103022018000003

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Company Name	HOLCIM PHILIPPINES, INC.
Industry Classification	
Company Type	Stock Corporation

Document Information

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SEC Registration Number

HOLCIM PHILIPPINES, INC. AND SUBSIDIARIES

(Company's Full Name)

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

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

Alexander V. Taar
(Contact Person)

459-3333
(Company Telephone Number)

1 2 / 3 1
Month *Day*
(Fiscal Year)

SEC FORM 17-A
For the year ended December 31, 2017
(Form Type)

0 5 / 2 6
Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

CFD
Dept. Requiring this Doc.

–
Amended Articles Number/Section

Total Amount of Borrowings

5,407
Total No. of Stockholders

Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

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Document ID

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

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

1. For the fiscal year ended ....December 31, 2017................

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

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

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

6. [ ] (SEC Use Only)
Industry Classification Code:

7. 7th Floor, Two World Square, McKinley Hill, Fort Bonifacio, Taguig City ..... 16.............
Address of principal office — Postal Code

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

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

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

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

....
....

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

Yes [X] No [ ]

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

12. Check whether the issuer:

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

Yes [X] No [ ]

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

Yes [X] No [ ]

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

    PhP9,921,658,756 (920,376,508 common shares @ PhP10.78 per share, the closing price at which stock was sold on December 29, 2017).

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

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

Not Applicable

Yes [ ]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. The following documents are incorporated by reference:

(a) Audited Consolidated Financial Statements as of December 31, 2017 and 2016 and for the three years in the period ended December 31, 2017 - Exhibit 1
(b) Statement of Management’s Responsibility for Consolidated Financial Statements as of December 31, 2017 and 2016 and for the three years in the period ended December 31, 2017 – part of Exhibit 1
(c) Supplementary Schedules to the Audited Consolidated Financial Statements – Exhibit 2
(d) SEC Form 17-Q – Exhibit 3
(e) Legal Proceedings and Pending Legal Cases – Exhibit 4
(f) SEC Form 17-C – Exhibit 5

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Holcim Philippines, Inc. (HPI or the "Company"), is one of the premier cement manufacturers in the Philippines and is a member of the LafargeHolcim Group, one of the world's leading suppliers of cement, 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^{o}C. The resulting material is called clinker. Portland cement is produced by grinding clinker with a small amount of gypsum, a set retarder. When Portland cement is mixed with water and aggregates to make concrete, the mixture is initially flowable and easy to place, mold and finish. Eventually, the concrete sets, hardens and produces a strong and durable construction material.

Holcim Excel

Holcim Excel Cement is an ASTM Type 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

	Calendar Year	Calendar Year	Calendar Year
	Ended	Ended	Ended
(In Thousand Pesos)	December 31, 2017	December 31, 2016	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

	Calendar Year Ended	Calendar Year Ended	Calendar Year Ended
(In Thousand Pesos)	**December 31, 2017**	December 31, 2016	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.

<u>Coal and Fuel Supply</u>

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 Union	La Union Cement Workers Union Holcim La Union Supervisory Employees Union	March 31, 2022 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 Factors

Political and Economic Factors

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

One of the principal factors that may materially affect financial performance is the level of construction activity in the public and private sectors. Public sector construction activity has always been a significant part of cement demand. However, government spending on construction-related activities (e.g., infrastructure and housing) is dependent on various factors, 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
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	₱17,599,838	₱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 Exhibit 4.

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

(1) Market Information

HPI common shares are listed in the PSE. The high and low market prices of HPI shares for each quarter of calendar year 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	290,993	0.00%
14	UNIVERSITY OF SANTO TOMAS	FILIPINO	190,750	0.00%
15	RAMON C. CHAN	FILIPINO	189,189	0.00%
16	FRANCIS L. ESCALER	FILIPINO	186,935	0.00%
17	ISABELA CULTURAL CORPORATION	FILIPINO	156,439	0.00%
18	LILIA V. QUITO	FILIPINO	150,000	0.00%
19	ROSALIA M. AMANDO	FILIPINO	141,069	0.00%
20	BENITO G. OBLENA	FILIPINO	137,337	0.00%
		Total	**6,425,872,624**	**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, 2017, 2016 and 2015 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 SRC.

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

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 ("KPI")

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

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

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

3. Issuances and repurchase of equity securities.

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

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

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

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

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

9. Material commitments for capital expenditures.

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

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

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

Notes to Financial Statements

Accounting Policies and Principles

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

Financial Risk Management Objectives and Policies

General Risk Management Approach

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

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

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

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

Market Risks

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

Foreign Currency Risk

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

The Company has foreign exchange exposures, arising primarily from purchases of goods and services and debt servicing requirements in currencies other than the Philippine Peso that leads to currency translation effects. Of the Company's revenues, approximately 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 Exhibit 5 of this report for the significant disclosures made by the Company during the year. Other than those mentioned in Exhibit 5, the Company is not aware of the following:

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

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

3. Issuances and repurchase of equity securities.

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

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

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

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

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

9. Material commitments for capital expenditures.

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

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

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

Notes to Financial Statements

Accounting Policies and Principles

The consolidated financial statements of the Company, which comprise the consolidated 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.

Item 7. Financial Statements

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

Information on Independent Accountant

External Audit Fees

The aggregate fees billed for professional services rendered by Navarro Ampler & Co. (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

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

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

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

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

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

1) *The Board of Directors*

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

As of December 31, 2017, the following are the members of the Board:

Table 9 – The Board of Directors

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

The Executive Officers

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

The Company's executive officers as of 31 December 2017 are set out below:

Table 10 – Executive Officers

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

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

Jesusa Natividad L. Rojas, 51, 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**,* 43, 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, 48, 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, 44, 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.

Zoe Verna M. Sibala, 43, 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.

Ann Claire "Cara" M. Ramirez, 39, 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, 61, is the Head of Corporate Occupational Health and Safety. She holds a Bachelor of Science degree in Chemical Engineering from the University of San Carlos in Cebu. Before joining the Company in May 2008, she was the Manager for Environment, Health and Safety of James Hardie Philippines from November 2004 to May 2008. Prior to this, she had ten years of work experience in the field of safety, health and environment.

***William de Lumley**, 44,* is the Head of Aggregates and Construction Materials. Mr. De Lumley completed Geological study at the Geological Institute Albert de Lapparent in France. Starting out as Geologist in Lafarge Granulats Service (Lafarge Group, France and UK) in 1998, he assumed key positions in Lafarge operating companies in different regions, including Vice President–Land and Geology in India from 2007 to 2010 and Manufacturing Director in Egypt from 2010 to 2012. Prior to his current position, he was Vice President for Aggregates of Lafarge Republic Aggregates, Inc. since 2012.

Kevin Savory, 49, 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, 49, 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.

2) Family Relationships

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

3) Involvement in Certain Legal Proceedings

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

Item 10. Executive Compensation

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

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

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

Table 11 – Executive Compensation (in PhP)

Name and Principal Position	Year	Salary	Bonus	Benefits
The CEO and five most highly compensated Executive Officers: • Sapna Sood –Chief Executive Officer • Michael Kevin Savory – Head, Procurement & 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	2018*	60,068,285	12,871,846	34,004,724
	2017	60,068,285	12,871,846	34,004,724
	2016	72,232,549	4,404,011	42,820,943
All other Executive Officers and Directors as a group unnamed	2018*	40,436,702	26,720,529	144,193.161
	2017**	40,436,702	26,720,529	144,193,161
	2016	56,231,948	10,520,984	22,733,980

**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.

Warrants and Options Outstanding

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

The table below shows persons or groups known to HPI as of December 31, 2017 to be directly or indirectly the record or beneficial owner of more than 5% of the Company's voting securities:

Table 12 – Beneficial Ownership of Voting Securities

Title of Class	Name & Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner And Relationship with Record	No of Shares Held	% of Ownership
Common	Union Cement Holdings Corporation 7th Floor, Two World Square, McKinley Hill Fort Bonifacio, Taguig City (Filipino) Stockholder	Union Cement Holdings Corp. (same as record owner)	3,906,425,509	60.55%
Common	Holderfin B.V. 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. 1, Kanda Mitoshiro-cho Chiyoda-ku, Tokyo 101-8677	Sumitomo Osaka Cement Co., Ltd. (same as record owner)	594,952,725	9.22%
Common	Cemco Holdings, Inc. 815/816 Tower One & Exchange Plaza Ayala Avenue, Makati City (Filipino)	Cemco Holdings, Inc. (same as record owner)	456,689,560	7.08%

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

(1) Security Ownership of Management

The table below shows the securities beneficially owned by all directors, nominees and executive officers of HPI as of December 31, 2017:

Table 13 – Security Ownership of Management

Title of Class	Name and Address of Beneficial Owner	Amount/Nature of Ownership	Registered (R) or Beneficial (B)	% of Ownership
Common	Tomas I. Alcantara	1(D)	R	0.00%
Common	Martin Kriegner	1(D)	R	0.00%
Common	Daniel N. Bach	1(D)	R	0.00%
Common	Sapna Sood	1(D)	R	0.00%
Common	Simeon V. Marcelo	1(D) 54,262(I)	R	0.00%
Common	Yasuo Kitamoto	1(D)	R	0.00%
Common	David Lucas B. Balangue	1(D) 102,301 (I)	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.

(2) Voting Trust Holders of 5% or more

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

(3) Changes in Control

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

Item 12. Certain Relationships and Related Transactions

For a detailed discussion of other material related party transactions, please see Note 29 – Related Party Transactions to the accompanying consolidated financial statements in Item 14.1.

Except for the transactions discussed in Note 29 – Related Party Transactions to the accompanying consolidated financial statements in Item 14.1, there were no other material related party transactions during the last three financial years, nor are there any material transactions currently proposed between the Company and any: (i) director, officer, direct or indirect owner of 10% or more of the outstanding shares in the Company; (ii) close family member of such director, officer or owner; (iii) associates of the Company; (iv) enterprises controlling, controlled by or under common control with the Company; or (v) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any director, officer or owner of 10% or more of the outstanding shares in the Company or any close family member of such director, key officer or owner, or collectively, the Related Parties.

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

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

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

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

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

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

PART V - EXHIBITS AND SCHEDULES

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

14.1 Consolidated Financial Statements

The audited consolidated financial statements for the years ended December 31, 2017 and 2016 are attached as Exhibit 1:

- Statement of Management’s Responsibility to the Financial Statements
- Independent Auditors' Report
- Consolidated Balance Sheets as at December 31, 2017 and 2016
- Consolidated Statements of Income for the years ended December 31, 2017, 2016 and 2015
- Consolidated Statements of Comprehensive income for the years ended December 31, 2017, 2016 and 2015
- Consolidated Statements of Changes in Equity for the years ended December 31, 2017, 2016 and 2015
- Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015
- Notes to Consolidated Financial Statements

14.2 Supplementary Schedules

- Supplementary Schedule of Retained Earnings Available for Dividend Declaration
- Illustration of relationships between the Company,
  its Ultimate Parent Company, Middle Parent, and its Subsidiaries
- Philippine Financial Reporting Standards and Interpretations Effective as of December 31, 2017
- Schedule of Financial Soundness Indicators
- The supplementary schedules of the Consolidated Financial Statements for the year ended December 31, 2017 are attached as Exhibit 2.

14.3 SEC Form 17 – Q

During the year 2017, the Company has filed the following SEC quarterly reports pursuant to Section 17 of SRC Rule 17 (2) (b) hereto attached as Exhibit 3.

Date of Filing	Quarter Ending
April 26, 2017	March 31, 2017
July 26, 2017	June 30, 2017
October 26, 2017	September 30, 2017

14.4 Legal Proceedings and Pending Cases (See Exhibit 4)

14.5 Reports on SEC Form 17-C

Reports on SEC Form 17-C filed during the year ended December 31, 2017 are attached together with this report as Exhibit 5:

Date Filed	Description
March 1, 2017	An advisory on the results of BOD Meeting held on March 1, 2017 : postponement and setting of annual stockholders meeting date and record date, nomination of external auditor, approval of audited financial statements of external auditor, approval of audited financial statements
April 10, 2017	An advisory on the Notice and Agenda of the Annual Stockholders Meeting
May 26, 2017	An advisory on the results of HPI‟s Regular Board Meeting, Annual Stockholders Meeting and Organizational Board Meeting held on May 18, 2017
July 4, 2017	Resignation of Atty. Kristine Evangelista as General Counsel, Corporate Secretary and Compliance Officer of HPI
August 9, 2017	An advisory on the attendance of directors and key officers of Holcim Philippines, Inc. to corporate governance seminar in compliance with SEC Memorandum Circular No. 20, Series of 2013.
November 23, 2017	An advisory on the results of BOD Meeting held on November 22, 2017: Amendment of the secondary purposes of HPI's Articles of Incorporation; (b) Acceptance of Resignation of William de Lumley and Nerissa V. Ronquillo as officers of the Corporation; (c) Ratification of appointment of Mary Grace G. Sanchez as Data Privacy Officer, appointment of Atty. Belinda E. Dugan as Corporate Secretary and Compliance Officer, Frederic Fabien Head of ACM effective January 1, 2018 and Anne Claire Ramirez as Head of Communications

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of MAKATI CITY on MAR 0 1 2018, 2018.

By:

Sapna Sood
President/Chief Executive Officer

Jesusa Natividad L. Rojas
Chief Financial Officer/ Treasurer

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

SUBSCRIBED AND SWORN to before me this MAR 0 1 2018 day of ________ 2018 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Holcim Philippines, Inc.	00110882	January 3, 2018	Taguig City
	PASSPORT NO		
Sapna Sood	517992576	January 10, 2014	UK of Great Britain
Jesusa Natividad L. Rojas	EC0971234	April 29, 2014	Manila
Belinda E. Dugan	EB9973891	January 11, 2014	DFA NCR South

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Book No. I
Series of 2018.

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; 1/8/2018; Makati Chapter
30th Floor 88 Corporate Center
Sedeño corner Valero Streets
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