232,894
Provision from income tax	**(71,830)**	(58,333)
Net income	**P 359,037**	P 174,561

Movement of the investment in HMDC in 2017 and 2016 are as follows:

	Note	2017	2016
		(In Thousand)	
Cost:			
Balance beginning of year		**P4,300,746**	P4,190,595
Additional investment		**-**	110,151
Balance end of year		**P4,300,746**	P4,300,746
Accumulated share in undistributed earnings:			
Balance beginning of year		**86,761**	-
Share in undistributed earnings	28	**143,615**	86,761
Share in dividends declared by HMDC	29	**(66,705)**	-
		163,671	86,761
		P4,464,417	P4,387,507

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 as disclosed in Note 29.

Long-term debt of HMDC and its subsidiaries amounted to P4.8 billion as at December 31, 2017 and 2016.

In 2016, the Group recognized additional investment amounting to P110.1 million upon transfer of all its remaining mining rights and the related provision for site restoration costs to HMDC.

Asia Coal Corporation (Asia Coal) - 28%

The Parent Company has a 28% interest in Asia Coal, which was incorporated in the Philippines. Asia Coal ceased operations on November 1, 2014. On March 19, 2009, the directors and stockholders of Asia Coal approved the shortening of the corporate life of Asia Coal to October 31, 2009. Asia Coal shall be dissolved and liquidated, the date of which is subject to the approval of the SEC. The reporting date of Asia Coal is October 31. The effect of the difference in the reporting date of the Parent Company and Asia Coal is immaterial. On March 1, 2017 the board of directors unanimously approved the write-off of investment to Asia Coal.

13. PROPERTY, PLANT AND EQUIPMENT - net

	December 31, 2016	Additions/ Depreciation/	Disposals/ Retirements	Transfers/ Reclassification	December 31, 2017
			(In Thousands)		
Cost:					
Land and land improvements	P 58,298	P -	(P 58,298)	P -	P -
Buildings and installations	12,907,565	-	(76,946)	127,625	12,958,244
Machinery and equipment	23,555,892	53,797	(41,108)	411,624	23,980,205
Furniture, vehicles and tools	1,025,833	319	(120,249)	33,168	939,071
Construction in-progress	2,416,553	2,530,664	-	(570,849)	4,376,368
	39,964,141	2,584,780	(296,601)	1,568	42,253,888
Less accumulated depreciation and impairment losses:					
Land improvements	45,347	-	(45,347)	-	-
Buildings and installations	7,464,662	436,254	(57,159)	1,568	7,845,325
Machinery and equipment	15,295,383	835,765	(9,766)	-	16,121,382
Furniture, vehicles and tools	701,723	89,294	(103,674)	-	687,343
	23,507,115	1,361,313	(215,946)	1,568	24,654,050
Net book value	**P16,457,026**	**P1,223,467**	**(P 80,655)**	**P -**	**P17,599,838**

	December 31, 2015	Additions/ Depreciation/ Impairment(a)	Disposals/ Retirements	Transfers/ Reclassification(a)	December 31, 2016
			(In Thousands)		
Cost:					
Land and land improvements	P 469,007	P -	(P411,425)	P 716	P 58,298
Buildings and installations	12,321,982	-	(6,716)	592,299	12,907,565
Machinery and equipment	22,636,586	25,346	(402,858)	1,296,818	23,555,892
Furniture, vehicles and tools	1,060,142	-	(121,045)	86,736	1,025,833
Construction in-progress	2,499,329	1,954,405	(19,767)	(2,017,414)	2,416,553
	38,987,046	1,979,751	(961,811)	(40,845)	39,964,141
Less accumulated depreciation and impairment losses:					
Land improvements	254,635	2,752	(212,040)	-	45,347
Buildings and installations	7,092,068	397,988	(6,716)	(18,678)	7,464,662
Machinery and equipment	14,864,944	828,585	(398,097)	(49)	15,295,383
Furniture, vehicles and tools	756,751	81,691	(128,071)	(8,648)	701,723
	22,968,398	1,311,016	(744,924)	(27,375)	23,507,115
Net book value	P16,018,648	P 668,735	(P216,887)	(P13,470)	P16,457,026

(a) Additions and effect of deconsolidation do not include the property, plant and equipment of the Lafarge entities amounting to P1.2 billion.

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

Gain (loss) recognized from the disposal of property, plant and equipment amounted to P115,760 and (P5,130) recognized from sale of property, plant and equipment in December 31, 2017 and 2016, respectively, as disclosed in Note 28.

In 2015, the Group recognized impairment loss of P321 million on certain idle plant facility and cancelled projects. The Group will rely on other strategic initiatives to increase capacity and sufficiently supply the market. Impairment loss is presented under "General and administrative expenses - Depreciation and impairment" account in the 2015 consolidated statement of comprehensive income, as disclosed in Notes 23 and 26.

14. GOODWILL AND INTANGIBLE ASSETS - net

The movements of goodwill and intangible assets are as follows:

	December 31, 2016	Additions/ Amortization/ Transfers(a)	Retirements	**December 31, 2017**
		(In Thousands)		
Goodwill	P2,635,738	P -	P -	P2,635,738
Intangible assets				
Cost:				
Software costs	122,384	-	(20,299)	102,085
Project development costs and others	38,256	-	-	38,256
	160,640	-	(20,299)	140,341
Less accumulated amortization:				
Software costs	104,173	12,092	(20,299)	95,966
Project development costs and others	15,661	-	-	15,661
	119,834	12,092	(20,299)	111,627
	40,806	12,092	-	28,714
Balance	**P2,676,544**	**P12,092**	**P -**	**P2,664,452**

(a) The retirement of intangible assets pertain to the sale/transfer of software to HMDC totaling P20 million.

	December 31, 2015	Additions/ Amortization/ Transfers	Retirements	December 31, 2016
		(In Thousands)		
Goodwill	P2,635,738	P -	P -	P2,635,738
Intangible assets				
Cost:				
Software costs	122,384	-	-	122,384
Project development costs and others	38,256	-	-	38,256
	160,640	-	-	160,640
Less accumulated amortization:				
Software costs	92,853	11,320	-	104,173
Project development costs and others	11,822	3,839	-	15,661
	104,675	15,159	-	119,834
	55,965	15,159	-	40,806
Balance	**P2,691,703**	**P15,159**	**P -**	**P2,676,544**

Goodwill

Goodwill amounting to P2.6 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 five-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 2017, 2016 and 2015 since the value-in-use exceeds the carrying value of Mabini plant's cement operations.

Sensitivity to changes in assumptions

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

Key assumptions

	Discount Rate	Long-term GDP Growth Rate
2017	**8.7%**	**7.0%**
2016	8.3%	6.5%
2015	8.3%	5.0%

15. OTHER NON-CURRENT ASSETS

	Notes	2017	2016
		(In Thousands)	
Restricted cash		**P 82,106**	P 81,830
Guarantee deposits	18, 32	**123,948**	105,892
Long-term financial receivable	29	**66,244**	97,606
Deferred input value-added taxes		**55,264**	80,059
Refundable deposit		**48,466**	48,466
Others		**2,459**	2,575
		P378,487	P416,428

Restricted cash represents minimum mine rehabilitation fund required by the DENR for site restoration cost. As of December 31, 2017, the Group is already working to close these accounts as these DENR requirement is no longer applicable consequent to HMDC deconsolidation.

Refundable deposit represents the cash bond deposited with the Bureau of Customs (BOC) in May 2001, representing the safeguard duty of P20.6 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, 2017, the Group's application is pending resolution by the BOC.

Guarantee deposits represent cash deposits made to suppliers for raw material supply agreement and various security deposits for rentals are disclosed in Note 32.

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 P96.3 million or $1.9 million plus any revaluation, over 3 years as disclosed in Note 29. In 2017, part of the financial receivable was classified as current asset amounting to P32.4 million as disclosed in Note 11.

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 P0.3 million, P0.7 million and P1.1 million in 2017, 2016 and 2015 respectively.

16. LOANS PAYABLE

In 2016, the Group also availed short-term loans from a bank amounting to P2.0 billion, bearing interest of 2%. The loan was fully paid in 2016.

In 2017, the Group availed short-term loan from a bank amounting P2.2 billion, bearing interest of 2.8%. This was fully paid in 2017. The Group also availed various short term loans from its related parties as disclosed in Note 29.

Total interest expense from loans payable charged to profit or loss amounted to P78.8 million, P17.4 million and P8.4 million in 2017, 2016 and 2015 respectively, as disclosed in Note 27.

17. TRADE AND OTHER PAYABLES

	Note	2017	2016
		(In Thousands)	
Trade		**P3,372,644**	P2,255,450
Accrued expenses:			
Rebates		**722,433**	192,428
Outside services		**331,284**	258,271
Employee related		**289,103**	354,491
Power		**157,159**	263,239
Maintenance		**55,725**	22,403
Project expenses		**42,795**	112,343
Interest		**32,117**	26,295
Others		**173,962**	247,777
Advances and deposits from customers		**1,142,565**	1,035,244
Due to related parties	29	**1,207,533**	1,231,607
Output VAT		**83,849**	161,697
Other taxes payable		**225,428**	187,679
Nontrade		**8,047**	6,786
Other payables		**18,098**	1,777
		P7,862,742	P6,357,487

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

Other accrued expenses include interest from interest-bearing cash bonds which are refundable anytime upon demand by the customers.

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

Advances and deposits from customers represent those that are applied against subsequent shipments thus, are generally outstanding for less than 30 days from initial recognition.

Total amount of intercompany payables eliminated as at December 31, 2017 and 2016 amounted to P0.5 billion and P1.1 billion, respectively.

18. 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 Peso that leads to currency translation effects. Of the Group's revenues, approximately 0.03% in 2017, 0.1% in 2016 and nil in 2015 is denominated in currencies other than the Peso.

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

The table below summarizes the 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			
	2017		2016	
	In USD	**In PHP**	In USD	In PHP
	(In Thousands)			
Assets:				
Cash and cash equivalents	**$ 1,842**	**P 91,953**	$2,436	P121,353
Trade and other receivables	**7,808**	**389,773**	73	3,620
Financial receivables	**1,946**	**97,144**	-	-
	11,596	**578,870**	2,509	124,973
Liabilities:				
Trade and other payables	**256**	**12,780**	9,007	448,639
Net exposure	**$11,340**	**P566,090**	($6,498)	(P323,666)

Converted to Philippine peso at US$1.00: P49.92 as at December 31, 2017 and US$1.00: P49.81 as at December 31, 2016.

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, 2017		
Sensitivity 1	**10%**	**P56,609**
Sensitivity 2	**(5%)**	**(28,305)**
December 31, 2016		
Sensitivity 1	10%	(P32,367)
Sensitivity 2	(5%)	16,183

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, 2017 and 2016, 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, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Loans and receivables:				
Cash and cash equivalents*	**P1,945,214**	P2,124,033	**P1,870,317**	P2,110,220
Trade and other receivables:				
Trade:				
Dealers	**320,214**	777,825	**72,047**	494,216
Retailers	**426,928**	572,420	**435,961**	27,621
Institutional	**590,880**	435,831	**254,546**	180,559
Restricted cash**	**82,106**	81,830	**82,106**	80,379
	P3,365,342	P3,991,939	**P2,714,977**	P2,892,995

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

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

* *Excluding cash on hand.*

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

The 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, 2017 and 2016:

	Neither Past due nor Impaired			Past Due but not Impaired	Past Due and Impaired	Total
	Class A	Class B	Class C			
			(In Thousands)			
2017						
AFS financial assets						
Quoted shares	P 176	P -	P -	P -	P -	P 176
Unquoted shares	3,764	-	-	-	-	3,764
Loans and receivables						
Cash and cash equivalents						
Cash in banks	1,079,914	-	-	-	-	1,079,914
Short-term deposits	865,300	-	-	-	-	865,300
Trade and other receivables						
Trade						
Dealers	25,798	244,639	49,777	-	51,659	371,873
Retailers	822	894	425,212	-	27,744	454,672
Institutional	1,540	185,967	403,373	-	7,268	598,148
AFR/RMX/others	239	48,773	194,189	228,399	132,969	604,569
Due from related parties	1,226,316	-	-	-	-	1,226,316
Other receivables	-	-	403,111	-	3,624	406,735
Advances to employees*	-	-	14,772	-	-	14,772
Restricted cash**	82,106	-	-	-	-	82,106
Guarantee deposits**	-	-	123,948	-	-	123,948
Short-term financial receivable*	32,360	-	-	-	-	32,360
Long-term loan financial receivable**	64,721	-	1,523	-	-	66,244
	P3,383,056	P480,273	P1,615,905	P228,399	P223,264	P5,930,897

	Neither Past due nor Impaired			Past Due but not Impaired	Past Due and Impaired	Total
	Class A	Class B	Class C			
			(In thousands)			
2016						
AFS financial assets						
Quoted shares	P 176	P -	P -	P -	P -	P 176
Unquoted shares	3,764	-		-	-	3,764
Loans and receivables						
Cash and cash equivalents						
Cash in banks	1,714,617	-	-	-	-	1,714,617
Short-term deposits	409,416	-	-	-	-	409,416
Trade and other receivables						
Trade						
Dealers	-	672,664	33,854	71,307	26,684	804,509
Retailers	-	47,610	25,882	498,928	64,538	636,958
Institutional	-	428,162	7,669	-	11,860	447,691
AFR/RMX/others	-	110,651	114,279	339,375	98,979	663,284
Due from related parties	805,028	-	-	-	-	805,028
Other receivables	-	-	142,114	-	3,624	145,738
Advances to employees*	-	-	12,254	-	-	12,254
Restricted cash**	81,830	-	-	-	-	81,830
Guarantee deposits**	-	-	105,892	-	-	105,892
Long-term financial receivable**	96,336	-	1,270	-	-	97,606
	P3,111,167	P1,259,087	P443,214	P909,610	P205,685	P5,928,763

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

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 quality 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, 2017 and 2016:

	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)				
2017							
AFS financial assets:							
Quoted shares	P 176	P 176	P -	P -	P -	P -	P -
Unquoted shares	3,764	3,764	-	-	-	-	-
Cash and cash equivalents:							
Cash in banks	1,079,914	1,079,914	-	-	-	-	-
Short-term deposits	865,300	865,300	-	-	-	-	-
Trade and other receivables:							
Trade receivables from:							-
Dealers	371,873	320,214	-	-	-	-	51,659
Retailers	454,672	426,928	-	-	-	-	27,744
Institutional	598,148	590,880	-	-	-	-	7,268
AFR/RMX/others	604,569	243,201	29,786	22,347	8,464	167,802	132,969
Due from related parties	1,226,316	1,226,316	-	-	-	-	-
Others	406,735	403,111	-	-	-	-	3,624
Advances to employees*	14,772	14,772	-	-	-	-	-
Restricted cash**	82,106	82,106	-	-	-	-	-
Guarantee deposits**	123,948	123,948	-	-	-	-	-
Short-term financial receivable*	32,360	32,360	-	-	-	-	-
Long-term loan financial receivable**	66,244	66,244	-	-	-	-	-
	P5,930,897	P5,479,234	P29,786	P22,347	P8,464	P167,802	P223,264
2016							
AFS financial assets:							
Quoted shares	P 176	P 176	P -	P -	P -	P -	P -
Unquoted shares	3,764	3,764	-	-	-	-	-
Cash and cash equivalents:							
Cash in banks	1,714,617	1,714,617	-	-	-	-	-
Short-term deposits	409,416	409,416	-	-	-	-	-
Trade and other receivables:							
Trade receivables from:							
Dealers	804,509	706,518	-	-	-	71,307	26,684
Retailers	636,958	73,492	478,090	-	-	20,838	64,538
Institutional	447,691	435,831	-	-		-	11,860
AFR/RMX/others	663,284	224,930	95,200	32,730	58,615	152,830	98,979
Due from related parties	805,028	805,028	-	-	-	-	-
Others	145,738	142,114	-	-		-	3,624
Advances to employees*	12,254	12,254	-	-		-	-
Restricted cash**	81,830	81,830	-	-		-	-
Guarantee deposits**	105,892	105,892	-	-		-	-
Long-term financial receivable**	97,606	97,606	-	-		-	-
	P5,928,763	P4,813,468	P573,290	P32,730	P58,615	P244,975	P205,685

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

Liquidity risk

Liquidity risk is the risk that the 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, 2017 and 2016, the Group has unutilized credit facilities of P9.4 billion.

The tables below summarize the maturity profile of the Group's financial assets used for liquidity management as at December 31, 2017 and 2016:

	On Demand	Less than 3 Months	3 to 12 Months	>1 to 5 Years	Total
			(In thousands)		
2017					
AFS financial assets:					
Quoted shares	P 176	P -	P -	P -	P 176
Unquoted shares	3,764	-	-	-	3,764
Loans and receivables:					
Cash and cash equivalents:					
Cash in banks	1,079,914	-	-	-	1,079,914
Short-term deposits	-	865,300	-	-	865,300
Trade and other receivables:					
Trade receivables from:					
Dealers	51,659	320,214	-	-	371,873
Retailers	27,744	426,928	-	-	454,672
Institutional	7,268	590,880	-	-	598,148
AFR/RMX/others	361,368	243,201	-	-	604,569
Due from related parties	-	-	1,226,316	-	1,226,316
Other receivables	3,624	-	403,111	-	406,735
Advances to employees*	1,335	-	13,437	-	14,772
Restricted cash**	-	-	-	82,106	82,106
Guarantee deposits**	-	-	-	123,948	123,948
Short-term financial receivable*	-	-	32,360	-	32,360
Long-term loan financial receivable**	-	-	-	66,244	66,244
	P1,536,852	P2,446,523	P1,675,224	P272,298	P5,930,897
2016					
Financial asset at FVPL					
Derivative asset*	P -	P -	P 3,986	P -	P 3,986
AFS financial assets:					
Quoted shares	-	-	176	-	176
Unquoted shares	-	-	3,764	-	3,764
Loans and receivables:					
Cash and cash equivalents:					
Cash in banks	1,714,617	-	-	-	1,714,617
Short-term deposits	-	409,416	-	-	409,416
Trade and other receivables:					
Trade receivables from:					
Dealers	97,991	706,518	-	-	804,509
Retailers	563,466	73,492	-	-	636,958
Institutional	11,860	435,831	-	-	447,691
AFR/RMX/others	438,354	224,930	-	-	663,284
Due from related parties	-	-	805,028	-	805,028
Other receivables	3,624	-	142,114	-	145,738
Advances to employees*	-	-	12,254	-	12,254
Restricted cash**	-	-	-	81,830	81,830
Guarantee deposits**	-	-	-	105,892	105,892
Long-term financial receivable**	-	-	-	97,606	97,606
	P2,829,912	P1,850,187	P967,322	P285,328	P5,932,749

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

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2017 and 2016 based on contractual undiscounted payments:

	On Demand	Less than 3 Months	3 to 12 Months	>1 to 5 Years	Total
			(In thousands)		
2017					
Other financial liabilities:					
Trade and other payables:					
Trade	**P3,372,644**	**P -**	**P -**	**P -**	**P3,372,644**
Accrued expenses and nontrade payables	**1,812,625**	**-**	**-**	**-**	**1,812,625**
Due to related parties	**1,207,533**	**-**	**-**	**-**	**1,207,533**
Advances from customers	**645,484**	**-**	**-**	**-**	**645,484**
Other payables	**18,098**	**-**	**-**	**-**	**18,098**
	P7,056,384	**P -**	**P -**	**P -**	**P7,056,384**
2016					
Other financial liabilities:					
Trade and other payables:					
Trade	P2,255,450	P -	P -	P -	P2,255,450
Accrued expenses and nontrade payables	1,484,033	-	-	-	1,484,033
Due to related parties	1,231,607	-	-	-	1,231,552
Advances from customers	551,660	-	-	-	551,660
Other payables	1,777	-	-	-	1,777
	P5,524,527	P -	P -	P -	P5,524,472

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

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 balance sheets as shown in the table below:

	2017	2016
Loans payable	**P 4,177,902**	P -
Customers' deposits*	**497,035**	483,584
Financial debt	**4,674,937**	483,584
Less cash and cash equivalents	**1,945,797**	2,125,116
Net financial debt (asset)	**2,729,140**	(1,641,532)
Total equity	**22,354,748**	26,257,333
Gearing ratio	**12.2%**	(6.3%)

** 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 decreased by 15% in 2017 due to lower net income against dividends declared during the year.

19. 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, 2017 and 2016. The following methods and assumptions are used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Trade and Other Receivables, Advances to Employees, Restricted Cash, Long-term Financial Receivable, 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$3.8 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 December 31, 2017 and 2016, the Group's financial instruments measured at fair value include only the quoted equity securities, classified as AFS financial assets (Level 1).

As at December 31, 2017 and 2016, 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 2017 and 2016.

20. PROVISIONS

	2017	2016
	(In Thousands)	
Provision for site restoration costs	**P -**	P 9,636
Other provisions	**81,342**	117,018
	P81,342	P126,654

Provision for Site Restoration Costs

The Group is required either expressly under mineral production sharing agreements or through customary business practice to restore the surface and underground of a quarry/pit after exploration. A provision for site restoration cost is recognized based on estimated environmental obligation.

The movements in the provision for site restoration cost as at December 31, 2017 and 2016 are as follows:

	Note	2017	2016
Balance at beginning of year		**P9,636**	P66,264
Accretion and other adjustments		**-**	(516)
Transfer of obligations		**(9,636)**	(56,112)
Balance at end of year		**P -**	P 9,636

The transfers of provision for site restoration costs was incidental to the Group's transfer of mining rights to Holcim Resources and Development Corporation (HRDC) in 2017 and to HMDC in 2016 and 2015, as disclosed in Note 29.

The accretion is presented as part of "Interest and financing charges" in the consolidated statements of income, as disclosed in Note 27.

Other Provisions

Other provisions include 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, as disclosed in Note 32.

In December 2017, the Group recognized a one-time loss amounting to P73.3 million which can be found in Note 28 - Other Income - Net representing the net present value of stranded costs for the lease of fully mined-out assets of HMDC.

21. EQUITY

a. Capital Stock

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

	Number of Shares
Authorized - P1 par value	
Preferred shares	20,000,000
Common shares	9,980,000,000
Issued - Common shares	6,452,099,144

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, 2017 and 2016.

The Parent Company's common shares were registered/listed on June 17, 1996. Total shares registered and outstanding as at December 31, 2017 and 2016 is 6.5 billion. These shares are held by 5,407 and 5,441 stockholders as at December 31, 2017 and 2016, 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, 2017 amounted to P3.67 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:

	2017	2016	2015
Cash dividend per share	**P0.98**	0.87	0.82
Amount declared	**P6.3 billion**	5.6 billion	5.3 billion
Declaration date	**May16,2017**	May 18, 2016	May 18, 2015
Record date	**June15,2017**	June 15, 2016	June 15, 2015

Holcim Philippines Manufacturing Corporation (HPMC)

On June 9, 2017, the BOD of HPMC declared cash dividends totaling P392.4 million (P170 per share) for stockholders on record as of June 19, 2017. The dividends were subsequently paid last July 31, 2017.

On May 18, 2016, the BOD of HPMC declared cash dividends totaling P865.6 million (P375 per share) for stockholders on record as at June 15, 2016. The dividends were subsequently paid last July 4, 2016.

On May 18, 2015, the BOD of HPMC declared cash dividends totaling P808.1 million (P350.0 per share) for stockholders on record as at June 24, 2015.

22. COST OF SALES

	Notes	2017	2016	2015
			(In Thousands)	
Raw, packaging and production materials	32	**P11,221,156**	P12,450,876	P10,252,616
Power and fuel	32	**7,031,290**	5,994,267	6,878,557
Transportation and communications		**3,095,213**	2,540,851	2,316,751
Outside services		**2,348,646**	2,538,500	2,467,342
Personnel		**1,366,274**	1,521,162	1,632,931
Depreciation and amortization	26	**1,277,207**	1,252,284	1,483,290
Repairs and maintenance		**1,246,306**	1,373,369	1,327,844
Rent		**250,107**	288,540	78,890
Taxes and licenses		**301,992**	271,920	279,221
Insurance		**115,631**	119,936	137,682
Others		**240,600**	152,832	392,917
		P28,494,422	P28,504,537	P27,248,041

Others include inter-unit production freight, provision for write-offs of spare parts and other miscellaneous expenses.

23. GENERAL AND ADMINISTRATIVE EXPENSES

	Notes	2017	2016	2015
			(In Thousands)	
Outside services		**P 478,499**	P 744,934	P 724,312
Personnel		**440,099**	484,111	460,662
Software implementation costs	29	**128,484**	204,792	151,320
Depreciation and impairment	26	**73,947**	66,588	396,653
Office expenses		**58,416**	89,427	98,874
Taxes and licenses		**29,077**	55,651	32,639
Transportation and communications		**19,586**	22,134	44,999
Directors' fees		**12,550**	-	19,100
Entertainment, amusement and recreation		**141**	786	1,745
Others		**20,065**	84,672	175,263
		P1,260,864	P1,753,095	P2,105,567

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

24. SELLING EXPENSES

	Notes	2017	2016	2015
			(In Thousands)	
Advertising		**P287,459**	P165,498	P123,891
Personnel		**260,942**	240,215	239,016
Outside services		**110,107**	76,154	68,294
Transportation and communication		**69,727**	42,483	28,998
Office expenses		**37,038**	34,560	38,954
Depreciation	26	**22,251**	7,303	10,668
Taxes and licenses		**20,000**	8,658	10,260
Provision for doubtful accounts	6, 9	**17,579**	4,191	50,217
Others		**86,402**	12,434	13,442
		P911,505	P591,496	P583,740

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

25. PERSONNEL EXPENSES

	Note	2017	2016	2015
			(In Thousands)	
Salaries, wages and employee benefits		**P1,398,797**	P1,514,222	P1,550,380
Retirement benefit costs	31	**117,666**	130,783	130,597
Training		**27,556**	45,441	69,914
Others		**523,296**	555,042	581,718
		P2,067,315	P2,245,488	P2,332,609

Retirement benefit costs above excludes net interest cost, classified as part of interest and financing charges, as disclosed in Note 27.

26. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	Notes	2017	2016	2015
			(In Thousands)	
Property, plant and equipment				
Cost of sales	22	**P1,265,115**	P1,237,125	P1,427,960
General and administrative expenses	23	**73,947**	66,588	396,653
Selling expenses	24	**22,251**	7,303	10,668
		1,361,313	1,311,016	1,835,281
Intangible assets				
Cost of sales	22	**12,092**	15,159	55,330
		P1,373,405	P1,326,175	P1,890,611

27. INTEREST AND FINANCING CHARGES

Details of interest and financing charges are as follows:

	Notes	2017	2016	2015
			(In Thousands)	
Interest and amortization of debt issue costs on:				
Loans payable	16, 29	**P 78,803**	P17,447	P 8,368
Long-term debt		**-**	-	42,092
Net interest cost on defined benefit obligation	31	**22,092**	23,253	25,724
Accretion of provision for site restoration cost and others	20	**6,533**	1,054	2,568
		P107,428	P41,754	P78,752

In 2015, HMDC obtained a five-year unsecured Philippine peso-denominated term loan from various local banks totaling P4.8 billion, exclusive of debt issuance costs. The loan is equally divided into two, having fixed and variable interest rates. This loan was part of the deconsolidated net assets of HMDC and its subsidiaries before year-end, as disclosed in Note 12.

28. OTHER INCOME - net

Details of Others - net are as follows:

	Notes	2017	2016	2015
			(In Thousands)	
Share in undistributed earnings of an associate	12	**P143,615**	P 86,761	P -
Gain (loss) on sale of properties - net	13	**115,760**	(5,130)	107,810
By products and other revenue	29	**86,478**	78,580	57,778
Foreign exchange gain – net		**5,468**	744	45,333
Fully mined-out assets	20	**(73,328)**	-	
Loss on remaining obligation for excluded properties		**(28,890)**	-	-
Write-off of investment	12	**(619)**	-	-
Others	20	**29,682**	1,535	(10,959)
		P278,166	P162,490	P199,962

Gain on sale of intellectual property rights

In January 2015, HPBSCI sold all of its intellectual property and property and equipment to HEABS, a related party, for a total consideration of P171.6 million, as disclosed in Note 29. Gain on such sale amounted to P137.1 million, presented as part of "Gain (loss) on sale of properties - net".

Loss on remaining obligation for excluded properties

The Group has an outstanding obligation to Philippine Investment Management Consultants Inc. (Phinma) amounting to P28.9 million. The amount of loss pertains to settlement of the remaining obligation to Phinma arising from its agreement with Holderfin of excluded properties from UCHC's investment to Davao Union Cement Corporation (DUCC- now Holcim Philippines Inc.) last July 1998.

29. 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 HPI:

- Lafarge Holdings (Philippines) Inc. (LHPI)
- Calumboyan Holdings, Inc. (CHI)

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

- Holcim Trading Pte. Ltd., Singapore (Holcim Trading)
- Holcim Technology and Services (HTSX)
- Holcim Technology (Singapore) Pte. Ltd. (HTPL)
- Holcim Group Services Ltd. (HGS)
- Holcim East Asia Business Service Centre B.V (HEABS)
- Other Holcim Group affiliates

Associate of HPI and its subsidiaries as at December 31, 2017:

- 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, 2017 and 2016:

Related Parties	Nature	2017 Transactions during the Year	2017 Outstanding Receivable (Payable)	2016 Transactions during the Year	2016 Outstanding Receivable (Payable)	Terms	Conditions
		(In thousands)					
Parent							
UCHC	Payment of expenses	P 127	(P 5,317)	P 226	(P 5,190)	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Payment of expenses	-	(5,130)	5	(5,130)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Short-term loan	1,000,000	(878,000)	-	-	Interest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
Cemco	Accrued Interest	904	(832)	-	-	To be settled in cash, due and demandable	Unsecured, unguaranteed
Clinco	Payment of expenses	790	823	4	33	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
Under common shareholder							
HTSX	Purchases and/or expense	1,443,348	(328,833)	1,897,844	(363,921)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
Holcim Trading	Purchases and/or expense	2,090,032	(45,421)	6,770,515	(205,173)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Purchases and/or expense	-	-	108,909	(5,852)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
HTPL	Advances	(1,099)	20,236	21,689	21,335	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Service contract	515,387	(51,977)	600,616	(52,690)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Sale of assets	-	39,723	-	39,723	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Transfer of liability	2,683	-	-	(2,683)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
HEABS	Various charges	64,848	57,874	12,518	13,366	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
	Short-term loan	2,950,000	(2,950,000)	-	-	Interest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Accrued interest	20,232	(18,614)	-	-	To be settled in cash, due and demandable	Unsecured, unguaranteed
LHPI	Various charges	615,007	44,087	-	-	Non-interest bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired

	Short-term loan	**350,000**	**(350,000)**	-	-	Interest-bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Accrued Interest	**329**	**(303)**	-	-	To be settled in cash, due and demandable	Unsecured, unguaranteed
CHI	Various Charges	**632**	**632**	-	-	Non-interest bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
LAFSA	Expat recharges	**18,561**	**(18,561)**	-	-	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Various Charges	**10,753**	**7,755**	-	-	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
HGS	Purchases and/or expenses	**215,324**	**(78,917)**	-	-	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Purchases and/or Expense	**16,625**	**(1,713)**	23,839	(411)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Various Charges	**18,193**	**9,943**			Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
Other Holcim Group Affiliates	Advances	-	-	25,698	27,272	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
Associates							
	Interest on loan	**200**	**299**	299	499	To be collected in cash, due and demandable	Unsecured. unguaranteed, not impaired
	Sale and transfer of assets	**105,971**	**427,478**	89,568	323,322	Noninterest- bearing, to be collected, due and demandable	Unsecured, unguaranteed, not impaired
	Expenses from various charges	**130,085**	**188,430**	3,901	(16,817)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
	Purchases of quarried materials	**816,242**	**(233,075)**	601,193	(11,901)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Service contract	**824**	**423**	34,819	(39,922)	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed
	Lease of land	**106,363**	**(17,467)**	129,631	-	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Additional investment	-	-	110,150	-	Not applicable	Not applicable
HMDC	Dividend	**66,705**	**42,000**	-	-	Noninterest- bearing, to be collected in cash, demandable	Not applicable
	Expenses from various charges	**175,550**	**(105,869)**	305,189	19,150	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Purchases of quarried materials	**198,509**	**(9,179)**	81,798	(90,796)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Transfer of mining rights and related site restorations costs	**138,590**	**183,368**	77,086	92,918	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Advances	**215,548**	**184,500**	16,679	77,660	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
HRDC	Asset Lease	**13,594**	**(970)**	16,105	(15,897)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
	Purchases and/or expenses	**1,066,598**	**(419,233)**	462,876	(452,188)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
LHAI	Advances	**194,981**	**90,130**	1,350	116,361	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed

	Purchases and/or expenses	**12,172**	**(2,750)**	721	(721)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Expenses from various charges	**8**	**788**	-	780	Noninterest-bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
APC	Advances	**105,204**	**52,204**	-	52,204	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Purchases and/or expenses	**1998**	**(1,998)**	-	-	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Expenses from various charges	-	**2,101**	39	1,945	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
	Various reimbursements	-	-	1,907	(1,907)	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
QLI	Advances	**77,470**	**77,314**	2,127	77,314	Noninterest- bearing, to be collected in cash, due and demandable	Unsecured, unguaranteed, not impaired
	Purchases and/or expenses	**1,001**	**(1,001)**	-	-	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
	Expenses from various charges	**4,044**	**1,457**	-	201	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	**13**	**13**	256	13	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed, not impaired
LORVI	Foreshore lease	**55,773**	**(45,457)**	36,854	(20,154)	Noninterest- bearing, to be settled in cash, due and demandable	Unsecured, unguaranteed
Huaxin Cement	Purchases and/or expense	**137,324**	**(20,861)**	-	-	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
Others	Expenses from various charges	**1**	**17**	18	18	Noninterest- bearing, offsetting, due and demandable	Unsecured, unguaranteed
Total Net liabilities			**(4,159,217)**		(426,579)		
Less loans payable			**(4,178,000)**		-		
Net Due from (to) related parties			**P 18,783**		(P426,579)		

	Notes	2017	2016
		(In Thousands)	
Due from related parties	9	**P1,226,316**	P 805,028
Due to related parties	17	**(1,207,533)**	(1,231,607)
Net Due from (to) related parties		**P 18,783**	(P 426,579)

Parent

Cemco. On December 20, 2017, the Group availed a short-term loan from Cemco amounting P1.0 billion with 3.0004% p.a. interest to be paid on or before January 19, 2018. Partial payment of the principal amount was made in December 2017 amounting P122.0 million.

Clinco. The Group paid the 2016 audit fees in behalf of the Clinco amounting P790 thousands during the year.

Entities under Common Shareholder

a. *HTSX.* Effective January 1, 2013, a new contract with HTSX came into force introducing the application of new Industrial Franchise Fee (IFF). The new agreement is aligned with the Organization for Economic Co-operation and Development (OECD) principles and takes into account arm's length transfer pricing principles.

   The IFF shall cover all intellectual properties and value-adding solutions derived by the Group. IFF is an annual charge payable quarterly and is based on fair assessment of economic value of intellectual properties and value adding solutions.

   HTSX also renders managerial and project support services to the Group.

   Total expenses incurred in 2017 and 2016 amounted to P1.4 billion and P1.9 billion.

b. *Holcim Trading.* The Group imports clinker, cement and raw materials, such as gypsum and granulated blast furnace slag.

c. *HTPL.* On January 1, 2014, the Group entered into a service agreement with HTPL, for support services. The new service agreement is complementary to the existing Franchise Agreement. The services shall be based on all costs and expenses incurred by HTPL plus a certain mark-up. This agreement will be in effect unless and until superseded. Total expenses incurred in 2017 and 2016 amounted to nil and 108.9 million, respectively.

d. *HEABS.* The Group sold its leasehold improvements to HEABS as part of building the regional shared service center for Asia Pacific region for a lump sum of P39.7 million, all of which are still outstanding as of December 31, 2016.

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

   In 2015, the Group entered into an assignment agreement with HEABS to unconditionally transfer the Intellectual Property rights which consists of the processes for shared service center, people and other existing assets. This was recognized as a long-term financial receivable (see Notes 11 and 15).

e. *LHPI.* The Group has an outstanding short-term loan payable totaling P2.95 million with interest of 2.9110% p.a and 3.1193% p.a., respectively. These loans are to be paid on or before September 19, 2018 and March 20, 2018, respectively, for dividend payments to various companies.

   The Group also paid various charges such as business tax and documentary stamps on behalf of LHPI during the year.

f. *CHI.* In December 20, 2017, the Group also availed a short-term loan amounting P350.0 million with interest of 3.1193% p.a. to be paid on or before March 20, 2018.

   The Group also paid for the business taxes and other fees on behalf of CHI during the year.

g. *HGS.* 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.

h. *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.

Associate - HMDC

a. For 2017 and 2016, 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.

b. 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.

c. The Group sold/transferred various assets to HMDC such as warehouses, motorpools and software during the year.

d. In 2015, the Group granted a short-term loan to HMDC, bearing interest ranging from 2.0% to 3.0% per annum and non-interest bearing advances to APC, QLI and SCMC for settlement of their respective liabilities.

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

f. In 2016, the Group recognized additional investment amounting to P110.1 million upon transfer of all its remaining mining rights and the related provision for site restoration costs to HMDC.

g. In 2017, HMDC declared 10% dividends for its Class A and Class B preferred shares, and P11.75 per share dividend for its Common A and Common B shares. The Group has an outstanding dividends receivable amounting to 42 million to HMDC.

Retirement Benefit Funds

a. As at December 31, 2017 and 2016, the Group's defined benefit retirement fund has investments in the Group's shares with a cost of nil and P2.0 million, respectively. The retirement benefit fund's total gain arising from the changes in market prices amounted to nil in 2017 and P8.0 million in 2016.

b. As at December 31, 2017, HPI's defined benefit retirement fund has investments in HMDC's shares with a fair value of P596.3 million representing 60% of the total ownership (see Note 12).

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

Terms and Conditions of Transactions with Related Parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. As at December 31, 2017 and 2016, 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 balance sheets.

Total amount of intercompany receivables eliminated as at December 31, 2017 and 2016 amounted to 0.5 billion and 1.1 billion, respectively.

Total amount of intercompany payables eliminated as at December 31, 2017 and 2016 amounted to P0.6 billion and P1.1 billion, respectively.

Key Management Personnel

The following are the details of the compensation of key management personnel:

	2017	2016	2015
		(In Thousands)	
Short-term employee benefits	**P197,902**	P184,753	P179,455
Retirement benefits cost	**126,371**	12,148	21,312
	P324,273	P196,901	P200,767

30. INCOME TAX

The provision for current income tax in 2017, 2016 and 2015 follows:

	2017		2016		2015	
			(In Thousands)			
	RCIT	**MCIT**	RCIT	MCIT	RCIT	MCIT
Parent Company	**P1,468,893**	**P-**	P2,688,612	P-	P2,733,360	P -
HPMC	**69,023**	**-**	74,886	-	158,358	
Mabini	**24,508**	**-**	25,243	-	25,250	-
HPBSCI	**1,170**	**-**	1,540	-	24,677	-
Bulkcem	**716**	**-**	764	-	7,088	-
ECLI	**-**	**-**	-	765	-	-
CACI	**-**	**1**	-	-	-	-
HMDC and subsidiaries	**-**	**-**	-	-	-	67,767
	P1,564,310	**P 1**	P2,791,045	P765	P2,948,733	P67,767

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

	2017	2016	2015
		(In Thousands)	
Profit before income tax	**P4,266,415**	P9,626,945	P10,365,685
Income tax at statutory income tax rate	**P1,279,924**	P2,888,083	P 3,109,705
Change in unrecognized deferred income tax assets	**(10)**	(802)	(14,514)
Income tax effects of:			
Nontaxable gain on remeasurement of retained equity in HMDC	-	-	(790,265)
Difference between tax base and book value of deconsolidated subsidiaries	-	-	(672,841)
Excess of fair market value over selling price of land	-	-	663,940
Use of OSD	**343,353**	(48,353)	(103,066)
Nondeductible expenses	**3,221**	4,927	26,029
Interest and other income subjected to lower tax rates	**(6,410)**	(5,478)	(4,479)
Income not subject to income tax	**(48,115)**	(183)	-
Reversal of deferred income tax asset/ liability	**(987)**	(1,793)	-
Deferred taxes deferred upon transfer	-	(30,674)	-
Expired NOLCO	**5,640**	383	-
Others	**1**	(26,278)	1,608
Income tax at effective tax rate	**P1,576,617**	P2,779,832	P2,216,117

The components of the Group's net income tax assets as at December 31, 2017 and 2016 are as follows:

	2017	2016
	(In Thousands)	
Deferred tax assets		
Retirement benefit liability	**P240,431**	P154,359
Allowances for:		
Impairment losses on property, plant and equipment	**107,347**	113,886
Decline in value of inventories	**60,153**	54,529
Doubtful accounts	**80,939**	73,932
Provision for bonus accrual	**29,005**	54,951
Accrued expenses	**32,517**	29,649
Unamortized past service costs	**13,749**	16,544
Provision for site restoration costs	-	1,734
Unrealized foreign exchange loss	**3**	-
NOLCO, excess MCIT and others	**39,058**	24,223
	603,202	P523,807
Deferred income tax liabilities		
Capitalized cost of property, plant and equipment from insurance proceeds	**103,407**	162,052
Unamortized amount of capitalized land site restoration costs	-	2,331
Undepreciated capitalized borrowings	**42,529**	483
Unrealized foreign exchange gain	**2,037**	5,685
Others	**(13)**	3,753
	147,960	174,304
Net deferred tax assets	**P455,242**	P349,503

Total amount of deferred tax benefit (expense) charged to OCI pertaining to the Group's remeasurement loss (gain) on retirement benefit amounting to P118 million in 2017 and (P0.23) million in 2016.

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.

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:

	2017	2016
	(In Thousands)	
Carryforward benefit of NOLCO	**P143**	P307
Excess MCIT over RCIT	**25**	-
Unrecognized deferred income tax assets	**P 68**	P 92

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

Date Incurred	Expiry Date	NOLCO
		(In Thousands)
December 31, 2017	December 31, 2020	P 79,697
December 31, 2016	December 31, 2019	15,355
December 31, 2015	December 31, 2018	43,155
		P138,207

NOLCO incurred by ECLI in 2014 amounting to P16 million and NOLCO incurred by CACI in 2014 amounting to P74 million expired in 2017.

31. RETIREMENT BENEFIT COSTS

Defined Benefit Retirement Plans

HPI and HPMC have distinct funded, noncontributory defined benefit retirement plans (the "Plans"). The Plans cover all permanent employees, each administered by their respective Retirement Committees or Board of Trustees.

ECLI and HSSI, on the other hand, provide retirement benefits in accordance with Republic Act 7641, "Retirement Pay Law". Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The 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 unfunded status and the amounts recognized as retirement benefit liability of the Group:

Details of retirement benefit costs are as follows:

	Note	2017	2016	2015
		(In Thousands)		
Current service cost		**P 76,634**	P 87,730	P104,989
Net interest cost	27	**22,092**	23,253	25,724
Curtailment gain		**-**	(2,423)	(8,071)
Retirement benefit costs recognized in profit or loss		**98,726**	108,560	122,642
Remeasurements recognized in OCI		**387,421**	(79,852)	(56,300)
Retirement benefit costs		**P486,147**	P 28,708	P 66,342

Remeasurement gain (loss) on retirement benefits consists of:

	2017	2016	2015
	(In Thousands)		
Actuarial gain (loss) arising from:			
Changes in assumptions	**(P290,879)**	P 26,649	P 59,736
Experience adjustments	**(82,314)**	(50,325)	51,244
	(373,193)	(23,676)	110,980
Gain (loss) on plan assets*	**(14,228)**	103,528	(54,680)
	(P387,421)	P 79,852	P 56,300

**Excluding amounts recognized in net interest cost.*

The reconciliation of benefit liability recognized in the consolidated financial position follows:

	2017	2016
	(In Thousands)	
Present value of benefit obligation	**P1,360,371**	P1,096,281
Fair value of plan assets	**(515,217)**	(594,337)
Balance at end of year	**P 845,154**	P 501,944

The breakdown of the retirement plan liability per entity follows:

	2017	2016
	(In Thousands)	
HPI	**P485,219**	P372,329
HPMC	**358,195**	126,189
ECLI	**1,307**	2,793
HSSI	**433**	633
	P845,154	P501,944

Movements in the retirement benefits liability are as follows:

	2017	2016
	(In Thousands)	
Balance at beginning of year	**P501,944**	P553,437
Retirement benefit costs	**98,726**	108,560
Contributions	**(138,854)**	(80,201)
Remeasurement gain recognized in OCI	**387,421**	(79,852)
Benefits paid directly by the Group	**(4,083)**	-
Balance at end of year	**P845,154**	P501,944

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

	2017	2016
	(In Thousands)	
Balance at beginning of year	**P1,096,281**	P1,119,561
Actuarial losses (gains)	**373,193**	23,676
Interest cost	**44,992**	47,090
Current service cost	**76,634**	87,730
Curtailment gain	**-**	(2,423)
Benefits paid	**(230,729)**	(103,401)
Settlements	**-**	(75,952)
Balance at end of year	**P1,360,371**	P1,096,281

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

	Note	2017	2016
		(In Thousands)	
Balance at beginning of year		**P594,337**	P566,124
Contributions		**138,854**	80,201
Gain (loss) on plan assets*		**(14,229)**	103,528
Interest income on plan assets		**22,900**	23,837
Benefits paid		**(226,645)**	(103,401)
Settlements		**-**	(75,952)
Balance at end of year		**515,217**	594,337
Actual return (loss) on plan assets		**P 8,671**	P127,365

**Excluding amounts recognized in net interest cost.*

The funds are administered by a trustee bank under the supervision of the duly Authorized Person or Trustee of the Plans. The Authorized Person or Trustee is responsible for investment of the assets. Based on the overall direction set by a Retirement Fund Committee, the Trustee proposes an investment strategy and as approved by the Retirement Fund Committee, executes such strategy. The Trustee defines the investment strategy, based on the investment instructions found in the Trust Agreement. When defining the investment strategy, the Trustee takes into account the Plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The control, direction, and management of the funds shall reside in and be the sole responsibility of the Trustee.

The Plans' assets and investments consist of the following:

- Cash and cash equivalents, which includes regular savings and time deposits;
- Investments in government securities, which include retail treasury bonds and fixed rate treasury notes that bear interest ranging from 3.3% to 8.1% and have maturities from March 2021 to October 2037;
- Investments in corporate debt instruments, consisting of both short-term and long-term corporate notes and land bonds, which bear interest ranging from 5.0% to 5.6% and have maturities from August 2019 to July 2026; and
- Investments in equity securities; which consist of listed and actively traded securities of companies in various industries as disclosed below.

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

	2017		2016	
	HPI	**HPMC**	HPI	HPMC
Cash and receivables	**8.7%**	**13.7%**	0.1%	0.0%
Investments in debt securities:				
Government securities	**2.9%**	**29.5%**	11.4%	41.1%
Corporate debt securities	**5.7%**	**23.8%**	17.7%	24.6%
	8.6%	**53.3%**	29.1%	65.7%
Investment in equity securities				
Construction, infrastructure, property and mining	**78.0%**	**11.5%**	43.6%	6.2%
Holding firms	**1.5%**	**9.6%**	3.6%	16.6%
Power and utilities	**1.3%**	**4.4%**	6.3%	2.3%
Banks	**0.9%**	**3.5%**	1.4%	2.5%
Telecommunications	**0.1%**	**1.5%**	0.0%	1.5%
Others	**0.9%**	**2.5%**	15.9%	5.2%
	82.7%	**33.0%**	70.8%	34.3%
	100.0%	**100.0%**	100.0%	100.0%

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

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

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

	2017	2016	2015
Discount rates	**4.8% -5.0%**	4.5% -4.8%	4.4% - 5.0%
Future salary rate increases	**5.00%**	5.0%	4.8%

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	ECLI	HSSI
		(In Thousands)			
2017					
Discount rate					
Sensitivity 1	**1%**	**(P 90,508)**	**(P52,148)**	**(P161)**	**(P 79)**
Sensitivity 2	**(1%)**	**108,006**	**62,230**	**195**	**98**
Future salary rate increases					
Sensitivity 1	**1%**	**104,817**	**60,393**	**197**	**99**
Sensitivity 1	**(1%)**	**(89,732)**	**(51,701)**	**(165)**	**(81)**
2016					
Discount rate					
Sensitivity 1	1%	(P 70,257)	(P22,450)	(P403)	(P122)
Sensitivity 2	(1%)	82,500	25,875	499	156
Future salary rate increases					
Sensitivity 1	1%	81,432	25,460	492	154
Sensitivity 1	(1%)	(70,750)	(22,613)	(405)	(123)

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 Group expects to make a contribution of P107.87 million in 2017 to the defined benefit plans during the next financial year.

The tables below show the maturity analysis of the undiscounted benefit payments as at December 31:

	HPI	HPMC	ECLI	HSSI
			(In Thousands)	
2017				
Within one year	**P 37,432**	**P 15,314**	**P -**	**P -**
More than one year to five years	**202,069**	**157,674**	**342**	**-**
More than five years	**406,128**	**245,745**	**1,477**	**-**
2016				
Within one year	P109,888	P 6,667	P -	P -
More than one year to five years	205,613	84,382	427	-
More than five years	372,202	149,257	3,047	-

Defined Contribution Retirement Plan

HPI has a defined contribution plan wherein the obligation is limited to the specified contribution in the defined contribution plan. Total retirement benefits cost related to the defined contribution plans amounted to P41.0 million, P45.5 million and P33.7 million for the years ended December 31, 2017, 2016 and 2015, respectively.

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

	2017	2016	2015
		(In Thousands)	
Expense recognized for:			
Defined benefit plans	**P 98,726**	P108,560	P122,642
Defined contribution plan	**41,032**	45,476	33,679
Retirement benefit costs	**P139,758**	P154,036	P156,321

32. COMMITMENTS AND CONTINGENCIES

a. Leases

The Group has a number of lease agreements covering plant sites, office spaces, warehouses, bulk terminals and various equipment that are accounted for as operating lease with periods ranging from one year to twenty-five years. Bulk of the commitments pertains to lease of vessels being used to transport cement and land agreements. The Group records rental expense on a straight-line basis over the base, non-cancellable lease terms. Any difference between the calculated expense and amount actually paid is recognized either as prepaid or accrued rent. Prepaid or accrued rent is reflected as current or noncurrent asset and liability, respectively, depending on its expected reversal date. Security deposits made will be applied against future lease payments in accordance with the respective lease agreements, as disclosed in Note 11. Operating lease expense recognized in the consolidated statement of profit or loss and other comprehensive income amounted to P263.3 million, P132.2 million and P99.9 million in 2017, 2016 and 2015, respectively, as disclosed in Notes 22, 23 and 24.

Future minimum lease payable under non-cancellable operating leases as at December 31, 2017 and 2016 are as follows:

	2017	2016
	(In Thousands)	
Within one year	**P 794,574**	P 824,743
After one year but not more than five years	**1,416,189**	1,978,967
More than five years	**2,826,844**	3,410,032
	P5,037,607	P6,213,742

b. 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.

c. Supply Agreements with Pozzolanic Philippines, Inc. (PPI)

On August 22, 2012, the Group entered into various agreements with PPI for the supply of fly and bottom ash to the Bulacan, Calaca and RMX plants. Details and terms of the supply agreements are as follows:

i. Bulacan and Calaca

The separate supply agreements for Bulacan and Calaca plants require PPI to deliver fly ash at agreed specifications, volumes and price for a period of five years to be sourced from its power plants in Batangas, Pangasinan and Quezon Province, where PPI has an exclusive purchase agreement. In addition, PPI shall deliver bottom ash to the Group's cement plants free of charge.

ii. RMX

PPI shall supply fly ash with agreed specifications based on the annual volume requirement of the Group for 15 years. Delivery schedules shall be agreed by PPI and the Group and shall be made to the batching plants in Taguig and Bicutan.

On August 22, 2017, the contract has expired but extended up to December 31, 2017 under the same terms and conditions. To date, the Group is finalizing the two-year renewal contract.

The related expense under this agreement is recognized as part of "Raw, packaging and production materials" account in the Cost of Sales (see Note 22).

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)

HPI has awarded the contract for the supply of automotive diesel oil to Petron and supply of bunker fuel to SLH. To date, the Group is finalizing the agreements which 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. Semirara Coal Supply Contract

The Group also entered into a coal supply contract with Semirara Mining Corporation commencing on March 1, 2017 up to December 31, 2018.

The total volume commitment is 550,000 metric tons with +/- 10% variance. As at December 31, 2017 and 2016, the Group was able to comply with the minimum provisions of the coal supply contracts. The related expense under this contract is recognized as part of "Power and fuel" account in the Cost of Sales, as disclosed in Note 22.

f. Big Bags Supply Agreement

HPI has entered into a one-year supply agreement of big bags with Thai Shuan Shin Co., Ltd and Ecopack Corporation from March 1, 2017 up to February 28, 2018. The related expense under this contract is recognized as part of "Raw, packaging and production materials" account in the Cost of Sales, as disclosed in Note 22.

g. 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.

33. EARNINGS PER COMMON SHARE (EPS)

Basic/diluted EPS is computed as follows:

	2017	2016	2015
		(In Thousands)	
Consolidated profit for the year attributable to common equity holders of the Parent Company	**P2,688,485**	P6,845,856	P8,148,071
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	**P 0.42**	P 1.06	P 1.26

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

The increase in the EPS in 2015 is due to the gain on remeasurement for the retained equity in HMDC (see Note 12). Without the gain, basic/diluted EPS of net income attributable to equity holders of the Parent Company in 2015 would amount to P0.85.

There are no dilutive financial instruments in 2017, 2016 and 2015, hence, diluted EPS is the same as basic EPS.

34. 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.

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

35. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reviewed and recommended for approval by the Audit Committee on February 26, 2017. The same were approved for issuance by the Board of Directors (BOD) on February 27, 2018.

* * *

Exhibit 2

Supplementary Schedules to the

Consolidated Financial Statements

For the year ended

December 31, 2017

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

INDEX TO SUPPLEMENTARY SCHEDULES

FORM 17-A

Supplementary Schedules

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-4

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

To the Board of Directors and Shareholders
HOLCIM PHILIPPINES, INC.
7th Floor, Two World Square
McKinley Hill, Fort Bonifacio, Taguig City

We have audited the consolidated financial statement of Holcim Philippines, Inc. and Subsidiaries (the "Group") as at December 31, 2017 and for the year ended December 31, 2017 in accordance with Philippine Standards on Auditing, on which we have rendered an unqualified opinion dated February 27, 2018.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information on the attached schedules showing the list of all effective accounting standards and interpretations, the reconciliation of the retained earnings available for dividend declaration, the map showing the relationships between and among Holcim Philippines, Inc. and Subsidiaries and its related parties, the financial soundness indicators, and the other supplementary information shown in Schedules A to H as at December 31, 2017, 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 a required part of the basic financial statements. These information are the responsibility of the Group's management and have been subjected to the auditing procedures applied in our audit 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 December 4, 2015 to December 31, 2018
SEC A.N. 0001-FR-4, issued on January 7, 2016; effective until January 6, 2019, Group A
TIN 005299331

By:

Oliver C. Bucao
Partner
CPA License No. 0086699
SEC A.N. 1623-A, issued on March 23, 2017; effective until March 22, 2020, Group A
TIN 129433612
BIR A.N. 08-002552-47-2017, issued on June 8, 2017; effective until June 8, 2020
PTR No. A-3745354, issued on January 5, 2018, Taguig City

Taguig City, Philippines
February 27, 2018

Deloitte.

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DECLARATION
December 31, 2017

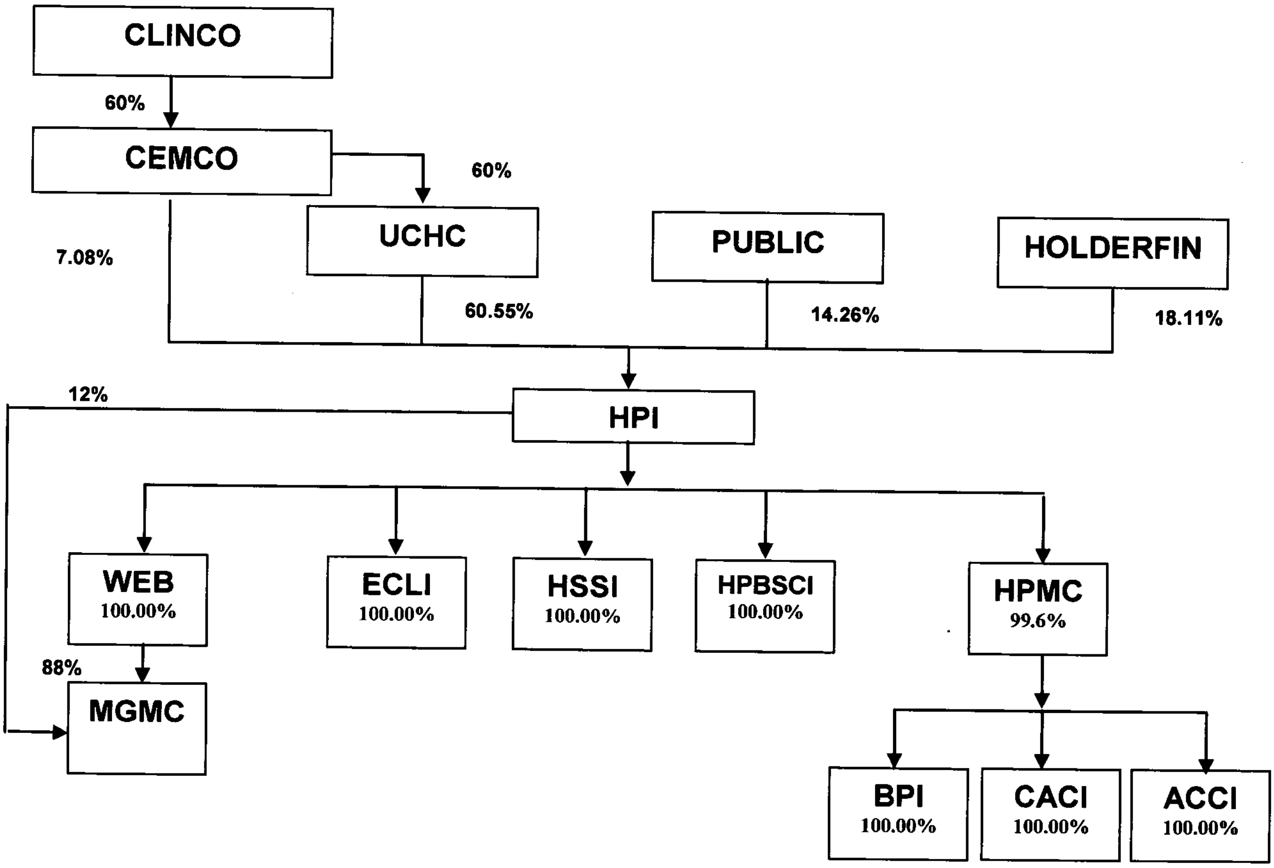
Holcim Philippines, Inc.
7th Floor, Two World Square, McKinley Hill, Fort Bonifacio, Taguig City

Items		**Amount**
Unappropriated Retained Earnings, beginning		P7,690,792
Deferred tax asset		(435,407)
Unappropriated Retained Earnings, as adjusted, beginning		7,255,385
Net income for the year closed to Retained Earnings in 2017		2,691,586
Adjustments:		
Unrealized foreign exchange gain - net (except those attributable to cash)	(18,860)	
Deferred tax asset charged to profit	69,884	51,024
Net income actual/realized for the year		2,742,610
Less: Dividends declared during the year		(6,323,057)
Unappropriated Retained Earnings, ending		**P3,674,938**

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, 2017



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
List of Effective Standards and Interpretations under the Philippine Financial Reporting Standards (PFRS) as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (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*			✓
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 PAS 39 and PFRS 7: *Reclassification of Financial Assets*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets - Effective Date and Transition*	✓		
	Amendments to PFRS 7: *Improving Disclosures about Financial Instruments*	✓		
	Amendments to PFRS 7: *Disclosures - Transfers of Financial Assets*	✓		
	Amendments to PFRS 7: *Disclosures - Offsetting Financial Assets and Financial Liabilities*	✓		
	Amendments to PFRS 7: *Mandatory Effective Date of PFRS 9 and Transition Disclosures*	✓		
	Amendments to PFRS 7: *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)**		✓	
PFRS 10	*Consolidated Financial Statements*	✓		
	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*			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	*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*			✓
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*			✓
	Amendment 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 **		✓	
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*			✓
	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*	✓		
PAS 2	*Inventories*	✓		
PAS 7	*Statement of Cash Flows*	✓		
	Amendments to PAS 7: *Disclosure Initiative**		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	✓		
PAS 10	*Events after the Reporting Period*	✓		
PAS 11	*Construction Contracts*			✓
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**		✓	
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 17	*Leases*	✓		
PAS 18	*Revenue*	✓		
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*			✓
PAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*			✓
PAS 21	*The Effects of Changes in Foreign Exchange Rates*	✓		
	Amendment to PAS 21: *Net Investment in a Foreign Operation*			✓
PAS 23 (Revised)	*Borrowing Costs*	✓		
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*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 27: *Equity Method in Separate Financial Statements*			✓
PAS 28 (Amended)	*Investments in Associates and Joint Ventures*	✓		
	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*		✓	
PAS 29	*Financial Reporting in Hyperinflationary Economies*			✓
PAS 32	*Financial Instruments: Disclosure and Presentation*	✓		
	Amendments to PAS 32 and PAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*			✓
	Amendment to PAS 32: *Classification of Rights Issues*	✓		
	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*			✓
	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 39	Financial Instruments: *Recognition and Measurement*	✓		
	Amendments to PAS 39: *Transition and Initial Recognition of Financial Assets and Financial*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Liabilities			
	Amendments to PAS 39: *Cash Flow Hedge Accounting of Forecast Intragroup Transactions*			✓
	Amendments to PAS 39: *The Fair Value Option*	✓		
	Amendments to PAS 39 and PFRS 4: *Financial Guarantee Contracts*			✓
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets - Effective Date and Transition*	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: *Embedded Derivatives*	✓		
	Amendment to PAS 39: *Eligible Hedged Items*			✓
	Amendment to PAS 39: *Novation of Derivatives and Continuation of Hedge Accounting*			✓
	Amendment to PAS 39: *Hedge Accounting Disclosures**		✓	
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 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 9	*Reassessment of Embedded Derivatives*	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: *Embedded Derivatives*	✓		
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 12	*Service Concession Arrangements*			✓
IFRIC 13	*Customer Loyalty Programmes*	✓		
IFRIC 14	*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	✓		
	Amendments to Philippine Interpretations IFRIC-14: *Prepayments of a Minimum Funding Requirement*	✓		
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*			✓
IFRIC 17	*Distributions of Non-cash Assets to Owners*			✓
IFRIC 18	*Transfers of Assets from Customers*			✓
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*			✓
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*			✓
IFRIC 21	*Levies*	✓		
IFRIC 22	*Foreign Currency Transactions and Advance Consideration**		✓	
SIC-7	*Introduction of the Euro*			✓
SIC-10	*Government Assistance - No Specific Relation to Operating Activities*			✓
SIC-15	*Operating Leases - Incentives*	✓		
SIC-25	*Income Taxes - Changes in the Tax Status of an Entity or its Shareholders*			✓
SIC-27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	✓		
SIC-29	*Service Concession Arrangements: Disclosures*			✓
SIC-31	*Revenue - Barter Transactions Involving Advertising Services*			✓
SIC-32	*Intangible Assets - Web Site Costs*			✓
PIC Q&A No. 2006-01	*Revenue Recognition for Sales of Property Units Under Pre-Completion Contracts*			✓
PIC Q&A No. 2006-02	*Clarification of Criteria for Exemption from Presenting Consolidated Financial Statements*			✓
PIC Q&A No. 2007-03	*Valuation of Bank Real and Other Properties Acquired (ROPA)*			✓
PIC Q&A No. 2008-01	*Rate Used in Discounting Post-employment Benefit Obligations*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PIC Q&A No. 2009-01	*Financial Statements Prepared on a Basis Other than Going Concern*			✓
PIC Q&A No. 2010-01	*Rate Used in Determining the Fair Value of Government Securities in the Philippines*			✓
PIC Q&A No. 2010-02	*Basis of Preparation of Financial Statements*	✓		
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 No. 2011-03	*Accounting for Inter-company Loans*	✓		
PIC Q&A No. 2011-04	*Costs of Public Offering of Shares*			✓
PIC Q&A No. 2011-05	*Fair Value or Revaluation as Deemed Cost*			✓
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*			✓
PIC Q&A No. 2012-02	*Cost of a New Building Constructed on Site of a Previous Building*			✓
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 No. 2016-02	*Accounting treatment of AFS club shares*	✓		
PIC Q&A 2016-01	*Conforming changes to PIC Q&As – Cycle 2016*			✓
PIC Q&A 2016-04	*Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-completion Contract*			✓

**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, 2017.*

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

Financial KPI	Definition	For the Calendar Year ended December 31	
		2017	**2016**
<u>Current/Liquidity ratios</u>			
Current Ratio	Current Assets / Current Liabilities	81%	138%
Quick Ratio	Current Assets – Inventory - Prepayments / Current Liabilities	49%	86%
<u>Solvency ratio/Debt-to-equity ratio</u>			
Debt to Equity Ratio	Total Liabilities / Equity	59%	29%
<u>Asset to Equity Ratios</u>			
Asset to Equity Ratio/ Equity Multiplier	Total Assets / Equity	159%	129%
<u>Interest Rate Coverage Ratio</u>			
Interest Coverage Ratio/EBITDA Net Interest Cover	Operating EBITDA / Net Interest	63.5	486.5
<u>Profitability Ratios</u>			
Return on Assets	Net Income / Average Total Assets	7.8%	20.2%
Return on Equity	Net Income / Average Total Equity	11.1%	26.7%
Operating EBITDA Margin	Operating EBITDA / Net Sales	15.7%	26.8%

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
Schedule A. Financial Assets
For the Year Ended December 31, 2017
(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, 2017
(Amounts in Thousands)

Name and Designation of Debtor		Beginning Balance	Additions	Deductions: Amount Collected	Deductions: Amount Written-Off	Current	Non Current	Ending Balance
Directors, Officers and Employees								
BALO JR., ELPEDIO C.	Employee	₱ 1,289	₱ 1,364	₱ (1,465)	₱ -	₱ 1,187	₱ -	₱ 1,187
MELENDREZ, ROLLY JR T.	Employee	776	74	(780)	-	71	-	71
CURIBA, NANETTE B.	Employee	752	-	0	-	752	-	752
CATANGHAL, PEPITO E.	Employee	689	-	-	-	689	-	689
GATMAITAN, ERNESTO A.	Employee	646	174	(173)	-	648	-	648
SAHAGUN, EDUARDO A.	Employee	629	32	(1,309)	-	(649)	-	(649)
MARSAMOLO, LEONILYN B.	Employee	593	116	(745)	-	(36)	-	(36)
SOMERA, MARY ANN ROSE C.	Employee	585	501	(588)	-	497	-	497
BERNARDO, MA. PAZ ELEANOR S.	Employee	518	119	(650)	-	(13)	-	(13)
CAMEROS, JOEL	Employee	504	265	(298)	-	472	-	472
CORONEL, GENNELEE A.	Employee	485	-	(485)	-	-	-	-
GILERA, ROBERT	Employee	420	154	(179)	-	395	-	395
BAGUIO, ROSEMARIE Y.	Employee	408	1	(237)	-	173	-	173
GALANG, MARIA LIANDA C.	Employee	369	-	(369)	-	-	-	-
OBUSAN, RAFAEL II R.	Employee	328	3	(315)	-	16	-	16
SASIS, RIGEL	Employee	326	-	(326)	-	-	-	-
OMBAO, ROEL L.	Employee	260	318	(312)	-	267	-	267
PONCE, GIZELLE M.	Employee	234	124	(317)	-	41	-	41
DE LARA, JEZZEL	Employee	211	11	(211)	-	11	-	11
LIANG, MAYTHEL M.	Employee	210	175	(394)	-	(10)	-	(10)
MORADILLA, MANOLITO	Employee	209	200	(258)	-	151	-	151
TORCUATOR, LILIBETH T.	Employee	198	-	0	-	198	-	198
JOSE, EMMANUEL G.	Employee	188	38	(36)	-	190	-	190
TORRES, MARK ANTHONY C.	Employee	186	64	(461)	-	(211)	-	(211)
SEGUERRA, JOE ARTHUR S.	Employee	186	208	(249)	-	146	-	146
VISMANOS, MELVIN C.	Employee	171	71	(98)	-	144	-	144
SUMALINOG, WILLIAM C.	Employee	167	95	(98)	-	164	-	164
MRS SOOD, SAPNA RANI	Employee	161	3,204	(1,055)	-	2,311	-	2,311
ESCALICAS, RENIDA MAY	Employee	158	75	(200)	-	33	-	33
AMPO, LEAH D.	Employee	153	15	(182)	-	(14)	-	(14)
GALARPE, MICHELLE ANGELIE B.	Employee	143	-	(148)	-	(5)	-	(5)
SEDENIO, JOEY G.	Employee	143	56	(141)	-	59	-	59
AFALLA, RYAN JAY	Employee	143	193	(397)	-	(61)	-	(61)
DEMANO, GERSON M.	Employee	135	57	(178)	-	15	-	15
MR HE, MINGHUI	Employee	131	997	(1,116)	-	12	-	12
DEL ROSARIO, MARY CHRISTIAN C.	Employee	128	0	(171)	-	(43)	-	(43)
BAUTISTA, GERALD PHILIP P.	Employee	121	131	(121)	-	132	-	132
MANALO, ROLDAN G.	Employee	120	-	(0)	-	120	-	120
GARZA, BOBBY R.	Employee	117	45	(158)	-	5	-	5
DUMLAO, DESIREE	Employee	115	56	(54)	-	118	-	118
Advances to Directors, Officers and Employees		13,305	8,937	(14,273)	-	7,969	-	7,969
Holcim East Asia Business Service Centre, B.V. - Philipp ₱		39,723	57,879	(5)		97,597		97,597
Clinco Corporation		33	790			823		823
Associates		646,541	518,527	(144,609)		1,020,459		1,020,459
Other Holcim Group Affiliates		21,335	52,474	(1,099)		72,710		72,710
Related Parties		707,632	629,670	(145,713)	-	1,191,589	-	1,191,589

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, 2017
(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			(4,199)		-	-	-
Calamba Aggregates Co., Inc.	-	100	-	-	-	-	100	-	100
Excel Concrete Logistics Inc.	1,785	-	-	-	-	-	1,785	-	1,785
	1,785	4,299	-	-	(4,199)	-	1,885	-	1,885
Holcim Philippines, Inc.									
Due from:									
Bulkcem Philippines, Inc.	6	-	-	-	-	-	6	-	6
Holcim Philippines Manufacturing Corp.	689,064	-	(675,690)	-	-	-	13,374	-	13,374
Excel Concrete Logistics Inc.	49,803		(4,768)	-	-	-	45,035	-	45,035
Calamba Aggregates Co., Inc.	44,727	-	-	-	-	-	44,727	-	44,727
Hubb Stores and Services, Inc.	306,434	68,370	-	-	-	-	374,804	-	374,804
	1,090,034	68,370	(680,458)	-	-	-	477,946	-	477,946
Excel Concrete Logistics Inc.									
Due from:									
Hubb Stores and Services, Inc.	7,655		(2,754)	-	-	-	4,901		4,901
Holcim Philippines, Inc.	-	12,757		-	-	-	12,757		12,757
	7,655	12,757	(2,754)	-	-	-	17,658	-	17,658

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
Schedule D. Intangible Assets
For the Year Ended December 31, 2017
(Amounts in Thousands)

Description	Beginning Balance	Additions At Cost	Deductions: Charged to Cost and Expenses	Deductions: Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Project Development Cost and Others	₱ 22,595	₱ -	₱ -	₱ -	₱ -	₱ 22,595
Software Cost	18,211	-	(12,092)	-	-	6,119
Goodwill	2,635,738	-	-	-	-	2,635,738
	2,676,544	-	(12,092)	-	-	2,664,452

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
Schedule E. Long-Term Debt
For the Year Ended December 31, 2017
(Amounts in Thousands)

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Long-Term	Remarks
	NIL	NIL	NIL	
	-	-	-	

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

Schedule F. Indetebtedness to Related Parties (Long-term Loans from Related Companies)
For the Year Ended December 31, 2017
(Amounts in Thousands)

Name of Related Party	Beginning Balance	Balance at the End of Period
	₱ NIL	₱ NIL
	-	-

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
Schedule G. Guarantees of Securities of Other Issuers
For the Year Ended December 31, 2017
(Amounts in Thousands)

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

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES
Schedule H. Capital Stock
For the Year Ended December 31, 2017

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Affiliates	Number of Shares Held by Directors, Officers and Employees	Others
Preferred Shares	20,000,000	-	-	-	-	-
Common Shares	9,980,000,000	6,452,099,144	-	5,531,566,066	156,570	920,376,508
	10,000,000,000	6,452,099,144	-	5,531,566,066	156,570	920,376,508