108092018004304

# SECURITIES AND EXCHANGE COMMISSION

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Company Information

| | |
|---|---|
| SEC Registration No. | PW0000015A |
| Company Name | ROXAS HOLDINGS, INC DOING BUSINESS UNDER THE N-AME AND STYLE OF CADP GROUP |
| Industry Classification | |
| Company Type | Stock Corporation |

**Document Information**

| | |
|---|---|
| Document ID | 108092018004304 |
| Document Type | 17-Q (FORM 11-Q:QUARTERLY REPORT/FS) |
| Document Code | 17-Q |
| Period Covered | June 30, 2018 |
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| Department | CFD |
| Remarks | |

# COVER SHEET
for
## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P W - 1 5 A

**COMPANY NAME**

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

**PRINCIPAL OFFICE** *( No. / Street / Barangay / City / Town / Province )*

14th Floor, Net One Center, 26th cor. 3rd Avenue, Bonifacio Global City, Taguig, Metro Manila

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| 17-Q | | N/A |

**COMPANY INFORMATION**

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| www.roxasholdings. com | (02) 771-7800 | – |
| **No. of Stockholders** | **Annual Meeting (Month / Day)** | **Fiscal Year (Month / Day)** |
| 2,097 | February 18 | September 30 |

**CONTACT PERSON INFORMATION**

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

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Ma. Hazel L. Rabara-Retardo | hazel.rabara@rhi.com.ph | (02) 810-8901 | – |

**CONTACT PERSON's ADDRESS**

14th Floor, Net One Center, 26th cor. 3rd Avenue, Bonifacio Global City, Taguig, Metro Manila

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

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

**SEC Number PW 15**
**File** ______________

**ROXAS HOLDINGS, INC. (formerly CENTRAL AZUCARERA DON PEDRO)**

(Company's Full Name)

**14th Floor, Net One Center, 26th corner 3rd Avenue,**
**Bonifacio Global City, Taguig, Metro Manila**

(Company's Address)

**(632) 771-7800**

(Company's Telephone Number)

**September 30, 2018**

(Fiscal Year Ending)

**SEC Form 17-Q**

(Form Type)

Amended Designation (If Applicable)

**June 30, 2018**

Period Ended Date

(Secondary License Type and File Number)

## SECURITIES AND EXCHANGE COMMISSION

### SEC FORM 17-Q

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

1. For the quarter ended: **30 June 2018**

2. Commission Identification Number **15A**

3. BIR Tax Identification No. **000-290-538**

4. Exact name of registrant as specified in its charter **ROXAS HOLDINGS, INC. (FORMERLY CENTRAL AZUCARERA DON PEDRO)**

5. Province, country or other jurisdiction of incorporation or organization
**Philippines**

6. Industry Classification Code:

7. Address of principal office — Postal Code
**14th Floor, Net One Center, 26th corner 3rd Avenue, Bonifacio Global City, Taguig, Metro Manila** — **1634**

8. Registrant's telephone number, including area code
**(632) 771-7800**

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

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 and Amount of Debt Outstanding |
|---|---|
| Authorized Capital Stock: | 2,000,000,000 |
| No. of common shares issued and outstanding | 1,547,935,799 |
| No. of preferred shares issued and outstanding | - |

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

Yes [X] No [ ]

12. Indicate by check mark whether the registrant:

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

    Yes [**X**] No [ ]

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

    Yes [**X**] No [ ]

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ROXAS HOLDINGS, INC.

# ROXAS HOLDINGS, INC. AND SUBSIDIARIES

Unaudited Interim Condensed Consolidated Financial Statements
June 30, 2018 (With Comparative Audited Figures as at September 30, 2017)
and for the Nine-Month Periods Ended June 30, 2018 and 2017

## ROXAS HOLDINGS, INC. AND SUBSIDIARIES

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
**JUNE 30, 2018**
***(With Comparative Audited Balances as at September 30, 2017)***
**(Amounts in Thousands)**

| | Notes | June 30, 2018 (Unaudited) | September 30, 2017 (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 3 | ₱146,959 | ₱571,377 |
| Trade and other receivables | 4 | 2,477,838 | 2,258,083 |
| Inventories | 5 | 3,253,573 | 2,539,526 |
| Other current assets | 6 | 1,130,184 | 829,203 |
| **Total Current Assets** | | 7,008,554 | 6,198,189 |
| **Noncurrent Assets** | | | |
| Investment in an associate | 7 | 570,056 | 606,768 |
| Property, plant and equipment: | 8 | | |
| At cost | | 10,031,697 | 10,303,421 |
| At appraised values | | 4,748,651 | 4,746,047 |
| Investment properties | | 349,040 | 349,267 |
| Goodwill | | 1,079,615 | 1,079,615 |
| Retirement assets | | 58,095 | 62,129 |
| Net deferred tax assets | | 274,611 | 270,839 |
| Other noncurrent assets | | 283,441 | 279,898 |
| **Total Noncurrent Assets** | | 17,395,206 | 17,697,984 |
| | | ₱24,403,760 | ₱23,896,173 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Short-term borrowings | 9 | ₱5,662,753 | ₱4,608,359 |
| Current portion of long-term borrowings | 10 | 1,248,433 | 1,234,803 |
| Trade and other payables | 11 | 1,516,867 | 1,188,567 |
| Income tax payable | | 5,168 | 1,605 |
| **Total Current Liabilities** | | 8,433,221 | 7,033,334 |
| **Noncurrent Liabilities** | | | |
| Long-term borrowings - net of current portion | 10 | 3,875,153 | 4,820,532 |
| Retirement liabilities | | 362,042 | 316,758 |
| Net deferred tax liabilities | | 1,174,289 | 1,180,141 |
| Other noncurrent liabilities | | 1,300 | 1,300 |
| **Total Noncurrent Liabilities** | | 5,412,784 | 6,318,731 |
| **Total Liabilities (Carried Forward)** | | 13,846,005 | 13,352,065 |

| | Note | June 30, 2018 (Unaudited) | September 30, 2017 (Audited) |
|---|---|---|---|
| **Total Liabilities (Brought Forward)** | | **₱13,846,005** | ₱13,352,065 |
| **Equity Attributable to the Equity Holders of the Parent Company** | 12 | | |
| Capital stock | | **1,565,579** | 1,564,599 |
| Additional paid-in capital | | **2,832,007** | 2,826,554 |
| Treasury stock | | **(52,290)** | (52,290) |
| Other equity reserves | | **3,420,775** | 3,419,147 |
| Retained earnings | | **2,735,852** | 2,733,738 |
| | | **10,501,923** | 10,491,748 |
| Non-controlling Interests | | **55,832** | 52,360 |
| **Total Equity** | | **10,557,755** | 10,544,108 |
| | | **₱24,403,760** | ₱23,896,173 |

*See accompanying Notes to Consolidated Financial Statements.*

## ROXAS HOLDINGS, INC. AND SUBSIDIARIES

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME
## FOR THE THREE MONTH AND NINE-MONTH PERIODS ENDED
## JUNE 30, 2018 AND 2017

**(Amounts in Thousands, except Basic and Diluted Earnings per Share Data)**

| | Three-Month Period April 1 to June 30 (Unaudited) 2018 | 2017 | Nine-Month Period October 1 to June 30 (Unaudited) 2018 | 2017 |
|---|---|---|---|---|
| **REVENUE** | | | | |
| Sale of goods | **₱3,546,436** | ₱2,816,806 | **₱8,880,348** | ₱7,741,614 |
| Sale of services | **90,978** | 187,209 | **116,096** | 225,550 |
| | **3,637,414** | 3,004,015 | **8,996,444** | 7,967,164 |
| **COST OF SALES** | **(3,404,613)** | (2,555,661) | **(8,103,187)** | (6,915,848) |
| **GROSS INCOME** | **232,801** | 448,354 | **893,257** | 1,051,316 |
| **OPERATING EXPENSES** | **(214,966)** | (216,853) | **(676,055)** | (674,060) |
| **INTEREST EXPENSE** | **(112,922)** | (112,189) | **(325,293)** | (322,119) |
| **SHARE IN NET EARNINGS OF AN ASSOCIATE** | **9,819** | (11,356) | **39,885** | 69,572 |
| **OTHER INCOME – Net** | **35,589** | 40,185 | **75,625** | 77,130 |
| **INCOME BEFORE INCOME TAX** | **(49,679)** | 148,141 | **7,419** | 201,839 |
| **INCOME TAX BENEFIT** | | | | |
| Current | **(4,897)** | (114,417) | **(12,112)** | (128,724) |
| Deferred | **(19,443)** | 66,036 | **10,279** | 102,270 |
| | **(24,340)** | (48,381) | **(1,833)** | (26,454) |
| **NET INCOME** | **(₱74,019)** | ₱99,760 | **₱5,586** | ₱175,385 |
| Net income attributable to: | | | | |
| Equity holders of the Parent Company | **(₱77,364)** | ₱101,110 | **₱2,114** | ₱176,084 |
| Non-controlling interests | **3,345** | (1,350) | **3,472** | (699) |
| | **(₱74,019)** | ₱99,760 | **₱5,586** | ₱175,385 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY** | | | | |
| Basic | **(₱0.05)** | ₱0.07 | **₱0.00** | ₱0.12 |
| Diluted | **(₱0.05)** | 0.07 | **0.00** | 0.12 |

*See accompanying Notes to Consolidated Financial Statements.*

## ROXAS HOLDINGS, INC. AND SUBSIDIARIES

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

**(Amounts in Thousands)**

| | Three-Month Period April 1 to June 30 (Unaudited) | | Nine-Month Period October 1 to June 30 (Unaudited) | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| **NET INCOME** | **(₱74,019)** | ₱99,760 | **₱5,586** | ₱175,385 |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| **Share in remeasurement gain (loss) on retirement liability of an associate, net of tax** | **–** | – | **1,628** | – |
| TOTAL COMPREHENSIVE INCOME | **(₱74,019)** | ₱99,760 | **₱7,214** | ₱175,385 |
| **Total comprehensive income attributable to:** | | | | |
| Equity holders of the Parent Company | **(₱77,364)** | ₱101,110 | **₱3,742** | ₱176,084 |
| Non-controlling interests | **3,345** | (1,350) | **3,472** | (699) |
| | **(₱74,019)** | ₱99,760 | **₱7,214** | ₱175,385 |

*See accompanying Notes to Financial Statements.*

## ROXAS HOLDINGS, INC. AND SUBSIDIARIES

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTH AND NINE-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

**(Amounts in Thousands)**

| | Three-Month Period April 1 to June 30 (Unaudited) | | Nine-Month Period October 1 to June 30 (Unaudited) | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| **CAPITAL STOCK** | | | | |
| Beginning balance | **₱1,565,579** | ₱1,439,442 | **₱1,564,599** | ₱1,439,442 |
| Exercise of stock option | – | – | **980** | – |
| Ending balance | **1,565,579** | 1,439,442 | **1,565,579** | 1,439,442 |
| **ADDITIONAL PAID-IN CAPITAL** | | | | |
| Beginning balance | **2,830,676** | 2,425,550 | **2,826,554** | 2,425,550 |
| Employee stock option | **1,331** | – | **3,993** | – |
| Exercise of stock option | – | 2,402 | **1,460** | 2,402 |
| Ending balance | **2,832,007** | 2,427,952 | **2,832,007** | 2,427,952 |
| **TREASURY STOCK** | **(52,290)** | (52,290) | **(52,290)** | (52,290) |
| **OTHER EQUITY RESERVES** | | | | |
| Beginning balance | **3,420,775** | 3,281,436 | **3,419,147** | 3,281,436 |
| Remeasurement gain on retirement liabilities net of tax | – | – | **1,628** | – |
| | **3,420,775** | 3,281,436 | **3,420,775** | 3,281,436 |
| **RETAINED EARNINGS** | | | | |
| Beginning balance | **2,813,216** | 2,688,935 | **2,733,738** | 2,613,961 |
| Net income | **(77,364)** | 101,110 | **2,114** | 176,084 |
| | **2,735,852** | 2,790,045 | **2,735,852** | 2,790,045 |
| **NON-CONTROLLING INTERESTS** | | | | |
| Beginning balance | **52,487** | 66,171 | **52,360** | 65,520 |
| Income (loss) attributable to non-controlling interests | **3,345** | (1,350) | **3,472** | (699) |
| | **55,832** | 64,821 | **55,832** | 64,821 |
| **TOTAL EQUITY** | **₱10,557,755** | ₱9,951,406 | **₱10,557,755** | ₱9,951,406 |

*See accompanying Notes to Consolidated Financial Statements.*

## ROXAS HOLDINGS, INC. AND SUBSIDIARIES

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE NINE-MONTH PERIODS ENDED
## JUNE 30, 2018 AND 2017

**(Amounts in Thousands)**

| | June 30, 2018 (Unaudited) | June 30, 2017 (Unaudited) |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income before income tax | ₱7,419 | ₱201,839 |
| Adjustments for: | | |
| Depreciation and amortization | 738,426 | 843,452 |
| Interest expense | 325,293 | 322,119 |
| Retirement expense | 49,318 | – |
| Share in net earnings of associate | (39,885) | (69,572) |
| Employee stock option expense | 3,993 | 2,402 |
| Interest income | (640) | (722) |
| Operating income before changes in working capital | 1,083,924 | 1,299,518 |
| Decrease (increase) in: | | |
| Trade and other receivables | (219,755) | (194,140) |
| Inventories | (714,047) | (2,878,638) |
| Other current assets | (300,978) | (230,797) |
| Increase in trade and other payables | 342,245 | 841,650 |
| Net cash used in operations | 191,389 | (1,162,407) |
| Income taxes paid | (8,549) | (128,510) |
| Interest received | 640 | 722 |
| Net cash flows generated from (used in) operating activities | 183,480 | (1,290,195) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Additions to: | | |
| Property, plant and equipment | (469,079) | (957,260) |
| Investment properties | – | (511) |
| Proceeds from dividends received | 78,225 | 212,407 |
| Decrease in other noncurrent assets | (3,543) | 38,658 |
| Net cash flows used in investing activities | (394,397) | (706,706) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net availments of short-term borrowings | 1,054,394 | 1,772,235 |
| Exercise of employee stock option | 2,441 | |
| Proceeds from convertible debt securities | – | 523,750 |
| Payments of: | | |
| Long-term borrowings | (931,749) | (244,343) |
| Interest | (338,587) | (312,371) |
| Net cash flows provided by (used in) financing activities | (213,501) | 1,739,271 |
| **NET DECREASE IN CASH** | (424,418) | (257,630) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | 571,377 | 704,522 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | ₱146,959 | ₱446,892 |

*See accompanying Notes to Financial Statements.*

# ROXAS HOLDINGS, INC. AND SUBSIDIARIES

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Corporate Information

Roxas Holdings, Inc. (RHI or the Parent Company), doing business under the name and style of CADP Group, was organized in the Philippines and registered with the Securities and Exchange Commission (SEC) on October 30, 1930 for the purpose of holding and investing in corporations engaged in the business of manufacturing sugar and allied products. The corporate life of the Parent Company has been extended for another 50 years until November 1, 2030.

In July 1996, the Parent Company offered its shares to the public through an initial public offering. On August 8, 1996, the shares of stock of the Parent Company were listed in the Philippine Stock Exchange (PSE).

As at September 30, 2015, the Parent Company is 31% owned by Roxas and Company, Inc. (RCI), a publicly listed company incorporated and domiciled in the Philippines. The remaining interest amounting to 27% and 24% of the total shares are owned by FP Natural Resources Holdings B.V. (FPNRH), a Hong Kong based company and First Agri Holdings Corporation (FAHC), a Philippine affiliate of FPNRH, respectively. FPNRH and FAHC are both subsidiaries of First Pacific Company, Ltd. (First Pacific).

The Parent Company completed its stock rights offering in May 2016 for 266,753,974 outstanding common shares of RHI, with par value of ₱1.00 a share, on a pre-emptive basis to holders of common shares of the capital stock of RHI as at May 4, 2016 (the "Record Date") at an offer price of ₱4.19 per Rights Share (the "Offer Price") (see Note 18). As a result the equity interest of FAHC in RHI increased from 24% to 33% while the equity interest of RCI decreased from 31% to 22%.

On February 1, 2017, the Board of Directors (BOD) approved the issuance of convertible debt securities amounting to ₱523,750,000 to FPNRH, convertible to 125,000,000 million common shares of RHI at the option of the holder and bears annual interest at 3%.

On February 15, 2017, the shareholders approved the amendment of the Parent Company's articles of incorporation to increase the authorized capital stock from 1,500,000,000 to 2,000,000,000 divided into 2,000,000,000 with par value of ₱1.00 per share. On the same day, the shareholders approved the subsequent application of the convertible note as subscription to 125,000,000 common shares arising from the increase in authorized capital stock at a conversion rate of ₱4.19 for every common share.

On July 14, 2017, the SEC approved the Parent Company's application for increase in authorized capital stock using the convertible debt securities as payment for subscription. Accordingly, FPNRH interest on the Parent Company increased from 27% to 32%. As of September 30, 2017, the ultimate parent company of RHI is First Pacific.

The corporate office of the Parent Company is located at 14th Floor, Net One Center, 26th cor. 3rd Avenue, Bonifacio Global City, Taguig, Metro Manila while the manufacturing plants of its operating subsidiaries are in Barrio Lumbangan, Nasugbu, Batangas and Barrio Consuelo, La Carlota City, Negros Occidental, San Carlos Ecozone, San Carlos City, Negros Occidental.

The interim condensed consolidated financial statements of the Parent Company and its subsidiaries (collectively, the Group) for the six-month period ended March 31, 2018 were authorized for issue in accordance with a resolution of the Board of Directors on May 4, 2018.

## 2. Basis of Preparation and Basis of Consolidation

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for land and investment properties that are measured at fair value. The consolidated financial statements have been presented in Philippine Peso, which is the functional currency of the Group. All amounts are rounded to the nearest thousands, except for number of shares and unless otherwise indicated.

The interim condensed financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting.

The unaudited interim condensed financial statements do not include all the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Company's annual audited financial statements as at and for the year ended September 30, 2017, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Adoption of New and Revised PFRS

The Group adopted the following amendments and improvements to PFRS effective October 1, 2017 as summarized below.

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRS:* 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.
  Application of amendments will result in additional disclosures in the 2018 consolidated financial statements of the Group.

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

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

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. This amendment did not have significant impact on the Group's consolidated financial statements.

<u>New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to September 30, 2018</u>

The standards, interpretations, amendments and improvements to the standards that are issued, but not yet effective, up to date of issuance of the consolidated financial statements are disclosed below.

The Group intends to adopt these, if applicable, when these become effective. Unless otherwise specified, these will not have an impact on the Group's consolidated financial statements.

*Effective January 1, 2018*

- PFRS 15, *Revenue from Contracts with Customers*, establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group did not early adopt PFRS 15. The Group is currently assessing the impact of adopting PFRS 15.

- PFRS 9, *Financial Instruments* (2014 or final version), reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The Group did not early adopt PFRS 9. The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting PFRS 9.

- PAS 40, *Investment Property, Transfers of Investment Property*, clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. The Group did not early adopt PAS 40. The adoption of PAS 40 is not expected to have any significant impact on the Group's consolidated financial statements.

- Amendments to PFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*, address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted. The adoption of this amendment is not expected to have any significant impact on the Group's consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts - Applying PFRS 9, Financial Instruments, with PFRS 4*, address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9. The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRS* 2014 - 2016 Cycle), clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC) 22, *Foreign Currency Transactions and Advance Consideration*, clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or nonmonetary liability arising from advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The adoption of this amendment is not expected to have any significant impact on the Group's consolidated financial statements.

*Effective beginning on or after January 1, 2019*

- PFRS 16, *Leases*, replaces PAS 17, *Leases*, the current leases standard, and the related Interpretations. Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statements of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their statement of comprehensive income. Leases with a term of twelve months or less or for which the underlying asset is of low value are exempted from these requirements.

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

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries, which it controls as at September 30 of each year. The Parent Company has control over the investee when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Following is the list of the subsidiaries:

| | Percentage of Ownership | | | | Principal Place of |
|---|---|---|---|---|---|
| | **2017** | 2016 | 2015 | Nature of Business | Business |
| Central Azucarera Don Pedro, Inc. (CADPI) | **100.00%** | 100.00% | 100.00% | Production and selling of raw and refined sugar, molasses and related products | Taguig City and Nasugbu, Batangas |
| Central Azucarera de la Carlota, Inc. (CACI) | **100.00%** | 100.00% | 100.00% | Production and selling of raw sugar and molasses | Taguigi City and Negros Occidental |
| CADP Insurance Agency, Inc. (CIAI) | **100.00%** | 100.00% | 100.00% | Insurance agency | Makati City |
| Roxol Bioenergy Corp. (RBC) [(1)] | **100.00%** | 100.00% | 100.00% | Production and selling of bioethanol fuel and trading of goods such as sugar and related products | Negros Occidental |
| CADP Port Services, Inc. (CPSI) | **100.00%** | 100.00% | 100.00% | Providing ancillary services | Makati City |
| RHI Agri-Business Development Corporation (RABDC) | **100.00%** | 100.00% | 100.00% | Agricultural business | Makati City |
| Roxas Pacific Bioenergy Corporation (RPBC) | **100.00%** | 100.00% | 100.00% | Holding company for bioethanol investments | Negros Occidental |
| RHI Pacific Commercial Corp. (RHIPCC) [(2)] | **100.00%** | 100.00% | 100.00% | Selling arm of RHI Group | Makati City |
| San Carlos Bioenergy, Inc. (SCBI) [(3)] | **93.35%** | 93.35% | 93.35% | Production and selling of bioethanol fuel | Negros Occidental |
| Najalin Agri Ventures, Inc. (NAVI) | **95.82%** | 86.91% | 77.27% | Agricultural and industrial development | Negros Occidental |
| Roxas Power Corporation (RPC) | **50.00%** | 50.00% | 50.00% | Sale of electricity | Nasugbu, Batangas |
| Northeastern Port Storage Corporation (NPSC) [(4)] | **100.00%** | – | – | Owning the depot and storage facilities used by SCBI | Negros Occidental |

[(1)] *Direct ownership of 20.53% and indirect ownership through CADPI of 79.47%.*
[(2)] *As at September 30, RHIPCC has not yet started commercial operations.*
[(3)] *Acquired in April 2015 through RPBC.*
[(4)] *Indirect ownership through RPBC.*

Non-controlling interests represent the portion of profit or loss and net assets of NAVI, RPC and SCBI not held by the Group, directly or indirectly, and are presented separately in the consolidated statements of comprehensive income and within the equity section of the consolidated statements of financial position and consolidated statements of changes in equity, separately from the Parent Company's equity. Total comprehensive income is attributed to the portion held by the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit.

## 3. Cash and Cash Equivalents

This account consists of:

| | **June 30, 2018 (Unaudited)** | September 30, 2017 (Audited) |
|---|---|---|
| Cash on hand | **₱1,934** | ₱1,040 |
| Cash in banks and cash equivalents | **145,025** | 570,337 |
| | **₱146,959** | ₱571,377 |

Cash in banks earn interest at the respective bank deposit rates.

## 4. Trade and Other Receivables

This account consists of:

| | June 30, 2018 (Unaudited) | September 30, 2017 (Audited) |
|---|---|---|
| Trade | **₱2,301,974** | ₱2,013,752 |
| Due from: | | |
| Planters and cane haulers | **90,668** | 130,792 |
| Related parties | **45,052** | 57,821 |
| Employees | **62,646** | 63,274 |
| Others | **65,092** | 68,435 |
| | **2,565,432** | 2,334,074 |
| Allowance for impairment losses | **(87,594)** | (75,991) |
| | **₱2,477,838** | ₱2,258,083 |

## 5. Inventories

This account consists of:

| | June 30, 2018 (Unaudited) | September 30, 2017 (Audited) |
|---|---|---|
| At NRV: | | |
| Materials and supplies | **₱746,500** | ₱541,014 |
| Molasses | **747,657** | – |
| Alcohol | **–** | 46,153 |
| At cost: | | |
| Raw sugar | **654,044** | 283,887 |
| Refined sugar | **1,055,329** | 1,324,000 |
| Alcohol | **36,901** | – |
| Molasses | **–** | 335,046 |
| Others | **13,142** | 9,426 |
| | **₱3,253,573** | ₱2,539,526 |

Cost of inventories valued at NRV is shown below:

| | June 30, 2018 (Unaudited) | September 30, 2017 (Audited) |
|---|---|---|
| Materials and supplies | **₱785,776** | ₱571,051 |
| Molasses | **748,517** | – |
| Alcohol | **–** | 46,227 |
| | **₱1,534,293** | ₱617,278 |

## 6. Other Current Assets

This account consists of:

| | June 30, 2018 (Unaudited) | September 30, 2017 (Audited) |
|---|---|---|
| Creditable withholding taxes | ₱717,187 | ₱597,480 |
| Advances to suppliers | 183,940 | 103,682 |
| Input VAT | 86,320 | 70,395 |
| Prepayments | 75,759 | 18,211 |
| Refundable deposits | 14,415 | 14,315 |
| Others | 52,563 | 25,120 |
| | ₱1,130,184 | ₱829,203 |

Input VAT, which includes deferred input VAT, mainly arises from purchases of capital goods and services for operations.

## 7. Investment in an Associate

Movements in investment in an associate are as follows:

| | June 30, 2018 (Unaudited) | September 30, 2017 (Audited) |
|---|---|---|
| Acquisition cost | ₱127,933 | ₱127,933 |
| Accumulated share in net earnings: | | |
| Balance at beginning of period | 280,509 | 322,648 |
| Share in net earnings | 39,885 | 67,777 |
| Dividends declared | (78,225) | (109,916) |
| Balance at end of the period | 242,169 | 280,509 |
| Cumulative share in remeasurement loss on retirement liability | | |
| Balance at beginning of period | (9,166) | (9,205) |
| Share in remeasurement loss | 1,628 | 39 |
| Balance at end of the period | (7,538) | (9,166) |
| Share in revaluation increment of land | 207,492 | 207,492 |
| | ₱570,056 | ₱606,768 |

The Parent Company has 45.09% ownership interest in Hawaiian-Philippine and Company (HPCo), an entity incorporated in the Philippines, which is engaged in manufacturing and trading of raw and refined sugar, molasses and other sugar by-products.

Summarized financial information of HPCo are as follows:

| | June 30, 2018 (Unaudited) | September 30, 2017 (Audited) |
|---|---|---|
| Current assets | ₱1,102,920 | ₱1,000,976 |
| Noncurrent assets | 1,359,192 | 1,388,505 |
| Current liabilities | 1,300,992 | (1,044,500) |
| Noncurrent liabilities | 324,913 | (406,395) |
| Net assets | 836,207 | 938,586 |

| | June 30, 2018 (Unaudited) | June 30, 2017 (Unaudited) |
|---|---|---|
| Revenue | ₱1,818,401 | ₱1,818,905 |
| Net income | 44,243 | 121,114 |

## 8. Property, Plant and Equipment

*Acquisitions and disposals*

During the nine months ended June 30, 2018, the Group acquired assets amounting to ₱412.8 million excluding property under construction.

The Group also started several capital expenditures. The projects with carrying amount of ₱437.7 million are expected to be completed within a year.

Certain property, plant and equipment with a carrying amount of ₱13,638.6 million were mortgaged and used as collateral to secure the loan obligations with the local banks (see Note 10).

## 9. Short-term Borrowings

This account consists of unsecured short-term loans obtained from various local banks for working capital requirements of the Group. The short-term borrowings are payable within 30 to 90 days and bear interest ranging from 3.5% to 5.75% for the periods ended June 30, 2018 and September 30, 2017.

Total interest expense arising from short-term borrowings amounted to ₱138.6 million and ₱122.0 million for the nine-month periods ended June 30, 2018 and 2017, respectively.

## 10. Long-term Borrowings

The Group obtained various loans from local banks. Total outstanding payable arising from loan agreements are as follows:

| Facility | Terms | Collateral | Outstanding Balance June 30, 2018 | Outstanding Balance September 30, 2017 |
|---|---|---|---|---|
| ₱2,645.0 million dated August 5, 2014 | Payable in equal quarterly amortization for seven years beginning November 2016 and bears fixed interest of 4.50% for three years subject to repricing thereafter | Suretyship agreement and mortgage trust indenture (MTI) | **₱2,066,406** | ₱2,314,375 |
| ₱1,227.0 million dated September 10, 2014 | Quarterly principal repayment amounting to ₱49.0 million starting September 2017 until June 2021 and a lump sum payment of the remaining balance on September 10, 2021 and bears fixed interest of 4.50% subject to change as agreed by the parties | Suretyship agreement and MTI | **1,031,000** | 1,178,000 |
| ₱1,400.0 million dated December 1, 2016 | Quarterly principal repayment amounting to ₱66.7 million starting December 2017 until December 2022 and bears floating interest | Clean loan | **1,199,996** | 1,400,000 |
| ₱800.0 million dated August 12, 2016 | Quarterly principal repayment amounting to ₱100.0 million starting November 2017 until December 2019 with one year grace period and bears fixed interest rate of 4.50% subject to change as agreed by the parties | Suretyship agreement and MTI | **500,000** | 800,000 |
| ₱380.0 million dated May 27, 2014 | Quarterly principal repayment amounting to ₱13.6 million starting December 2017 until June 2021 and a lump sum payment of the remaining balance on September 10, 2021 and bears fixed interest of 4.50% subject to change as agreed by the parties | Suretyship agreement and MTI | **339,302** | 380,000 |
| ₱1,500.0 million dated February 14, 2008 amended on February 6, 2012 | Payable in 15 equal consecutive quarterly installments beginning November 5, 2014 until May 5, 2018 and bears fixed interest of 5.5% | Suretyship agreement and MTI | **–** | 236 |
| Others | | | **–** | 756 |
| | | | **5,136,704** | 6,073,367 |
| Unamortized transaction costs | | | **(13,118)** | (18,032) |
| | | | **5,123,586** | 6,055,335 |
| Current portion | | | **(1,248,433)** | (1,234,803) |
| Noncurrent portion | | | **₱3,875,153** | ₱4,820,532 |

*Suretyship Agreement and Mortgage Trust Indenture*
The Group entered into various suretyship agreements and MTI with local bank creditors that secure the Group's obligations in solidarity against all the properties of RHI, CADPI, CACI and RBC, including 28,549,365 HP Co. shares. Property, plant and equipment with a carrying amount of ₱13,638.6 million were mortgaged and used as collateral to secure the loan obligations with the local bank creditors. Carrying amount was determined by a professionally qualified independent appraiser in June 2016.

*Loan Covenants*
The foregoing loan agreements, except for the Omnibus Loan and Security Agreement (OLSA) dated December 21, 2006, are subject to certain covenants, such as but not limited to:

- maintenance of debt service coverage ratio (DSCR) of at least 1.25 times and debt-to-equity ratio of not more than 70:30;
- prohibition on purchase of additional equipment, except in pursuance of its sugar expansion and ethanol project, unless the required financial ratios are maintained;
- prohibition on any material change in ownership or control of its business or capital stock or in the composition of its top level management, and
- prohibition on declaration or payment of dividends or any other capital or other asset distribution to its stockholders, unless the required financial ratios are maintained.

As at June 30, 2018 and September 30, 2017, the Group is in compliance with the foregoing loan covenants, particularly on the required financial ratios.

The maturities of the long-term borrowings are as follows:

| | **June 30, 2018 (Unaudited)** | September 30, 2017 (Audited) |
|---|---|---|
| Less than one year | **₱1,248,433** | ₱1,234,803 |
| Between one to two years | **946,674** | 2,667,717 |
| Between two to five years | **2,528,316** | 1,840,221 |
| Between five to eight years | **413,281** | 330,626 |
| | **₱5,136,704** | ₱6,073,367 |

## 11. Trade and Other Payables

This account consists of:

| | June 30, 2018 (Unaudited) | September 30, 2017 (Audited) |
|---|---|---|
| Trade | ₱718,320 | ₱549,474 |
| Accruals for: | | |
| Offseason | 294,588 | 12,921 |
| Interest | 39,693 | 37,987 |
| Payroll and other employee benefits | 16,900 | 38,935 |
| Others | 133,448 | 135,005 |
| Due to: | | |
| Related parties | 130,548 | 103,724 |
| Planters | 12,534 | 19,630 |
| Payable to government agencies for taxes and statutory contributions | 19,499 | 29,953 |
| Customers' deposits | 4,807 | 12,957 |
| Provision for probable loss | 7,556 | 96,572 |
| Others | 138,974 | 151,409 |
| | ₱1,516,867 | ₱1,188,567 |

## 12. Equity

Details of capital stock and treasury stock follow:

| | June 30, 2018 (Unaudited) | | September 30, 2017 (Audited) | |
|---|---|---|---|---|
| | Number of Shares | Amount *(in Thousands)* | Number of Shares | Amount *(in Thousands)* |
| Authorized – common shares "Class A" at ₱1.0 par value | 2,000,000,000 | ₱2,000,000 | 2,000,000,000 | ₱2,000,000 |
| Issued: | | | | |
| Balance at beginning of period | 1,564,599,146 | ₱1,564,599 | 1,439,442,161 | ₱1,439,442 |
| Issuances | 980,133 | 980 | 125,156,985 | 125,157 |
| Balance at end of period | 1,565,579,279 | 1,565,579 | 1,564,599,146 | 1,564,599 |
| Treasury stock | (17,643,480) | (52,290) | (17,643,480) | (52,290) |
| Issued and outstanding | 1,547,935,799 | ₱1,513,289 | 1,546,955,666 | ₱1,512,309 |

On February 15, 2017, the shareholders approved the amendment of the Parent Company's articles of incorporation to increase the authorized capital stock from 1,500,000,000 to 2,000,000,000 divided into 2,000,000,000 with par value of ₱1.00 per share. On February 17, 2017, FPNRHBV exercised its conversion rights in respect of the convertible debt securities to be issued out of the increase in authorized capital stock at a conversion rate of ₱4.19 for every common share, or a total of 125,000,000 new common shares.

On July 14, 2017, the Parent Company's application for increase in authorized capital stock was approved by SEC. On November 9, 2017, the PSE approved the listing of these newly subscribed 125,000,000 common shares.

## 13. Related Party Transactions and Balances

In the normal course of business, the Group has transactions with related parties as follows:

a. The Group made advances to RHIRFI, CADPIRFI and CACIRFI for a portion of the retirement payments made to the Group's qualified retired employees under defined benefit plan. Advances to RHIRFI, CADPRFI and CACIRFI are included in "Trade and other receivables" account.

b. Due to related parties, which are presented as part of "Trade and other payables" account, represents noninterest-bearing payable arising from advances and rent of office space from CADPRFI.

Outstanding balances of transactions with related parties are unsecured and settlements are made in cash. The Group did not recognize any provision for impairment for the nine-month periods ended June 30, 2018 and 2017. This assessment is undertaken each reporting period by reviewing the financial position of the related party and the market in which the related party operates.

## 14. Employee Stock Option Plans (ESOP)

The BOD of the Company approved the establishment of its first and second ESOP on May 8, 2013 and January 16, 2014, respectively. The ESOPs cover all employees of the Company and its subsidiaries, namely: CACI, CADPI and RBC, who have rendered at least six months of service at the time of grant. Employees are given the option to purchase the shares allocable to them over an exercise period of five years from the effectivity date of ESOP. The share options vest each year over the five-year term of ESOP. The offer price of the shares is based on the average quoted price during the 30-trading days prior to exercise date less a 15% discount. About 35.0 million and 30.0 million common shares of the Company's unissued shares have been initially reserved under the first and second ESOP, respectively.

Movements of the number of share options for the first and second ESOP are as follows:

| | First ESOP | | Second ESOP | |
|---|---|---|---|---|
| | **June 30, 2018** | September 30, 2017 | **June 30, 2018** | September 30, 2017 |
| Balance at beginning of year | **15,650,483** | 16,110,376 | **22,953,725** | 24,460,832 |
| Forfeited or expired | **(322,668)** | (302,908) | **(2,345,076)** | (1,507,107) |
| Exercised | **(980,133)** | (156,985) | **–** | – |
| Balance at end of year | **14,347,682** | 15,650,483 | **20,608,649** | 22,953,725 |
| Exercisable at end of year | **10,296,719** | 11,409,605 | **14,907,953** | 11,145,620 |

The Company issued 980,133 and 156,985 common shares pertaining to the exercise of stock option of employees under First ESOP amounting to ₱2.4 million and ₱0.4 million, respectively (see Note 12). The weighted-average share price at the date of exercise for share options under the First ESOP was ₱3.44.

The fair value of the First and Second ESOP was estimated at the date of grant using Black Sholes-Merton model with the following inputs:

First ESOP

| | Options Vesting After | | | | |
|---|---|---|---|---|---|
| | Year One | Year Two | Year Three | Year Four | Year Five |
| Spot price | ₱2.80 | ₱2.80 | ₱2.80 | ₱2.80 | ₱2.80 |
| Strike price | ₱2.49 | ₱2.49 | ₱2.49 | ₱2.49 | ₱2.49 |
| Expected volatility | 38.83% | 39.10% | 36.59% | 39.61% | 42.46% |
| Risk-free rate | 2.71% | 2.98% | 3.29% | 3.60% | 3.36% |
| Dividend rate as a percentage of spot price | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Second ESOP

| | Options Vesting After | | | | |
|---|---|---|---|---|---|
| | Year One | Year Two | Year Three | Year Four | Year Five |
| Spot price | ₱6.90 | ₱6.90 | ₱6.90 | ₱6.90 | ₱6.90 |
| Strike price | ₱5.32 | ₱5.32 | ₱5.32 | ₱5.32 | ₱5.32 |
| Expected volatility | 33.46% | 39.77% | 39.71% | 37.65% | 39.95% |
| Risk-free rate | 2.86% | 2.82% | 3.15% | 3.90% | 3.38% |
| Dividend rate as a percentage of spot price | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

The weighted average fair value of the share options granted in 2013 (First ESOP) and 2014 (Second ESOP) amounted to ₱0.9 and ₱3.0, respectively. The volatility rate is determined as the historical volatility of the returns on the stock over a period similar to the vesting period of the option.

The weighted average remaining contractual life of the outstanding stock options is 1.25 years as at September 30, 2017.

## 15. Revenue

The components of revenue are as follows:

| | June 30, 2018 (Unaudited) | June 30, 2017 (Unaudited) |
|---|---|---|
| Sale of goods: | | |
| Refined sugar | **₱3,991,311** | ₱2,854,999 |
| Raw sugar | **2,189,133** | 2,173,160 |
| Alcohol | **2,222,178** | 2,413,934 |
| Molasses | **474,247** | 290,735 |
| Carbon dioxide | **3,479** | 8,786 |
| | **8,880,348** | 7,741,614 |
| Sale of services: | | |
| Tolling fees | **79,467** | 200,879 |
| Power | **24,564** | 14,308 |
| Farm services | **12,065** | 10,363 |
| | **116,096** | 225,550 |
| | **₱8,996,444** | ₱7,967,164 |

## 16. Cost of Sales

| | June 30, 2018 (Unaudited) | June 30, 2017 (Unaudited) |
|---|---|---|
| Direct materials used | **₱4,334,188** | ₱2,860,065 |
| Depreciation and amortization | **829,306** | 801,095 |
| Planters' subsidy and productivity assistance | **741,893** | 989,429 |
| Fuel and oil | **599,412** | 549,280 |
| Repairs and maintenance | **460,427** | 443,186 |
| Personnel costs | **428,475** | 385,338 |
| Rent | **195,968** | 155,285 |
| Outside services | **142,190** | 274,256 |
| Taxes and licenses | **115,829** | 127,353 |
| Communication, light and water | **105,399** | 100,457 |
| Others | **150,100** | 230,104 |
| | **₱8,103,187** | ₱6,915,848 |

## 17. Operating Expenses

| | June 30, 2018 (Unaudited) | June 30, 2017 (Unaudited) |
|---|---|---|
| General and administrative expenses | **₱628,022** | ₱623,613 |
| Selling expenses | **48,033** | 50,447 |
| | **₱676,055** | ₱674,060 |

*General and Administrative Expenses*

The components of general and administrative expenses are as follows:

| | June 30, 2018 (Unaudited) | June 30, 2017 (Unaudited) |
|---|---|---|
| Personnel costs | **₱320,533** | ₱289,077 |
| Outside services | **89,768** | 81,179 |
| Taxes and licenses | **57,169** | 49,650 |
| Depreciation and amortization | **32,817** | 42,357 |
| Professional fees | **15,492** | 25,228 |
| Communication, light and water | **15,187** | 18,762 |
| Rent | **13,813** | 21,192 |
| Transportation and travel | **13,246** | 16,157 |
| Repairs and maintenance | **9,150** | 9,867 |
| Others | **60,847** | 70,144 |
| | **₱628,022** | ₱623,613 |

Others mainly pertain to cost incurred for organizational activities, corporate social responsibility, office supplies among others.

Selling expenses mainly pertains to sugar liens and dues, delivery charges and monitoring fees paid to various regulatory agencies prior to sale of sugar.

## 18. Personnel Costs

The amount of personnel costs are allocated as follows:

| | June 30, 2018 (Unaudited) | June 30, 2017 (Unaudited) |
|---|---|---|
| Costs of goods sold | **₱428,475** | ₱385,338 |
| General and administrative expenses | **320,533** | 289,077 |
| | **₱749,008** | ₱674,415 |

## 19. Other Income - Net

This account consists of:

| | June 30, 2018 (Unaudited) | June 30, 2017 (Unaudited) |
|---|---|---|
| Storage, handling and insurance fees | **₱38,316** | ₱38,329 |
| Rent income | **5,901** | 643 |
| Sales of scrap | **2,209** | 3,783 |
| Interest income | **2,529** | 722 |
| Others | **26,670** | 33,653 |
| | **₱75,625** | ₱77,130 |

## 20. Financial Instruments

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash in banks, trade and other receivables, and trade and other payables, which arise directly from its operations, and short and long-term borrowings. The Group has other financial instruments such as dividends payable.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Group monitors the market price risk arising from all financial instruments. The Group's operations are also exposed to commodity price risk, particularly from sugar prices. Risk management is carried out by senior management under the guidance and direction of the BOD of the Parent Company.

*Liquidity risk*

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet maturing obligations.

The Group's objective is to maintain sufficient cash and cash in banks and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the Group aims to maintain flexibility in funding by keeping track of daily cash flows and maintaining committed credit lines available.

The tables below summarize the maturity profile of the Group's financial liabilities based on contractual undiscounted payments and the related financial assets used for liquidity management.

| | June 30, 2018 (Unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | On Demand | Less than One Year | Over One to Two Years | Over Two to Four Years | Over Four to Five Years | Over Five Years | Total |
| Short-term borrowings* | ₱– | ₱5,799,514 | ₱– | ₱– | ₱– | ₱– | ₱5,799,514 |
| Trade and other payables** | 365,430 | 1,124,382 | – | – | – | – | 1,489,812 |
| Current portion of long-term borrowings* | – | 1,460,845 | – | – | – | – | 1,460,845 |
| Noncurrent portion of long-term borrowings* | – | – | 1,101,124 | 2,253,955 | 493,396 | 426,154 | 4,274,629 |
| | ₱365,430 | ₱8,384,741 | ₱1,101,124 | ₱2,253,955 | ₱493,396 | ₱426,154 | ₱12,999,448 |
| Cash in banks | ₱145,025 | ₱– | ₱– | ₱– | ₱– | ₱– | ₱145,025 |
| Trade receivables*** | 122,301 | 2,150,174 | – | – | – | – | 2,272,475 |
| Due from employees*** | 60,562 | – | – | – | – | – | 60,562 |
| Due from related parties | 45,052 | – | – | – | – | – | 45,052 |
| Other receivables*** | 56,234 | – | – | – | – | – | 56,234 |
| | ₱429,174 | ₱2,150,174 | ₱– | ₱– | ₱– | ₱– | ₱2,579,348 |

**Including expected future interest payments for short-term and long-term borrowings amounting to ₱136.7 million and ₱611.9 million, respectively.*
*** Excludes payables to government agencies amounting to ₱19.5million and provision for probable losses amounting to ₱7.6 million.*
****Net of related allowances for impairment losses totaling ₱40.4 million.*

| | September 30, 2017 (Audited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | On Demand | Less than One Year | Over One to Two Years | Over Two to Four Years | Over Four to Five Years | Over Five Years | Total |
| Short-term borrowings* | ₱– | ₱4,840,424 | ₱– | ₱– | ₱– | ₱– | ₱4,840,424 |
| Trade and other payables** | – | 1,062,042 | – | – | – | – | 1,062,042 |
| Current portion of long-term borrowings* | – | 1,729,101 | – | – | – | – | 1,729,101 |
| Noncurrent portion of long-term borrowings* | – | – | 2,706,374 | 1,637,604 | 694,777 | – | 5,038,755 |
| | ₱– | ₱7,631,567 | ₱2,706,374 | ₱1,637,604 | ₱694,777 | ₱– | ₱12,670,322 |
| Cash in banks | ₱570,337 | ₱– | ₱– | ₱– | ₱– | ₱– | ₱570,337 |
| Trade receivables*** | 440,516 | 1,554,504 | – | – | – | – | 1,995,020 |
| Due from employees*** | 61,345 | – | – | – | – | – | 61,345 |
| Due from related parties | 57,821 | – | – | – | – | – | 57,821 |
| Other receivables*** | 59,577 | – | – | – | – | – | 59,577 |
| | ₱1,189,596 | ₱1,554,504 | ₱– | ₱– | ₱– | ₱– | ₱2,744,100 |

**Includes expected future interest payments for short-term and long-term borrowings amounting to ₱232.1 million and ₱712.5 million, respectively.*
*** Excludes payables to government agencies amounting to ₱30.0 million and provision for probable losses amounting to ₱96.6 million.*
****Net of related allowances for impairment losses totaling ₱29.5 million.*

*Credit risk*

Credit risk is the risk that the Group will incur financial loss through default by counterparties in performing their obligations.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different geographic areas. It has policies in place to ensure that sales of goods are made to customers with an appropriate credit history.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions.

Counterparty credit limits are established by the use of a credit risk classification system, which assigns each counterparty a qualitative risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

*Maximum exposure to credit risk without taking account of any collateral and other credit enhancements*

The table below shows the maximum exposure to credit risk of the Group shown at gross before the effect of mitigation through collateral agreements.

| | **June 30, 2018 (Unaudited)** | September 30, 2017 (Audited) |
|---|---|---|
| Cash in banks | **₱145,025** | ₱570,337 |
| Trade receivables* | **2,272,474** | 1,995,020 |
| Due from employees* | **60,562** | 61,345 |
| Due from related parties | **45,052** | 57,821 |
| Other receivables* | **56,234** | 59,577 |
| | **₱2,579,347** | ₱2,744,100 |

**Net of allowance for impairment losses totaling ₱40.4 million and ₱29.5 million as at June 30, 2018 and September 30, 2017, respectively.*

*Collaterals and other credit enhancements*

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. As at June 30, 2018 and September 30, 2017, the Group did not hold collateral from any counterparty.

*Credit quality per class of financial assets*

The credit quality of receivables is managed by the Group through its Marketing Department. High grade accounts are those receivables from counterparties with whom collections are made without much collection effort. Standard grade accounts consist of receivables from its distributors, related parties and employees with good financial condition and with relatively low defaults. Substandard grade accounts, on the other hand, are receivables from other counterparties with history of defaulted payments.

The tables below show the credit quality of financial assets which are neither past due nor impaired and an aging analysis of past due but not impaired accounts.

| | **June 30, 2018 (Unaudited)** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Neither past due nor impaired** | | | **Past due but not impaired** | | | | |
| | **High Grade** | **Standard Grade** | **Substandard Grade** | **Over 30 Days** | **Over 90 Days** | **Over 180 Days** | **Impaired** | **Total** |
| **Cash in banks** | ₱145,025 | ₱– | ₱– | ₱– | ₱– | ₱– | ₱– | ₱145,025 |
| **Trade receivables** | 1,082,759 | 1,068,013 | – | 47,994 | 26,686 | 47,023 | 29,500 | 2,301,975 |
| **Due from employees** | – | 60,562 | – | – | – | – | 2,084 | 65,773 |
| **Due from related parties** | – | 45,052 | – | – | – | – | – | 6,075 |
| **Other receivables** | – | 56,234 | – | – | – | – | 8,858 | 65,008 |
| **Total** | ₱1,227,784 | ₱1,229,861 | ₱– | ₱47,994 | ₱26,686 | ₱47,023 | ₱40,442 | ₱2,583,856 |

| | September 30, 2017 (Audited) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Neither past due nor impaired | | | Past due but not impaired | | | | |
| | High Grade | Standard Grade | Substandard Grade | Over 30 Days | Over 90 Days | Over 180 Days | Impaired | Total |
| Cash in banks | ₱570,337 | ₱– | ₱– | ₱– | ₱– | ₱– | ₱– | ₱570,337 |
| Trade receivables | 617,010 | 1,179,467 | – | 78,312 | 31,009 | 89,222 | 18,732 | 2,013,752 |
| Due from employees | – | 61,345 | – | – | – | – | 1,929 | 63,274 |
| Due from related parties | – | 57,821 | – | – | – | – | – | 57,821 |
| Other receivables | – | – | – | – | – | 59,577 | 8,858 | 68,435 |
| Total | ₱1,187,347 | ₱1,298,633 | ₱– | ₱78,312 | ₱31,009 | ₱148,800 | ₱29,519 | ₱2,773,619 |

*Impairment assessment*

The main consideration for impairment assessment includes whether there are known difficulties in the cash flow of the counterparties. The Group assesses impairment in two ways: individually and collectively.

First, the Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, non-moving accounts receivable and other accounts of defaulted counterparties.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect their collectibility.

*Commodity price risk*
The Group is exposed to commodity price risk from conventional physical sales and purchase of sugar managed through volume, timing and relationship strategies. The Group does not enter into commodity derivatives.

The Group's sales commitments are contracted at fixed prices, and thus have no impact on the consolidated cash flows in the next 12 months.

*Interest rate risk*
The primary source of the Group's interest rate risk relates to interest-bearing financial liabilities. The interest rates on these liabilities are disclosed in Notes 9 and 10.

The loans amounting to ₱1,200.0 million and ₱1,400.0 million as at June 30, 2018 and September 30, 2017, respectively, bear floating interest and expose the group to interest rate risk.

Interest on financial liabilities with fixed interest rate is fixed until the maturity of the instrument.

The other financial instruments of the Group are noninterest-bearing and are therefore not subject to interest rate risk.

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The Group's dividend declaration is dependent on availability of earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the periods ended June 30, 2018 and September 30, 2017.

Management considers the total consolidated equity reflected in the consolidated statement of financial position as its capital. The Group monitors its use of capital using leverage ratios, specifically, debt-to-equity ratio. It also monitors its DSCR to ensure that there would be sufficient amount of cash flow available to meet annual interest and principal payments on debt.

The Group is required to maintain a maximum debt-to-equity ratio of 2.33:1 and minimum DSCR of 1.25:1 by its creditor banks. The Group has the following debt-to-equity ratio:

| | **June 30, 2018 (Unaudited)** | September 30, 2017 (Audited) |
|---|---|---|
| Total liabilities | **₱13,846,005** | ₱13,352,065 |
| Total equity | **10,557,755** | 10,544,108 |
| Total liabilities and equity | **₱24,403,760** | ₱23,896,173 |
| Debt-to-equity ratio | **1.31:1.00** | 1.27:1.00 |

Fair Values

The carrying amounts of the Group's financial assets and liabilities approximate their fair values due to their short-term nature or the interest rates that they carry approximate the interest rate on comparable instruments in the market. For the long term loans, these are subject to both fixed and floating rates.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

*Cash and cash equivalents, trade receivables, due to and from related parties, due from employees, other receivables, trade and other payables, short-term borrowings, current portion of long-term borrowings and dividends payable.* The carrying amounts of these instruments approximate fair values due to their short-term maturities.

*Long-term borrowings.* Fair values of long-term borrowings as at June 30, 2018 and September 30, 2017 were determined based on Level 2 in which the inputs are based on the discounted interest rate of the prevailing comparable instrument in the market.

## 21. Segment Reporting

The Group has two reportable segments: sugar and alcohol. The Group's sugar segment consists of four operating subsidiaries: CADPI, CACI, NAVI and RABDC that manufactures and sells raw and refined sugar, molasses and provides tolling and farm operations services. The alcohol segment consists of two operating subsidiaries: RBC and SCBI that manufactures and sells bioethanol fuel.

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives principally its revenue from domestic operations. Thus, geographical business information not required.

The Group's senior management regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the consolidated statements of income.

The following tables present information about the Group's operating segments:

| | Nine-Month Period Ended June 30, 2018 (Unaudited) | | | |
|---|---|---|---|---|
| | **Sugar** | **Alcohol** | **Eliminations** | **Consolidated** |
| Revenue: | | | | |
| External customers | **₱6,600,601** | **₱2,395,843** | **₱–** | **₱8,996,444** |
| Inter-segment | **1,164,664** | **809,599** | **(1,974,263)** | **–** |
| Cost of goods sold: | | | | |
| Direct materials used | **4,299,839** | **1,974,239** | **(1,939,890)** | **4,334,188** |
| Planters' subsidy and productivity assistance | **705,093** | **36,800** | **–** | **741,893** |
| Depreciation and amortization | **658,876** | **170,430** | **–** | **829,306** |
| Fuel and oil | **388,323** | **211,089** | **–** | **599,412** |
| Interest expense | **325,293** | **–** | **–** | **325,293** |
| Segment profit (loss) | **(353,479)** | **359,065** | **–** | **5,586** |

| | Six-Month Period Ended June 30, 2017 (Unaudited) | | | |
|---|---|---|---|---|
| | Sugar | Alcohol | Eliminations | Consolidated |
| Revenue: | | | | |
| External customers | ₱5,935,161 | ₱2,032,003 | ₱– | ₱7,967,164 |
| Inter-segment | 1,510,103 | 1,099,514 | (2,609,617) | – |
| Cost of goods sold: | | | | |
| Direct materials used | 3,369,644 | 2,094,497 | (2,604,076) | 2,860,065 |
| Planters' subsidy and productivity assistance | 931,395 | 58,034 | – | 989,429 |
| Depreciation and amortization | 620,002 | 181,093 | – | 801,095 |
| Fuel and oil | 250,140 | 299,140 | – | 549,280 |
| Interest expense | 322,280 | 2,149 | (2,310) | 322,119 |
| Segment profit (loss) | 111,911 | 63,474 | – | 175,385 |

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

*The following Management Discussion and Analysis should be read in connection with the submitted Unaudited Condensed Interim Consolidated Financial Statements as at and for nine-month periods ended June 30, 2018 and 2017.*

## Financial Highlights and Key Performance Indicators

| *Amounts in Millions except Shares* | **June 30, 2018 (Unaudited)** | September 30, 2017 (Audited) | Increase (Decrease) Amount | % |
|---|---|---|---|---|
| **Balance Sheet** | | | | |
| Fixed assets | **₱15,129** | ₱15,398 | (269) | (2%) |
| Goodwill | **1,080** | 1,080 | – | – |
| Total assets | **24,404** | 23,896 | 508 | 2% |
| Shareholders' equity | **10,558** | 10,544 | 14 | 0% |
| Net debt (1) | **10,639** | 10,092 | 547 | 5% |
| Equity ratio | **43.3%** | 44.1% | (0.9%) | (2%) |
| Net debt as % of equity | **1.01x** | 0.96x | 0.05 | 6% |
| **Shares** | | | | |
| Market capitalization | **5,136** | 6,807 | (1,671) | (25%) |
| Total shares issued | **1,547** | 1,547 | – | – |
| Closing price per share | **3.32** | 4.40 | (1.08) | (25%) |

| *Amounts in Millions except Operational Data* | **Nine Months Ended June 30 (Unaudited) 2018** | 2017 | Increase (Decrease) Amount | % |
|---|---|---|---|---|
| **Revenue and Earnings** | | | | |
| Revenue | **₱8,996** | ₱7,967 | ₱1,029 | 13% |
| Gross profit | **893** | 1,051 | (158) | (15%) |
| Depreciation | **738** | 843 | (105) | (13%) |
| Operating expenses | **676** | 674 | 2 | 0% |
| Interest expense | **325** | 322 | 3 | 1% |
| Net income | **6** | 175 | (169) | (97%) |
| EBITDA | **1,071** | 1,212 | (141) | (12%) |
| EBITDA margin (2) | **12%** | 15% | (3%) | (22%) |
| Return on equity | **0.1%** | 2% | (2%) | (97%) |
| Income per share | **0.00** | 0.12 | (0.12) | (97%) |
| **Cash Flow and Investments** | | | | |
| Cash flow provided by (used in) operations | **183** | (1,290) | 1,473 | 114% |
| Investment in fixed assets | **469** | 957 | (488) | (51%) |
| **Operational Data** *(volume in thousands)* | | | | |
| Tons cane milled | **2,991** | 3,461 | (470) | (14%) |
| Production: | | | | |
| Raw sugar (Lkg) | **5,268** | 6,497 | (1,229) | (19%) |
| Refined sugar (Lkg) | **2,174** | 2,640 | (466) | (18%) |
| Ethanol (liters) | **51,048** | 50,880 | 168) | 0% |

*(1) Net debt is derived by deducting cash and cash equivalents from total debt (short-term borrowings and long-term debt, including current portion).*

*(2) EBITDA margin for the period is measured as EBITDA divided by revenues.*

The Group's financial performance is determined to a large extent by the following key results:

1. Raw sugar production – a principal determinant of consolidated revenues and is computed as the gross amount of raw sugar output of CADPI and CACI as consolidated subsidiaries.

2. Refined sugar production – the most important determinant of revenues and computed as the gross volume of refined sugar produced by the CADPI refinery both as direct sales to industrial customers and traders or as tolling manufacturing service, limited by production capacity and by the ability of the Group to market its services to both types of customers.

3. Ethanol production – a measure of ethanol production yield compared to unit and cost of input and is computed as ethanol produced (in liters) from each ton of molasses undergoing distillation and dehydration processes.

4. Earnings before interest, taxes, depreciation and amortization (EBITDA) – the measure for cash income from operations and computed as the difference between revenues and cost of sales and operating and other expenses, but excluding finance charges from loans, income taxes and adding back allowances for depreciation and other non-cash amortization.

5. Return on equity – denotes the capability of the Group to generate returns on the shareholders' funds computed as a percentage of net income to total equity.

**Company Overview**

Roxas Holdings, Inc. (RHI), a sugar and energy company, is the largest integrated sugar business and the biggest ethanol producer in the Philippines. The Company started operating as a sugar milling company in Nasugbu, Batangas in 1927 and was then known as Central Azucarera Don Pedro. The Company's subsidiaries include the following:

- Central Azucarera Don Pedro, Inc. (CADPI), located in Batangas, provides the refined sugar requirements of traders and industrial customers such as multinational food and beverage and pharmaceutical companies in Luzon.

- Central Azucarera de La Carlota, Inc. (CACI), based in La Carlota City, Negros Occidental where there is substantial sugar activity and also near the port for export, meets the raw sugar requirements of customers in the Visayas.

- Roxol Bioenergy Corporation (RBC), also based in La Carlota City, Negros Occidental, is the bioethanol unit of RHI. It operates as a standalone ethanol production facility.

- San Carlos Bioenergy, Inc. (SCBI), located at San Carlos Ecozone, Barangay Palampas and Punao, San Carlos City, Negros Occidental, operates integrated sugar mill and bioethanol distillery complex.

- Najalin Ventures, Inc. (NAVI), based in Negros Occidental, is engaged in agricultural and industrial development.

- RHI Agri-Business Development Corporation (RHIADC), located in Batangas City, manages and operates agricultural land and planting and cultivation of sugar cane and other farm products, has started commercial operations as at September 30, 2016.

RHI also holds 45% stake in affiliate Hawaiian-Philippine Company in Silay, Negros Occidental.

## Results of Operations

Revenues

| | Nine Months Ended June 30 | | Increase (Decrease) | |
|---|---|---|---|---|
| *Amounts in Millions* | **2018** | 2017 | Amount | % |
| Refined sugar | **₱3,991** | ₱2,855 | ₱1,136 | 40% |
| Raw sugar | **2,189** | 2,173 | 16 | 1% |
| Molasses | **474** | 291 | 183 | 63% |
| Tolling | **79** | 201 | (122) | (61%) |
| | **6,733** | 5,520 | 1,213 | 22% |
| Alcohol | **2,222** | 2,414 | (192) | (8%) |
| Others | **41** | 33 | 8 | 23% |
| | **₱8,996** | ₱7,967 | ₱1,029 | 13% |

Consolidated revenues for the nine months ended June 30, 2018 amounted to ₱8,996 million, ₱1,029 million or 13% higher than the ₱7,967 consolidated revenues reported in the same period in 2017, primarily due to increase in volume sold.

*Sugar* – Revenue from sugar operations increased by ₱1,213 million or 22% against last year's revenue of ₱5,520 million, primarily due to increase in volume sold. Raw sugar sales volume increased by 65 Lkg or 4% this year from 1,597 Lkg in 2017 while refined sugar sales volume increased by 602 Lkg or 40% versus last year's sales volume of 1,509 Lkg. Average selling prices per Lkg of raw and refined sugar in 2018 amounted to ₱1,317 and ₱1,891, respectively, from ₱1,361 and ₱1,892 in 2017, respectively.

*Alcohol* – Revenue from alcohol operations amounted to ₱2,222 million and ₱2,414 million in 2018 and 2017, respectively. The decrease of ₱192 million or 8% is due to lower selling price in 2018 by 14%.

*Other income* – Other revenues pertains to sale of power and $CO_2$ of SCBI and sale of sugar cane and farm services of ADC.

Gross Profit

The Group's gross profit for the nine months ended June 30, 2018 amounting to ₱893 million is ₱158 million or 15% lower than the ₱1,051 million in 2017. The decrease in gross profit is attributable to lower production volume at higher manufacturing cost brought about by the challenges encountered in the operations and unfavorable impact of wet weather conditions on cane quality.

*Sugar* – The sugar operation's gross profit of ₱457 million is down by ₱508 million or, 53% from ₱965 million reported in the same period in 2017 due to higher manufacturing costs. Gross profit rate decreased to 8% in 2018 from 17% in 2017 due to unfavorable impact of weather conditions on cane quality, which resulted to a decrease in the number of canes milled from 3,461 million tons in 2017 to 2,991 million tons in 2018. Raw sugar production decreased from 6,497 million 50 lkg in 2017 to 5,268 million 50 lkg in 2018.

*Alcohol* – The gross profit of alcohol for the nine months ended June 30, 2018 amounted to ₱442 million, 201% up from ₱147 million in the same period in 2017. Gross profit rate increased to 22% in 2018 from 6% in 2017 due to improvements in production efficiencies. Ethanol production for the nine months ended June 30, 2018 increased by 0.2 million liters or 0.4% of the 50.9 million liters production in 2017.

Operating Expenses

| | Nine Months Ended June 30 | | Increase (Decrease) | |
|---|---|---|---|---|
| *Amounts in Millions* | **2018** | 2017 | Amount | % |
| Salaries, wages and other employee benefits | **₱321** | ₱289 | ₱32 | 11% |
| Outside services | **90** | 81 | 9 | 11% |
| Taxes and licenses | **57** | 50 | 7 | 15% |
| Selling expenses | **48** | 50 | (2) | (5%) |
| Depreciation and amortization | **33** | 42 | (9) | (22%) |
| Professional fees | **15** | 25 | (10) | (41%) |
| Communication, light and water | **15** | 19 | (4) | (20%) |
| Rent | **14** | 21 | (7) | (34%) |
| Transportation and travel | **13** | 16 | (3) | (20%) |
| Repairs and maintenance | **9** | 10 | (1) | (9%) |
| Others | **61** | 71 | (10) | (13%) |
| | **₱676** | ₱674 | ₱2 | 0% |

Consolidated operating expenses for the nine months ended June 30, 2018 increased by ₱2 million or 0% compared to the same period in 2017.

Interest

Interest expense amounted to ₱325 million for the nine months ended June 30, 2018, which is 1% or ₱3 million higher than the ₱322 million reported in the same period in 2017, due to short-term loans availed and higher interest rates in 2018.

Share in Net Earnings of an Associate

Share in net earnings of an associate amounted to ₱40 million for the nine months ended June 30, 2018, against ₱70 million reported in 2017, due to net loss results of Hawaiian-Philippine Company arising from higher manufacturing and transport costs.

Net Income

Consolidated net income for the nine months ended June 30, 2018 amounted to ₱5.6 million, which is ₱169.8 million or 97% lower than the ₱175.4 million reported in the same period in 2017. Income per share is ₱0.00 and ₱0.12 for the nine months ended June 30, 2018 and 2017, respectively.

EBITDA

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) amounted to ₱1,071 million for the nine months ended June 30, 2018, which is ₱141 million or 12% lower than ₱1,212 million reported in the same period in 2017.

**Financial Condition**

Consolidated total assets as at June 30, 2018 amounted to ₱24,404 million, which is ₱508 million or 2% higher than the ₱23,896 million as at September 30, 2017. Current assets went up by 13% or ₱810 million from ₱6,198 million as at September 30, 2017 to ₱7,009 million as at June 30, 2018. Receivables increased by ₱220 million due to increased sales to customers. Inventories also increased by ₱714 million in 2018 as the Group opted to preserve its raw sugar mill share for later refining and sale to maximize profitability.

During the nine months ended June 30, 2018, the Group availed of ₱1,054 million short-term loans and repaid a total of ₱932 million in long-term borrowings.

Trade and other payables amounted to ₱1,517 million as at June 30, 2018, which is ₱328 million higher than ₱1,189 million as at September 30, 2017.

**Off-Balance Sheet Arrangements**

The Group is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period.

## OTHER INFORMATION

1. New projects or investments in another project, line of business or corporation;
   **None for the period.**

2. Composition of Board of Directors;

| Name | Position |
|---|---|
| **PEDRO E. ROXAS** | **Chairman** |
| **MANUEL V. PANGILINAN** | **Vice Chairman** |
| **HUBERT D. TUBIO** | **President and CEO** |
| **CHRISTOPHER H. YOUNG** | **Director** |
| **RAY C. ESPINOSA** | **Director** |
| **ALEX ERLITO S. FIDER** | **Director** |
| **SANTIAGO R. ELIZALDE** | **Director** |
| **OSCAR J. HILADO** | **Independent Director** |
| **DAVID L. BALANGUE** | **Independent Director** |

3. Performance of the corporation or result or progress of operations;

   **See interim condensed consolidated financial statements and management's discussion and analysis of results of operations and financial conditions**

4. Suspension of operations; **Cease and Desist Order issued and implemented to RBC on November 16, 2017 which was lifted on December 6, 2017.**

5. Declaration of dividends; **None for the period**

6. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements; **None for the period**

7. Financing through loans; **None for the period**

8. Offering of rights, granting of Stock Options and corresponding plans therefore; **None for the period**

9. Acquisition of other capital assets or patents, formula or real estates; **None for the period**

10. Any other information, event or happening that may affect the market price of the Company's shares; **None for the period**

11. Transferring of assets, except in the normal course of business; **None for the period**

## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**Registrant**

**ROXAS HOLDINGS, INC.**

**Signature and Title:**

**MA. HAZEL L. RABARA-RETARDO**
AVP, Governance and Deputy Compliance Officer,
Asst. Corp. Secretary

**CELSO T. DIMARUCUT**
EVP - Chief Financial Officer

**August 8, 2018**

## ROXAS HOLDINGS, INC. AND SUBSIDIARIES

## ANNEX A. AGING OF TRADE AND OTHER RECEIVABLES
## AS AT JUNE 30, 2018
**(Amounts in Thousands)**

| | | Past due but not impaired | | | | | |
|---|---|---|---|---|---|---|---|
| | Current | 1-30 days | 31-60 days | Over 60 days | Subtotal | Impaired | Total |
| Trade | ₱2,047,628 | ₱103,135 | ₱34,029 | ₱87,683 | ₱224,847 | ₱29,500 | ₱2,301,975 |
| Due from: | | | | | | | |
| Planters | 43,516 | – | – | – | – | 47,152 | 90,668 |
| Employees | 60,562 | – | – | – | – | 2,084 | 62,646 |
| Related parties | 45,052 | – | – | – | – | – | 45,052 |
| Other receivables | 56,234 | – | – | – | – | 8,858 | 65,092 |
| | ₱2,252,992 | ₱103,135 | ₱34,029 | ₱87,683 | ₱224,847 | ₱87,594 | ₱2,565,433 |

## ROXAS HOLDINGS, INC. AND SUBSIDIARIES

## ANNEX B. FINANCIAL SOUNDNESS INDICATORS

### JUNE 30, 2018 AND 2017

(Amounts in Thousands)

| | | June 30 | |
|---|---|---|---|
| | | 2018 | 2017 |
| Current ratio | Current assets/Current liabilities | 0.83 | 0.91 |
| Debt to equity ratio | Total liabilities/Total equity | 1.31 | 1.49 |
| Asset to equity ratio | Total assets/Total equity | 2.31 | 2.49 |
| Return on assets | Net income/Total assets | 0.02% | 0.71% |
| Return on equity | Net income/Total equity | 0.05% | 1.76% |
| Book value per share | Total equity/Outstanding shares | 6.8 | 7.00 |