

**PROPOSED ACQUISITION BY FIRST STRONGHOLD CEMENT INDUSTRIES  
INC. OF SHARES IN HOLCIM PHILIPPINES, INC.  
M-2019-018**

**Statement on the Opening of a Phase II Review**

06 September 2019

On 22 August 2019, the Mergers and Acquisitions Office (“MAO”) decided to move to a Phase II Review the PROPOSED ACQUISITION BY FIRST STRONGHOLD CEMENT INDUSTRIES INC. OF SHARES IN HOLCIM PHILIPPINES, INC. (the “Transaction”), pursuant to Section 17 of R.A. No. 10667.

The initial market investigation conducted by MAO indicates that the Transaction may affect competition in the candidate markets for grey cement, clinker, ready-mix-concrete, and aggregates (the “Relevant Products”) within the Northeast Luzon<sup>1</sup>, Northwest Luzon<sup>2</sup>, Central Luzon<sup>3</sup> and National Capital Region, Southern Luzon<sup>4</sup>, Northern Mindanao<sup>5</sup>, and Southern Mindanao<sup>6</sup> Markets (the “Relevant Areas”). In accordance with R.A. No. 10667 and its Implementing Rules, MAO has a period of sixty (60) calendar days from 23 August 2019 within which to conduct the Phase II Review of the Transaction.

The commencement of Phase II Review of the Transaction does not mean that MAO has made a conclusive finding of a substantial lessening of competition or has prejudged the result of the review. It only signifies that a more detailed analysis of the Transaction is required using additional information from the Notifying Parties and other information as may be necessary to complete the review.

*Abstract of the Transaction*

The Transaction involves the proposed acquisition by First Stronghold Cement Industries, Inc. (“First Stronghold”) of 85.73% of the total issued and outstanding capital stock of Holcim Philippines, Inc. (“Holcim”).

First Stronghold, the acquiring entity, is a wholly-owned subsidiary of San Miguel Equity Investments Inc. (“SMEI”), which in turn is a wholly-owned subsidiary of San Miguel Corporation (“SMC”). SMC has investments in companies likewise engaged in the manufacture and distribution of cement, such as Northern Cement Corporation. SMC is also expanding its cement business through Oro Cemento Industries Corporation and San Miguel Northern Cement, Inc. The construction of the cement-related facilities of these subsidiaries which are located in Davao and Pangasinan are expected to be completed and operational by

<sup>1</sup> “North East Luzon” includes Region II and the Cordillera Administrative Region

<sup>2</sup> “North West Luzon” includes Ilocos Norte, Ilocos Sur, La Union, and Pangasinan

<sup>3</sup> “Central Luzon” includes Region III

<sup>4</sup> “Southern Luzon” includes Regions IV-A, IV-B, and V

<sup>5</sup> “Northern Mindanao” includes Regions IX, X, XIII, and the Autonomous Region of Muslim Mindanao

<sup>6</sup> “Southern Mindanao” includes Compostela Valley, Davao del Norte, Davao del Sur, Davao Occidental, Davao Oriental, Davao City, South Cotabato, Cotabato, Sultan Kudarat, Sarangani, and General Santos City



2020 and 2021, respectively. In addition, SMC's President and Chief Operating Officer is a shareholder and chairman of Eagle Cement Corporation, a company also engaged in the manufacture and distribution of cement.

Holcim, the acquired entity, is mainly engaged in the manufacture, sale and distribution of cement, cement products and aggregates, and the provision of technical support on various construction-related quality control, optimization, solution development, and skills upgrade. It currently owns and operates cement manufacturing facilities in Bulacan, La Union, Batangas, and Davao City.

#### *Notification of the Transaction*

The Notifying Parties' respective Notification Forms were filed on 06 June 2019, and Phase I Review of the Transaction commenced on 09 July 2019.

#### *Review of the Transaction*

After the preliminary Phase I Review within a period of thirty (30) calendar days, MAO decided to conduct a Phase II Review of the Transaction within a period of sixty (60) calendar days to carry out a more detailed inquiry whether the Transaction is likely to lead to a substantial lessening of competition.

Specifically, MAO seeks to investigate whether the Transaction would enhance the merged firm's market power resulting in a substantial lessening of competition in the markets for the identified Relevant Products within the Relevant Areas.

The MAO likewise seeks to assess whether, post-Transaction, there will be an increased likelihood that competitors in such markets will coordinate their behavior or strengthen existing coordination in a manner that harms competition.