



PRESS RELEASE

01 December 2016

RHI RECORDS 451% JUMP IN NET INCOME TO PHP102M REVENUES AT PHP12 BILLION, UP 47% EBITDA AT PHP1.337 BILLION, UP 34%

MANILA, PHILIPPINES — Roxas Holdings, Inc. (RHI) (PSEI: ROX) today announced its audited financial and operating results for Crop Year ended September 30, 2016 with Consolidated Net Income of PhP102 million, 451% higher than the PhP18.5 million recorded a year earlier, owing to a rise in earnings before interest, tax, depreciation and amortization (EBITDA), which rose 34% to PhP1.3 billion from PhP1.0 billion in 2015. Profitability was affected by higher interest and depreciation charges stemming from investments to expand the alcohol business and improve the efficiency of the sugar business.

Consolidated Revenues jumped 47% to PhP12.1 billion in 2016 from PhP8.2 billion in 2015 as the sugar business unit saw its revenues rise to PhP7.8 billion from PhP5.6 billion and the alcohol business unit revenues increased to PhP4.2 billion in 2016 from PhP2.6 billion in 2015. Despite the dramatic increase in revenues, consolidated gross income remained almost unchanged as the overall gross income margin declined to 8.9% in 2016 from 12.7% in 2015.

The 2016 Crop Year saw higher volumes and stronger prices with average prices of raw and refined sugar hitting five-year highs. Combined tons of cane milled (TCM) for the Batangas and Negros plants rose 5% to 2.7 million tons in 2016. However, the Group's cane sourcing expenses grew to PhP1.3 billion from PhP1.0 billion, significantly reducing the gross income margin of RHI's sugar business to 8.1% in 2016 from 11.3% in 2015.

RHI President and CEO Hubert D. Tubio said the next Crop Year would bring benefits from the Group's renewed relationship with planters and upgrades to equipment and processes in its sugar mills. These changes are aimed at reducing the overall cost of production, including level of subsidy extended to planters to compensate for lower efficiency.

"The completion of the off-season repairs will enhance the efficiency and profitability of all our plants in the incoming Crop Year 2016-2017," Mr. Tubio said.

The results of the operations of Hawaiian-Philippine Company (HPCo), an affiliated company, mitigated the reduction in gross income of RHI's two sugar plants. The Group's share in HPCo's net income rose to PhP212 million in 2016 from PhP134 million in 2015.

The alcohol business unit's gross income increased by 46% in 2016, benefiting from the full-year impact of the acquisition of San Carlos Bioenergy, Inc. (SCBI) in May 2015. SCBI had to temporarily halt its operations for the first quarter to allow for initiatives to improve plant efficiencies to be undertaken. With the enhancements at the plant, the Group's ethanol production rose steadily but the higher cost of molasses and lower yield during the expansion period caused the alcohol business unit's gross income margin to drop to 5.4 % in 2016 from 5.9% in 2015.

Chairman Pedro E. Roxas said the Group is confident that its decision to invest in and expand its alcohol business will bring stable and consistent returns to RHI going forward, the country's biggest ethanol producer with the combined capacity of Roxol Bioenergy Corporation (RBC) and SCBI at 285,000 liters per day.

EVP/CFO Celso T. Dimarucut said that since 2015, RHI has been making significant investments to expand its alcohol business and improve the operational efficiency of its sugar business. Total capital expenditures spent had amounted to PhP0.9 billion in 2016 and PhP1.1 billion in 2015, with an additional PhP1.5 billion planned for 2017. These investments and capital expenditures were funded through a combination of equity and borrowings. RHI continues to enjoy the full support of its major shareholders, raising PhP1.1 billion in 2016 through a Stock Rights Offering and PhP1.7 billion in 2015 through the sale of treasury shares. Total Net Debt of RHI was PhP8.6 billion at 30 September 2016.

"Our target is to achieve PhP1.7 billion EBITDA in the new Crop Year and focus on debt reduction. Depreciation may increase but only slightly, while financial expenses are expected to be flattened. Taken in the round, our profitability for 2017 Crop Year should improve," added Mr. Dimarucut.

"We hope to have an improved positive story in the coming year as we begin to benefit from the major investments in plant and equipment we have made in recent years at our sugar and ethanol plants," Mr. Tubio concluded.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	September 30	
	2016	2015
ASSETS		
Current Assets		
Cash	₱704,522	₱202,415
Trade and other receivables	1,228,534	1,319,781
Inventories	1,601,818	1,500,826
Other current assets	846,985	603,701
Total Current Assets	4,381,859	3,626,723
Noncurrent Assets		
Investment in an associate	751,360	674,600
Property, plant and equipment:		
At cost	10,310,723	10,317,459
At appraised values	4,379,780	4,050,586
Investment properties	320,812	311,110
Goodwill	1,079,615	1,079,615
Retirement assets	106,835	113,932
Deferred tax assets	253,037	188,363
Other noncurrent assets	74,003	48,466
Total Noncurrent Assets	17,276,165	16,784,131
	₱21,658,024	₱20,410,854

LIABILITIES AND EQUITY

Current Liabilities		
Short-term borrowings	₱2,914,339	₱3,268,601
Current portion of long-term borrowings	379,954	1,244,649
Trade and other payables	1,071,901	1,912,461
Income tax payable	1,751	15,471
Total Current Liabilities	4,367,945	6,441,182

(Forward)

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	September 30	
	2016	2015
Noncurrent Liabilities		
Long-term borrowings - net of current portion	₱6,055,566	₱4,235,985
Retirement liabilities	327,952	232,908
Deferred tax liabilities	1,131,642	1,027,930
Other noncurrent liabilities	1,300	40,149
Total Noncurrent Liabilities	7,516,460	5,536,972
Total Liabilities	11,884,405	11,978,154
Equity Attributable to the Equity Holders of the Parent Company		
Capital stock	1,439,442	1,169,289
Additional paid-in capital	2,425,550	1,573,993
Treasury stock	(52,290)	(52,290)
Other equity reserves	3,281,436	3,145,022
Retained earnings	2,613,961	2,515,315
	9,708,099	8,351,329
Non-controlling Interests	65,520	81,371
Total Equity	9,773,619	8,432,700
	₱21,658,024	₱20,410,854

ROXAS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, except Basic and Diluted Earnings per Share Data)

	Years Ended September 30		
	2016	2015	2014
REVENUE	₱12,050,234	₱8,208,396	₱8,316,718
COST OF GOODS SOLD	(10,976,738)	(7,164,185)	(6,882,691)
GROSS INCOME	1,073,496	1,044,211	1,434,027
GENERAL AND ADMINISTRATIVE EXPENSES	(923,822)	(1,031,997)	(731,902)
SELLING EXPENSES	(41,817)	(31,941)	(24,038)
INTEREST EXPENSE	(382,770)	(271,355)	(314,543)
SHARE IN NET EARNINGS OF AN ASSOCIATE	212,258	134,424	83,214
OTHER INCOME – Net	89,505	84,360	229,516
INCOME (LOSS) BEFORE INCOME TAX	26,850	(72,298)	676,274
INCOME TAX BENEFIT (EXPENSE)			
Current	(23,051)	(82,068)	(90,491)
Deferred	97,792	172,919	29,563
	74,741	90,851	(60,928)
NET INCOME	₱101,591	₱18,553	₱615,346
Net income attributable to:			
Equity holders of the Parent Company	₱101,244	₱10,832	₱611,937
Non-controlling interests	347	7,721	3,409
	₱101,591	₱18,553	₱615,346
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Basic	₱0.07	₱0.01	₱0.67
Diluted	0.07	0.01	0.66

ROXAS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended September 30		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	₱26,850	(₱72,298)	₱676,274
Adjustments for:			
Depreciation and amortization	927,513	797,235	680,835
Interest expense	382,770	271,355	314,543
Share in net earnings of associate	(212,258)	(134,424)	(83,214)
Retirement benefits	48,733	44,861	44,992
Unrealized gain on fair value adjustment on investment properties	(27,529)	–	(33,349)
Net provision for (reversal of) allowance for:			
Inventory losses and obsolescence	5,854	7,271	–
Impairment of receivables	5,831	1,386	(39,902)
Employee stock option	1,130	35,053	17,962
Interest income	(1,013)	(2,558)	(1,123)
Net unrealized foreign exchange losses (gains)	(389)	183	(2,284)
Recovery from insurance claims	–	–	(40,903)
Operating income before changes in working capital	1,157,492	948,064	1,533,831
Decrease (increase) in:			
Trade and other receivables	85,416	17,315	306,017
Inventories	(106,846)	(811,156)	992,405
Other current assets	(243,284)	(72,573)	15,022
Increase (decrease) in trade and other payables	(858,194)	472,051	(79,200)
Net cash generated from operations	34,584	553,701	2,768,075
Income taxes paid, including final taxes	(36,771)	(123,240)	(79,289)
Retirement benefits paid	(3,251)	–	(13,031)
Interest received	1,013	2,558	1,123
Net cash flows provided by (used in) operating activities	(4,425)	433,019	2,676,878

(Forward)

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	Years Ended September 30		
	2016	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment	(P911,749)	(P1,112,456)	(P403,262)
Investment properties	(83)	(3,500)	-
Proceeds from:			
Dividends received	132,468	86,505	67,376
Disposal of property and equipment	4,587	36,267	-
Recovery from insurance claims	-	-	40,903
Acquisition of treasury shares of a subsidiary	(19,000)	-	-
Acquisition of subsidiaries, net of cash absorbed	-	(1,673,376)	-
Increase in other noncurrent assets	(38,515)	(3,672)	(11,516)
Net cash flows used in investing activities	(832,292)	(2,670,232)	(306,499)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net availments (payments) of short-term borrowings	1,045,738	2,549,501	(301,427)
Proceeds from:			
Issuance of shares from stock rights offering	1,117,181	-	-
Availment of long-term borrowing	920,000	-	-
Exercise of stock option	3,399	778	-
Issuances of treasury shares, net of transaction cost	-	1,680,132	-
Payments of:			
Long-term borrowings	(1,364,691)	(1,352,336)	(1,673,348)
Interest	(383,193)	(296,952)	(294,090)
Dividends	-	(247,344)	(163,719)
Net cash flows provided by (used in) financing activities	1,338,434	2,333,779	(2,432,584)
NET INCREASE (DECREASE) IN CASH	501,718	96,566	(62,205)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	389	(183)	2,284
CASH AT BEGINNING OF YEAR	202,415	106,032	165,953
CASH AT END OF YEAR	P704,522	P202,415	P106,032

This press release may contain some statements which constitute “forward-looking statements” that are subject to a number of risks and uncertainties that could affect RHI's business and results of operations. Although RHI believes that expectations reflected in any forward-looking statements are reasonable, it cannot guarantee future performance, action or events.

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ABOUT RHI

Roxas Holdings, Inc. (RHI), a bio-sugar and bio-energy company, is the largest integrated sugar business in the Philippines. It manages 100% of Central Azucarera Don Pedro, Inc. in Nasugbu, Batangas; Central Azucarera de la Carlota, Inc. and Roxol Bioenergy Corporation in La Carlota, Negros Occidental; and majority of San Carlos Bioenergy, Inc. in San Carlos, Negros Occidental. It also holds 45% of affiliate Hawaiian-Philippine Company in Silay, Negros Occidental.

RHI is listed on the Philippine Stock Exchange (PSEi: ROX). Further information can be obtained by visiting the web at www.roxasholdings.com.ph.