



111122018001717



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

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SEC Registration No. CS201518815  
Company Name CEMEX HOLDINGS PHILIPPINES, INC.  
Industry Classification Financial Holding Company Activities  
Company Type Stock Corporation

Document Information

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**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 quarterly period ended **September 30, 2018**
2. SEC Identification Number. **CS201518815**
3. BIR Tax Identification No. **009-133-917-000**
4. Exact name of registrant as specified in its charter. **CEMEX HOLDINGS PHILIPPINES, INC.**
5. Province, country or other jurisdiction of incorporation or organization **Metro Manila, Philippines**
6. Industry Classification Code: 1 (SEC Use Only)
7. Address of issuer's principal office and postal code **34<sup>th</sup> Floor, Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City 1200**
8. Issuer's telephone number, including area code **(02) 849-3600**
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 Code, or Sections 4 and 8 of the RSA

<b>Title of each Class</b>	<b>Number of shares of common stock outstanding and amount of debt outstanding</b>
Common Shares	5,195,395,454

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

Yes  No

**Stock Exchange:** Philippine Stock Exchange

**Securities Listed:** Common Shares

12. Indicate by check mark whether the registrant:

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

Yes  No

- (b) has been subject to such filing requirements for the past ninety (90) days. Yes  No

## **PART I - FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

The unaudited condensed consolidated interim financial statements as at and for the nine months ended September 30, 2018 and the audited consolidated statement of financial position as at December 31, 2017 and unaudited statement of profit or loss and other comprehensive income for the six months ended September 30, 2017, and the related notes to the unaudited condensed consolidated interim financial statements of CEMEX Holdings Philippines, Inc. and its Subsidiaries as at September 30, 2018 are filed as part of this Form 17-Q as Appendix I.

The term "Parent Company" used in this report refers to CEMEX Holdings Philippines, Inc. without its Subsidiaries. The term "Company" refers to the Parent Company together with its consolidated Subsidiaries.

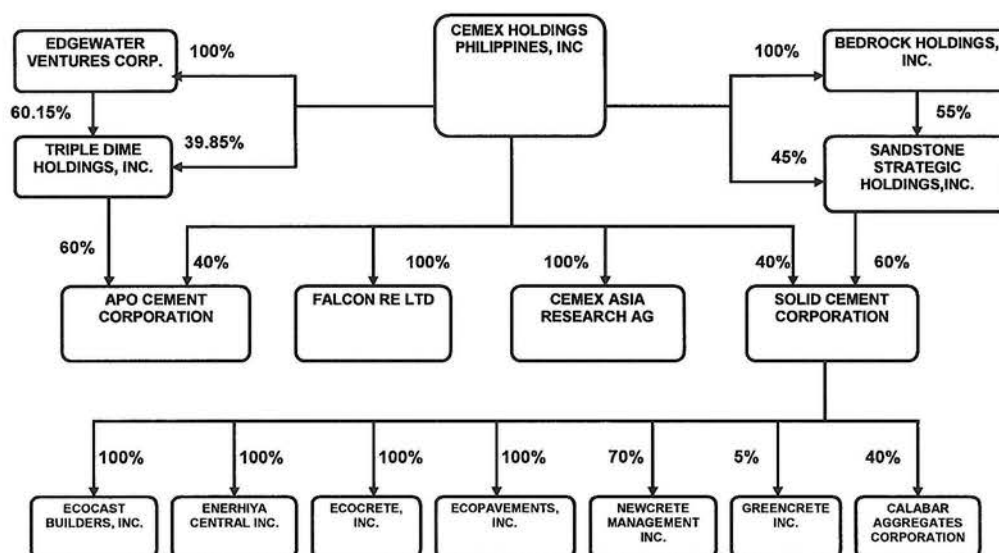
On a consolidated group basis, the Parent Company is an indirect subsidiary of CEMEX, S.A.B. de C.V. ("CEMEX"), a company incorporated in Mexico with address of its principal executive office at Avenida Ricardo Margain Zozaya #325, Colonia Valle del Campestre, Garza Garcia, Nuevo León, Mexico.

The Company presents comparative unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2018 and unaudited financial statements for the nine months ended September 30, 2017.

On January 1, 2016 the Parent Company acquired, directly and indirectly through intermediate holding companies, a 100% equity interest in each of Solid Cement Corporation ("Solid") and APO Cement Corporation ("APO"). Solid has several subsidiaries. The Company also includes CEMEX Asia Research AG ("CAR"), a wholly-owned subsidiary incorporated in December 2015 under the laws of Switzerland. Pursuant to license agreements that CAR entered into with CEMEX Research Group AG ("CRG") and CEMEX, respectively, CAR became a licensee for certain trademarks, including the CEMEX trademark, and other intangible assets forming part of the intellectual property portfolio owned and developed by CEMEX. CAR is engaged primarily in the development, maintenance and customization of these intangible assets for the Asia Region and it in turn provides non-exclusive licenses to Solid and APO to use the CEMEX trademark and other trademarks and intangible assets of CEMEX.

In May 2016, the Parent Company incorporated a wholly-owned subsidiary named Falcon Re Ltd. ('Falcon') under the Companies Act of Barbados. Falcon is registered to conduct general insurance business, all risk property insurance, political risks insurance and non-damage business interruption insurance, and received its license to operate as an insurance company in July 2016. Falcon acts as a re-insurer to the extent of 10% of the risks associated with property insurance coverage and 100% of the risks associated with political violence and non-damage business interruption programs, professional liability program and cyber risks for the operating subsidiaries of the Parent Company.

The following diagram provides a summary of the Company's organizational and ownership structure as of September 30, 2018:



On July 18, 2016, the Parent Company's initial public offering ('IPO') of 2,337,927,954 common shares at P10.75 per share culminated with the listing and trading under the Main Board of the Philippine Stock Exchange of all of the outstanding shares of capital stock of the Parent Company consisting of 5,195,395,454 common shares.

During the first quarter of 2017, the remaining balance of the proceeds from the IPO were used in the first quarter of 2017 to partially repay amounts outstanding under the long-term loan with New Sunward Holding B.V. ("NSH Long-term Loan"). New Sunward Holding B.V. is a subsidiary of CEMEX.

On February 1, 2017, the Parent Company signed a senior unsecured peso term loan facility agreement with BDO Unibank, Inc. for an amount of up to the Philippine Peso equivalent of US\$280 Million ("BDO Refinancing Loan"), to refinance a majority of the Parent Company's outstanding balance due under the NSH Long-term Loan. Following its availment of the BDO Refinancing Loan, the Parent Company completely repaid the NSH Long-term Loan.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion and analysis of our unaudited condensed consolidated interim financial condition and results of operations as at and for the nine months ended September 30, 2018, the audited consolidated financial condition as at December 31, 2017, and unaudited consolidated interim results of operations for the nine months ended September 30, 2017, and certain trends, risks and uncertainties that may affect our business.

*Shu*

## Financial Performance

For the nine months ended September 30, 2018 and 2017:

### *Revenue*

Revenue for the nine-month period ended September 30, 2018 and 2017 amounted to P17.9 billion and P16.6 billion, respectively. The breakdown of revenue after elimination of transactions between consolidated entities for the nine months ended September 30, 2018 and 2017 were as follows:

<i>Segment</i>	<b>For the nine months ended September 30, 2018</b>		<b>For the nine months ended September 30, 2017</b>	
	<i>Amount*</i>	<i>% Sales</i>	<i>Amount*</i>	<i>% Sales</i>
Cement sales	P17,891	99.9%	P16,378	99.0%
Other business	14	0.1%	183	1.0%
<b>Total</b>	<b>P17,905</b>	<b>100.0%</b>	<b>P16,561</b>	<b>100.0%</b>

*\*Amounts in millions*

For the nine months ended September 30, 2018, domestic gray cement volume increased 10% and our average selling price for domestic gray cement declined 1% against same period last year. During the third quarter, our domestic cement sales volumes increased by 5% and our average selling price for cement increased by 4% compared with the same period of the prior year.

### *Cost of Sales*

Cost of sales for the nine-month period ended September 30, 2018 and 2017 amounted to P10.7 billion and P9.3 billion, respectively. As a percentage of revenue, cost of sales increased by 3 percentage points year-on-year, due, among others, to the regular maintenance of the APO Kiln, and increased fuel and power costs resulting from higher global fuel prices, depreciation of Philippine Peso and tax reform impact.

### *Gross Profit*

As a result of the above conditions, gross profit for the nine months ended September 30, 2018 and 2017 reached P7.2 billion. Gross profit as a percentage of revenue for the nine months ended September 30, 2018 and 2017 were at 40.3% and 43.6%, respectively.

### *Operating Expenses*

Operating expenses amounted to P5.9 billion and P5.5 billion, respectively, for the nine months ended September 30, 2018 and 2017. Operating expenses were composed of administrative, selling, and distribution expenses. Administrative and selling expenses amounted to P2.2 billion and P2.3 billion or 12.3% and 13.9% of revenue for the first nine months of 2018 and 2017. These include: a) license fees amounting to P713.8 million and P612.5 million, respectively; b) salaries and wages amounting to P515.7 million and P436.5 million, respectively; and c) administrative services amounting to P441.7 million and P689.2 million, respectively. Distribution expenses amounted to P3.7 billion and P3.2 billion, respectively, for the nine months ended September 30, 2018 and 2017, which accounted for 20.6% and 19.6%, respectively, of revenue.

Other expenses included in operating expenses covered insurance, utilities and administrative supplies, taxes and licenses, depreciation, advertising, travel expenses and others.

### *Operating Income Before Other Income, Net*

For the reasons discussed above, profit from operations amounted to P1.3 billion and P1.7 billion, respectively, for the nine months ended September 30, 2018 and 2017. These comprised 7.4% and 10.1% of revenue, respectively.

#### *Financial Expenses*

Net financial expenses for the nine months ended September 30, 2018 and 2017 amounted to P676.5 million and P667.1 million, respectively. For the third quarter of 2018 and 2017, net financial expenses amounted to P231.9 million and P208.5 million, respectively.

#### *Foreign Exchange Loss, Net*

Net foreign exchange loss of P470.5 million and P157.2 million were reported for the nine months ended September 30, 2018 and 2017, respectively.

#### *Other Income, Net*

Net other income for the nine-month period ended September 30, 2018 and 2017 was P8.2 million and P31.1 million, respectively.

#### *Income Tax*

As a result of operations, our income tax expense for the nine months ended September 30, 2018 and 2017 amounted to P789.5 million and P189.9 million, respectively. The higher income tax expense recorded was due mainly to the utilization of deferred tax assets following the receipt of dividends by CHP from its foreign subsidiaries.

#### *Profit (Loss)*

As a result of the abovementioned concepts, profit (loss) for the nine months ended September 30, 2018 and 2017 amounted to (P604.7 million) and P688.0 million, respectively.

The utilization of Net Operating Loss Carry-Over (NOLCO) against intra-group dividends during the first half of 2018 is the main component of the decrease in amount of deferred tax assets, which led to an income tax expense significantly higher than the first half of 2017. In addition, the continued depreciation of the peso against the US dollar resulted in additional unrealized foreign exchange losses.

Dividends which were declared by the Parent Company's foreign subsidiaries during 2018 amounted to an aggregate of P1.9 billion.

#### Financial Position

As at September 30, 2018 and December 31, 2017:

#### *Cash and Cash Equivalents*

Cash and cash equivalents amounted to P2.5 billion and P1.1 billion as at September 30, 2018 and December 31, 2017, respectively. As at September 30, 2018, cash and cash equivalents of P2.5 billion include P1.5 billion cash on hand and in banks and P995.0 million short-term investments which were readily convertible to cash. As at December 31, 2017, cash and cash equivalents of P1.1 billion include P629.1 million cash on hand and in banks and P429.2 million short-term investments which were readily convertible to cash.

#### *Trade Receivables - Net*

Accounts receivables amounted to P981.6 million and P833.3 million as at September 30, 2018 and December 31, 2017, net of allowance for impairment losses amounting to P17.2 million and P36.1 million, respectively, which mainly pertained to receivables from customers.

#### *Due from Related Parties*

Related party balances amounted to P29.7 million and P26.4 million as at September 30, 2018 and December 31, 2017, respectively, resulting primarily from the sale of goods, invoicing of administrative fees, and advances and loans between related parties. Please see Note 9 in the attached unaudited condensed consolidated interim financial statements as at and for the nine months ended September 30, 2018 and the audited consolidated financial position as at December 31, 2017 and unaudited statement of profit or loss and other comprehensive income for the nine months ended September 30, 2017.

#### *Other Current Accounts Receivable*

Other accounts receivables amounted to P63.5 million and P74.6 million as at September 30, 2018 and December 31, 2017, respectively.

#### *Inventories*

Inventories amounted to P3.1 billion and P3.3 billion as at September 30, 2018 and December 31, 2017, respectively. Inventories consisting of raw materials, cement and work in process amounted to P1.2 billion and P1.8 billion as at September 30, 2018 and December 31, 2017, respectively, and the remaining balance referred to spare parts. Inventories are measured at cost or net realizable value, whichever is lower.

#### *Prepayments and Other Current Assets*

Other current assets amounted to P1.0 billion and P1.4 billion as at September 30, 2018 and December 31, 2017, respectively which referred primarily to prepayments of insurance, P156.8 million and P542.7 million, respectively, and prepayment of taxes, P491.7 million and P548.9 million, respectively.

#### *Investment in an Associate and Other Investments*

Investments in Associates cover minority equity investments in Greencrete Inc. and Calabar Aggregates Corporation.

#### *Other Assets and Noncurrent Accounts Receivable*

Other assets amounting to P749.0 million and P716.7 million as at September 30, 2018 and December 31, 2017, respectively, primarily consisted of long-term performance deposits of P120.2 million and P122.4 million and debt reserve account and restricted cash totaling P521.7 million and P485.5 million, respectively. The rest mainly referred to noncurrent portion of the unamortized transportation allowances of employees and other long-term prepayments.

#### *Property, Machinery and Equipment - Net*

Property, machinery and equipment had a balance of P15.3 billion and P15.6 billion as at September 30, 2018 and December 31, 2017, respectively. As at September 30, 2018 and December 31, 2017, P493.1 million and P844.4 million, respectively, were incurred for maintenance capital expenditures and P233.1 million and P484.6 million, respectively, for strategic capital expenditures.

#### *Deferred Income Tax Assets - Net*

The Company's deferred income tax asset amounted to P621.2 million and P925.2 million as at September 30, 2018 and December 31, 2017, respectively, which mainly represented pension and minimum corporate income tax in 2018 and future tax benefits from operating losses in 2017. Significant reduction of deferred income tax assets was due to utilization of NOLCO against intragroup dividends and derecognition of NOLCO.

#### *Goodwill*

The Company's goodwill arose from the business combinations when the Parent Company acquired its subsidiaries.



*Trade Payables*

Trade payables as at September 30, 2018 and December 31, 2017 amounted to P3.0 billion and P2.3 billion, respectively, which were related to purchases of raw materials and other goods, and services provided by third parties.

*Due to Related Parties*

Short-term payable to related parties had a balance of P2.6 billion and P2.3 billion as at September 30, 2018 and December 31, 2017, respectively. Long-term payable to related parties amounted to P1.1 billion as at September 30, 2018 and December 31, 2017.

*Income Tax Payable, Other Accounts Payable and Accrued Expenses, Unearned Revenue, and Provisions*

Other payables and accruals which amounted to P1.8 billion and P2.1 billion as at September 30, 2018 and December 31, 2017, respectively, pertained mainly to accruals, advances from customers, provisions, and tax payables.

*Retirement Benefits Liability*

Retirement benefits liability amounting to P892.9 million and P761.0 million as at September 30, 2018 and December 31, 2017, respectively, pertained to the provision recognized by the Company associated with employees' defined benefit pension plans.

*Long-term Bank Loan*

The current balance of the BDO Refinancing Loan was P13.7 billion as at September 30, 2018 and December 31, 2017. The debt issuance cost of this long-term bank loan, corresponding to P145.3 million and P166.6 million on an unamortized basis, was deducted from the total loan liability as at September 30, 2018 and December 31, 2017, respectively. Short-term portion of the bank loan amounted to P140.1 million as at September 30, 2018 and December 31, 2017.

*Other Noncurrent Liabilities*

Other noncurrent liabilities of P20.6 million as at September 30, 2018 and December 31, 2017, referred to provision for asset retirement obligation.

*Common Stock*

As at September 30, 2018 and December 31, 2017, the total authorized capital stock of the Parent Company consisted of 5,195,395,454 common shares at a par value of P1 per share, and the total issued and outstanding capital stock was 5,195,395,454 common shares at a par value of P1 per share.

*Other Equity Reserves*

The amount referred to the cumulative effects of items and transactions that were, temporarily or permanently, recognized directly to stockholders' equity which included share-based compensation, remeasurement of retirement benefits liability, net of tax and cumulative currency translation of foreign subsidiaries.

*Retained Earnings*

Retained earnings of P1.5 billion and P2.1 billion as at September 30, 2018 and December 31, 2017, respectively, included the Company's cumulative net results of operations.

### Key Performance Indicators

The Company sets certain performance measures to gauge its operating performance periodically and to assess its overall state of corporate health. Listed below are the major performance measures, which the Company has identified as reliable performance indicators. Analyses are employed by comparisons and measurements on a consolidated basis based on the financial data as at the relevant periods indicated in the tables below.

Key Financial Indicators	Formula	For the six-month period ended September 30, 2018	For the year ended December 31, 2017
Current Ratio	Current Assets/Current Liabilities	1.0 : 1	1.0 : 1
Solvency Ratio	Profit (Loss) + Depreciation and Amortization/Total Liabilities	0.02 : 1	0.1 : 1
Net debt to Equity Ratio	Debt*/Total Equity	0.7 : 1	0.7 : 1
Asset to Equity Ratio	Total Assets/Total Equity	1.8 : 1	1.8 : 1

\*Debt is net of cash and cash equivalents.

Key Financial Indicators	Formula	For the period ended September 30, 2018	For the period ended September 30, 2017
Interest Rate Coverage Ratio	Operating income before other expenses-net/Interest	2.0 : 1	2.5 : 1
Profitability Ratio	Operating income before other expenses-net/Revenue	0.07: 1	0.10 : 1

### Aging of Accounts Receivables

As at September 30, 2018 the aging analysis of various accounts receivable are as follows:

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		1 to 30 days	31 to 60 days	More than 60 days		
Trade receivables	P827,600	P51,160	P19,089	P83,764	P17,172	P998,785
Receivables from related parties	29,722	-	-	-	-	29,722
Other current accounts receivables	63,480	-	-	-	-	63,480
	920,802	51,160	19,089	83,764	17,172	1,091,987
Allowance for impairment losses	-	-	-	-	(17,172)	(17,172)
	P920,802	P51,160	P19,089	P83,764	P-	1,074,815

**PART II - OTHER INFORMATION**

A massive landslide occurred in Naga, Cebu last September 20, 2018, which prompted local and national authorities to order the suspension of the mining operations of APO Land & Quarry Corporation (ALQC), a major supplier of raw materials of APO. Business continuity plans have been put in place by APO and are currently being implemented to address the disruption in the supply arrangement with ALQC.

**SIGNATURES**

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

**CEMEX HOLDINGS PHILIPPINES, INC.**

By:



IGNACIO ALEJANDRO MIJARES ELIZONDO  
President & Chief Executive Officer  
Date: NOV 12 2018



STEVE KUANSHENG WU  
Treasurer  
Date: NOV 12 2018

## Item 1. Financial Statements.

**CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED INTERIM  
STATEMENTS OF FINANCIAL POSITION**

(Amounts in Thousands)

	<i>Note</i>	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6, 12	P2,517,344	P1,058,267
Trade receivables - net	12	981,613	833,259
Due from related parties	9, 12	29,722	26,386
Other current accounts receivables	12	63,480	74,616
Inventories		3,123,916	3,258,252
Prepayments and other current assets		996,510	1,401,133
<b>Total Current Assets</b>		<b>7,712,585</b>	<b>6,651,913</b>
<b>Noncurrent Assets</b>			
Investments in an associate and other investments		14,097	15,407
Other assets and noncurrent accounts receivables	12	748,991	716,700
Property, machinery and equipment - net	7	15,269,140	15,582,732
Deferred income taxes - net		621,193	925,230
Goodwill		27,859,694	27,859,694
<b>Total Noncurrent Assets</b>		<b>44,513,115</b>	<b>45,099,763</b>
		<b>P52,225,700</b>	<b>P51,751,676</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade payables		P3,017,323	P2,318,979
Due to related parties	9	2,573,661	2,273,404
Unearned revenue, other accounts payable and accrued expenses		1,780,334	2,108,767
Current portion of long-term bank loan	11	140,123	140,123
Income tax payable		18,176	32,279
<b>Total Current Liabilities</b>		<b>7,529,617</b>	<b>6,873,552</b>
<b>Noncurrent Liabilities</b>			
Long-term bank loan	11	13,516,665	13,600,475
Long-term payable to related parties	9	1,073,635	1,073,635
Retirement benefits liability		892,873	761,008
Other noncurrent liabilities		20,610	20,610
<b>Total Noncurrent Liabilities</b>		<b>15,503,783</b>	<b>15,455,728</b>
<b>Total Liabilities</b>		<b>23,033,400</b>	<b>22,329,280</b>

		September 30, 2018	December 31, 2017
	<i>Note</i>	(Unaudited)	(Audited)
<b>Equity</b>			
Controlling interest:			
Common stock	8	P5,195,395	P5,195,395
Additional paid-in capital		21,959,159	21,959,159
Other equity reserves		584,495	199,929
Retained earnings		1,453,051	2,067,692
Total controlling interest		29,192,100	29,422,175
Non-controlling interest		200	221
<b>Total Equity</b>		<b>29,192,300</b>	<b>29,422,396</b>
<b>Total Liabilities and Equity</b>		<b>P52,225,700</b>	<b>P51,751,676</b>

*See Notes to the Condensed Consolidated Interim Financial Statements.*

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**CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED  
INTERIM STATEMENTS OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

(Amounts in Thousands, Except Per Share Data)

(Unaudited)

		For the Nine Months Ended September 30		For the Three Months Ended September 30	
	<i>Note</i>	2018	2017	2018	2017
<b>REVENUE</b>		<b>P17,905,121</b>	P16,561,253	<b>P6,025,788</b>	P5,571,912
<b>COST OF SALES</b>		<b>(10,692,260)</b>	(9,346,142)	<b>(3,769,657)</b>	(3,249,257)
<b>GROSS PROFIT</b>		<b>7,212,861</b>	7,215,111	<b>2,256,131</b>	2,322,655
<b>OPERATING EXPENSES</b>					
Administrative and selling expenses		(2,201,944)	(2,301,036)	(718,163)	(729,060)
Distribution expenses		(3,687,345)	(3,242,962)	(1,233,884)	(1,125,219)
<b>TOTAL OPERATING EXPENSES</b>		<b>(5,889,289)</b>	(5,543,998)	<b>(1,952,047)</b>	(1,854,279)
<b>OPERATING INCOME BEFORE OTHER INCOME - Net</b>		<b>1,323,572</b>	1,671,113	<b>304,084</b>	468,376
<b>OTHER INCOME - Net</b>		<b>8,238</b>	31,100	<b>(6,081)</b>	9,320
<b>OPERATING INCOME AFTER OTHER INCOME - Net</b>		<b>1,331,810</b>	1,702,213	<b>298,003</b>	477,696
<b>FINANCIAL EXPENSES</b>		<b>(676,545)</b>	(667,103)	<b>(231,882)</b>	(208,491)
<b>FOREIGN EXCHANGE LOSS - Net</b>		<b>(470,473)</b>	(157,208)	<b>(59,331)</b>	(27,881)
<b>EARNINGS BEFORE INCOME TAX</b>		<b>184,792</b>	877,902	<b>6,790</b>	241,324
<b>INCOME TAX EXPENSE</b>		<b>(789,517)</b>	(189,941)	<b>(76,675)</b>	(39,416)
<b>PROFIT (LOSS)</b>		<b>(604,725)</b>	687,961	<b>(69,885)</b>	201,908
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Remeasurement of employee benefits liability		(673)	2,873	1,501	224
Income tax recognized directly in other comprehensive income		202	(862)	(450)	(67)
		(471)	2,011	1,051	157
<b>Items that will be reclassified subsequently to profit or loss</b>					
Currency translation of a foreign subsidiary		385,037	73,133	66,900	26,704
Cash flow hedge		-	(6,805)	-	-
		385,037	66,328	66,900	26,704
		384,566	68,339	67,951	26,861
<b>COMPREHENSIVE INCOME (LOSS)</b>		<b>(220,159)</b>	756,300	<b>(1,934)</b>	228,769
<b>Non-controlling interest comprehensive loss</b>		<b>21</b>	21	<b>5</b>	6
<b>CONTROLLING INTEREST IN CONSOLIDATED COMPREHENSIVE INCOME (LOSS)</b>		<b>(P220,138)</b>	P756,321	<b>(P1,929)</b>	P228,775
<b>Basic / Diluted Earnings (Loss) Per Share</b>	<b>5</b>	<b>(P0.12)</b>	P0.13	<b>(P0.01)</b>	P0.04

*See Notes to the Condensed Consolidated Interim Financial Statements.*

**CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(Amounts in Thousands)  
(Unaudited)

	For The Nine Months Ended September 30, 2018						
	Common Stock (see Note 8)	Additional Paid-in Capital	Other Equity Reserves	Retained Earnings (Deficit)	Total Controlling Interest	Non- controlling Interest	Total Stockholders' Equity
As at January 1, 2018	P5,195,395	P21,959,159	P199,929	P2,067,692	P29,422,175	P221	P29,422,396
Loss for the period	-	-	-	(604,704)	(604,704)	(21)	(604,725)
Other comprehensive income for the period	-	-	384,566	151	384,717	-	384,717
Effect of PFRS 9, <i>Financial Instruments Adoption</i>	-	-	-	(10,088)	(10,088)	-	(10,088)
<b>As at September 30, 2018</b>	<b>P5,195,395</b>	<b>P21,959,159</b>	<b>P584,495</b>	<b>P1,453,051</b>	<b>P29,192,100</b>	<b>P200</b>	<b>P29,192,300</b>

	For The Nine Months Ended September 30, 2017						
	Common Stock (see Note 8)	Additional Paid-in Capital	Other Equity Reserves	Retained Earnings (Deficit)	Total Controlling Interest	Non- controlling Interest	Total Stockholders' Equity
As at January 1, 2017	P5,195,395	P21,959,159	P120,556	P1,408,856	P28,683,966	P246	P28,684,212
Profit for the period	-	-	-	687,982	687,982	(21)	687,961
Other comprehensive income for the period	-	-	68,339	-	68,339	-	68,339
<b>As at September 30, 2017</b>	<b>P5,195,395</b>	<b>P21,959,159</b>	<b>P188,895</b>	<b>P2,096,838</b>	<b>P29,440,287</b>	<b>P225</b>	<b>P29,440,512</b>

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**CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED INTERIM**  
**STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands)  
(Unaudited)

**For The Nine Months Ended  
September 30**

<i>Note</i>	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (Loss)	<b>(P604,725)</b>	P687,961
Adjustments for:		
Financial expenses, other financial expenses and unrealized foreign exchange result	<b>920,726</b>	750,587
Income tax expense	<b>789,517</b>	189,941
Depreciation of property, machinery and equipment	<b>1,086,811</b>	977,891
7		
Retirement benefit expense	<b>87,093</b>	73,538
Provisions during the period	<b>5,299</b>	55,531
Impairment loss on receivables	<b>—</b>	31,511
Gain on disposal of assets	<b>(16,022)</b>	(165)
Operating profit before working capital changes	<b>2,268,699</b>	2,766,795
Changes in working capital:		
Decrease (increase) in:		
Trade receivables - net	<b>(165,526)</b>	(121,519)
Due from related parties	<b>(3,336)</b>	196,949
Other current accounts receivables	<b>11,851</b>	63,543
Inventories	<b>79,486</b>	(516,464)
Prepayments and other current assets	<b>260,516</b>	687,825
Increase (decrease) in:		
Trade payables	<b>777,145</b>	93,899
Due to related parties	<b>174,490</b>	371,056
Unearned revenue, other accounts payable and accrued expenses	<b>(391,993)</b>	(664,498)
Cash generated from operations	<b>3,011,332</b>	2,877,586
Financial expenses paid	<b>(575,756)</b>	(607,726)
Financial income received in cash	<b>15,500</b>	2,341
Retirement payment received from intercompany	<b>88,525</b>	—
Benefits paid to employees	<b>(30,869)</b>	(11,315)
Income taxes paid	<b>(420,007)</b>	(424,195)
Net cash provided by operating activities	<b>2,088,725</b>	1,836,691

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**For The Nine Months Ended September 30**

	<i>Note</i>	<b>2018</b>	2017
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Collection from sale of:			
Investment in shares of stock		<b>P18,500</b>	P-
Assets held for sale		<b>72,391</b>	728
Additions to property, machinery and equipment	7	<b>(807,495)</b>	(698,003)
Decrease in other asset and noncurrent accounts receivable		<b>(32,291)</b>	-
Additions to other investments		<b>(790)</b>	-
Net cash used in investing activities		<b>(749,685)</b>	(697,275)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds on loan from related parties	9	<b>152,115</b>	520,870
Payment of bank loan		<b>(105,092)</b>	(70,061)
Proceeds from bank loan	11	-	14,012,281
Payment of loan to related parties		-	(15,350,037)
Net cash provided by (used in) financing activities		<b>47,023</b>	(886,947)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,386,063</b>	252,469
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>73,014</b>	(3,279)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>1,058,267</b>	1,337,155
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>P2,517,344</b>	P1,586,345

*See Notes to the Condensed Consolidated Interim Financial Statements.*

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## CEMEX HOLDINGS PHILIPPINES, INC. AND SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Amounts in Thousands, Except per Share Data, Number of Shares and When Otherwise Stated)

#### 1. Reporting Entity

CEMEX Holdings Philippines, Inc. (the "Parent Company"), a subsidiary of CEMEX Asian South East Corporation ("CASEC"), was incorporated as a stock corporation on September 17, 2015 under Philippine laws with a corporate life of fifty (50) years, primarily to invest in or purchase real or personal property; and to acquire and own, hold, use, sell, assign, transfer, mortgage all kinds of properties such as shares of stock, bonds, debentures, notes, or other securities and obligations; provided that the Parent Company shall not engage either in the stock brokerage business or in the dealership of securities, and in the business of an open-end investment company as defined in Republic Act 2629, Investment Company Act.

CASEC was incorporated as a stock corporation on August 25, 2015 under Philippine laws.

On a consolidated group basis, the Parent Company is an indirect subsidiary of CEMEX, S.A.B. de C.V. ("CEMEX"), a company incorporated in Mexico with address of its principal executive office at Avenida Ricardo Margain Zozaya #325, Colonia Valle del Campestre, Garza Garcia, Nuevo León, Mexico.

The term "Parent Company" used in these accompanying notes to the condensed consolidated interim financial statements refers to CEMEX Holdings Philippines, Inc. without its subsidiaries. The term "Company" refers to CEMEX Holdings Philippines, Inc., together with its consolidated subsidiaries.

On January 1, 2016, the Parent Company became the holding company of the consolidated entities, majority of whom are doing business in the Philippines. The Parent Company's two principal manufacturing subsidiaries, i.e., APO Cement Corporation ("APO") and Solid Cement Corporation ("Solid"), are involved in the production, marketing, distribution and sale of cement and other cement products. APO and Solid are both stock corporations organized under the laws of the Philippines. The Parent Company holds APO directly and indirectly, through Edgewater Ventures Corporation and Triple Dime Holdings, Inc., whereas the Parent Company holds Solid and Solid's subsidiaries directly and indirectly, through Bedrock Holdings, Inc. and Sandstone Strategic Holdings, Inc.

The Company also includes CEMEX Asia Research AG ("CAR"), a wholly-owned subsidiary incorporated in December 2015 under the laws of Switzerland. Pursuant to license agreements that CAR entered into with CEMEX Research Group AG ("CRG") and CEMEX, respectively, CAR became a licensee for certain trademarks, including the CEMEX trademark, and other intangible assets forming part of the intellectual property portfolio owned and developed by CEMEX. CAR is engaged primarily in the development, maintenance and customization of these intangible assets for the Asia Region and it in turn provides non-exclusive licenses to Solid and APO to use the CEMEX trademark and other trademarks and intangible assets of CEMEX.

In May 2016, the Parent Company incorporated a wholly-owned subsidiary named Falcon Re Ltd. ("Falcon") under the Companies Act of Barbados. Falcon is registered to conduct general insurance business, all risk property insurance, political risks insurance and non-damage business interruption insurance, and received its license to operate as an insurance company in July 2016. Falcon acts as a re-insurer to the extent of 10% of the risks associated with the property of insurance coverage and 100% of the risks associated with political violence and non-

damage business interruption programs, professional liability program, and cyber risks for the operating subsidiaries of the Parent Company.

On June 30, 2016, the Philippine Securities and Exchange Commission (“SEC”) resolved to render effective the Registration Statement of the Parent Company and issued a Certificate of Permit to Offer Securities for Sale in favor of the Parent Company. On July 18, 2016, the Parent Company’s initial public offering (“IPO”) of 2,337,927,954 common shares at P10.75 per share culminated with the listing and trading of shares of stocks under the Main Board of the Philippine Stock Exchange, resulting in an increase in capital stock of P2,337,927 and additional paid-in capital of P21,959,159, net of P835,639 transaction costs that is accounted for as a reduction in equity.

The Parent Company’s principal office is located at 34th Floor Petron Mega Plaza Building, 358 Sen. Gil J. Puyat Avenue, Makati City, Philippines.

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## **2. Basis of Preparation**

### Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. These condensed consolidated interim financial statements do not include all of the information required for a complete set of financial statements and should be read in conjunction with the annual consolidated financial statements of the Company as at and for the year ended December 31, 2017.

### Basis of Measurement

The condensed consolidated interim financial statements have been prepared on a historical basis of accounting, except for retirement benefits liability which is measured at the present value of the defined benefit obligation less the fair value of plan assets and certain derivative asset that is measured at fair value.

### Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in Philippine peso, which is the Company’s functional currency. All amounts have been rounded-off to the nearest thousands, except per share data, number of shares and when otherwise indicated.

### Use of Judgments and Estimates

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and use assumptions that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments and estimates made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual financial statements.

During the nine months ended September 30, 2018, management reassessed its estimates in respect of the allowance for impairment losses on receivables. As at September 30, 2018 and December 31, 2017, allowance for impairment losses on receivables amounted to P17.2 million and P36.1 million, respectively (see Note 12).

### 3. Significant Accounting Policies

The significant accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the annual financial statements.

#### Changes in Accounting Policies

The following amendments to standards are effective for the nine months ended September 30, 2018, and have been applied in preparing these condensed consolidated interim financial statements. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's condensed consolidated interim financial statements:

#### Adoption of New and Amendments to Standards

PFRS 9, *Financial Instruments* (2014). PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss (ECL) model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

*Impairment of Financial Assets.* Under the new impairment model based on ECL, impairment losses resulting either from (1) possible default events within the twelve (12) months after the reporting date; or (2) all possible default events over the expected life of financial assets, are recognized on initial recognition, and at each subsequent reporting period, even in the absence of a credit event or if the loss has not yet been incurred, considering for their measurement past events and current conditions, as well as reasonable and supportable forecasts affecting collectability. The Company has assessed the estimated impact that the initial adoption of PFRS 9 will have on its condensed consolidated interim financial statements. The Company reviewed its existing financial instruments and determined that the amended standard has significant impact on its allowance for impairment losses on receivables. The Company computed the impact to condensed consolidated interim financial statements upon adoption of the standard following a methodology consistent with PFRS 9. The effects are detailed below:

	As reported as at December 31, 2017	Estimated adjustments due to adoption of PFRS 9	Estimated adjusted opening balance at January 1, 2018
Trade receivables - net	P833,259	(P14,412)	P818,847
Deferred income tax assets - net	925,230	4,324	929,554
Retained earnings	2,067,692	(10,088)	2,057,604

The adjustments to the opening balance of the Company's equity at January 1, 2018 is primarily due to additional impairment from ECL on trade receivables. The ECL was based on historical collection result of previous years' credit sales, as well as the credit risk and expected developments for each group of customers. Accounts that were not collected and have eventually become overdue for more than 365 days were identified to compute for the ECL factor. The ECL factor was then used to determine the ECL on the current year's credit sales. The effect of the ECL on other financial assets were estimated to be not material.

*Classification and Measurement.* PFRS 9 changes the classification categories for financial assets and replaces them with categories that reflect the measurement method, the contractual cash flow characteristics and the entity's business model for managing the financial asset: 1) amortized cost; 2) fair value through other comprehensive income; and 3) fair value through profit or loss.

- *Classification and Measurement of Share-based Payment Transactions (Amendments to PFRS 2).* The amendments cover the following areas:

- *Measurement of cash-settled awards.* The amendments clarify that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments –i.e. the modified grant date method.
- *Classification of awards settled net of tax withholdings.* The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if:
  - the terms of the arrangement permit or require a company to settle the transaction net by withholding a specified portion of the equity instruments to meet the statutory tax withholding requirement (the net settlement feature); and
  - the entire share-based payment transaction would otherwise be classified as equity-settled if there were no net settlement feature.

The exception does not apply to equity instruments that the company withholds in excess of the employee's tax obligation associated with the share-based payment.

- *Modification of awards from cash-settled to equity settled.* The amendments clarify that when a share-based payment is modified from cash-settled to equity-settled, at modification date, the liability for the original cash-settled share-based payment is derecognized and the equity-settled share-based payment is measured at its fair value, recognized to the extent that the goods or services have been received up to that date. The difference between the carrying amount of the liability derecognized, and the amount recognized in equity, is recognized in profit or loss immediately.
- *PFRS 15, Revenue from Contracts with Customers,* replaces PAS 11, *Construction Contracts,* PAS 18, *Revenue,* IFRIC 13, *Customer Loyalty Programmes,* IFRIC 18, *Transfer of Assets from Customers,* and SIC-31, *Revenue - Barter Transactions Involving Advertising Services.* The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

- *Philippine Interpretation IFRIC-22 Foreign Currency Transactions and Advance Consideration.* The amendments clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.
- *Annual Improvements to PFRSs 2014 - 2016 Cycle.* This cycle of improvements contains amendments to three standards. The following is the said improvements or amendments to PFRSs effective for annual periods beginning on or after January 1, 2018, which is applicable to the Company. Such improvements or amendments has no significant effect on the condensed consolidated interim financial statements of the Company:
  - *Measuring an associate or joint venture at fair value (Amendments to PAS 28, Investments in Associates and Joint Ventures).* The amendments provide that a venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. The amendments also provide that a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. The amendments are applied retrospectively, with early application permitted.

#### Standards Issued But Not Yet Adopted

The new standards and amendments to standards discussed below is effective for annual periods beginning after January 1, 2018, and have not been applied in preparing these condensed consolidated interim financial statements.

#### *Effective January 1, 2019*

- *PFRS 16, Leases,* supersedes PAS 17, *Leases,* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16. The Company has completed the initial assessment of the potential impact on its condensed consolidated interim financial statements but has not yet completed its detailed assessment. The actual impact of applying PFRS 16 on the condensed consolidated interim financial statements in the period of initial application will depend on future economic conditions, including the Company's borrowing rate at

January 1, 2019, the composition of the Company's lease portfolio at that date, the Company's latest assessment of whether it will exercise any lease renewal options and the extent to which the Company chooses to use practical expedients and recognition exemptions.

- Philippine Interpretation *IFRIC-23, Uncertainty over Income Tax Treatments*, clarifies how to apply the recognition and measurement requirements in PAS 12 when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty – either the most likely amount or the expected value. The interpretation also requires the reassessment of judgements and estimates applied if facts and circumstances change – e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company is currently assessing the potential impact on its condensed consolidated interim financial statements resulting from the application of this interpretation.

- *Prepayment Features with Negative Compensation (Amendments to PFRS 9)*. The amendments cover the following areas:
  - *Prepayment features with negative compensation*. The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or fair value through other comprehensive income (OCI) irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for that early termination.

The amendment is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Retrospective application is required, subject to relevant transitional reliefs.

- *Modification of financial liabilities*. The amendment to the Basis for Conclusions on PFRS 9 clarifies that the standard provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition and the treatment is consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset - i.e. the amortized cost of the modified financial liability is recalculated by discounting the modified contractual cash flows using the original effective interest rate and any adjustment is recognized in profit or loss.

If the initial application of PFRS 9 results in a change in accounting policy for these modifications or exchanges, then retrospective application is required, subject to relevant transition reliefs.

- *Long-term Interests in Associates and Joint Ventures (Amendments to PAS 28)*. The amendment requires the application of PFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests (LTIs) that, in substance, form part of the entity's net investment in an

associate or joint venture. The amendment explains the annual sequence in which PFRS 9 and PAS 28 are to be applied. In effect, PFRS 9 is first applied ignoring any prior years' PAS 28 loss absorption. If necessary, prior years' PAS 28 loss allocation is trued-up in the current year which may involve recognizing more prior years' losses, reversing these losses or re-allocating them between different LTI instruments. Any current year PAS 28 losses are allocated to the extent that the remaining LTI balance allows and any current year PAS 28 profits reverse any unrecognized prior years' losses and then allocations against LTI.

The amendment is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Retrospective application is required, subject to relevant transitional reliefs.

- Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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#### **4. Seasonality of Operations**

The Company's sales are subject to seasonality. Sales are generally higher in the hot, dry months from March through May and lower during the wetter monsoon months of June through November. While these factors lead to a natural seasonality on the Company's sales, unseasonable weather could also significantly affect sales and profitability compared to previous comparable periods. Low sales are likewise experienced around the Christmas and New Year holiday period in December through early January. Consequently, the Company's operating results may fluctuate. In addition, the Company's results may be affected by unforeseen circumstances, such as production interruptions. Due to these fluctuations, comparisons of sales and operating results between periods within a single year, or between different periods in different financial years, are not necessarily meaningful and should not be relied on as indicators of the Company's performance.



## 5. Basic/Diluted Loss Per Share

Basic and diluted loss per share is computed as follows:

	<b>For the Nine Months Ended September 30 2018 (Unaudited)</b>	For the Nine Months Ended September 30 2017 (Unaudited)
Net profit (loss)	<b>(P604,725)</b>	P687,961
Add: non-controlling interest net loss	<b>21</b>	21
Controlling interest in net income (a)	<b>(P604,704)</b>	P687,982
Weighted average number of shares outstanding - Basic/Diluted (b)	<b>5,195,395,454</b>	5,195,395,454
Basic/Diluted EPS (a/b)	<b>(P0.12)</b>	P0.13

As at September 30, 2018 and 2017, the Company has no dilutive equity instruments.

## 6. Cash and Cash Equivalents

Consolidated cash and cash equivalents as at September 30, 2018 and December 31, 2017, consisted of:

	<b>2018 (Unaudited)</b>	2017 (Audited)
Cash on hand and cash in banks	P1,522,345	P629,089
Short-term investments	994,999	429,178
	<b>P2,517,344</b>	P1,058,267

Cash in banks earns interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of up to three months, depending on the immediate cash requirements of the Company, and earn interest ranging from 1.5% to 2.1% and 0.6% to 1.1% for the nine months ended September 30, 2018 and 2017.

For the nine months ended September 30, 2018 and 2017, interest income on cash and cash equivalents amounted to P15,500 and P4,437, respectively.

As of September 30, 2018 and as of December 31, 2017, Short-term investments include deposits of the Company with related parties which are considered highly liquid investments readily convertible to cash, as follows:

	<b>2018 (Unaudited)</b>	2017 (Audited)
Lomez International B.V. <sup>2</sup>	<b>P660,999</b>	P-
Local banks	<b>334,000</b>	49,000
New Sunward Holding B.V. <sup>1</sup>	-	380,178
	<b>P994,999</b>	P429,178

<sup>1</sup> The investment are due on demand and bear interest at a rate equivalent to the higher of Western Asset Institutional Liquid Reserves Fund (WAILRF) rate minus 10 basis points or zero interest.

<sup>2</sup> Effective March 1, 2018, the short term investments with New Sunward Holding B.V. were transferred to Lomez International B.V. by way of novation between parties bearing the same interest rate.

The Company's exposure to credit risk related to cash and cash equivalents is disclosed in Note 12 to the condensed consolidated interim financial statements.

## 7. Property, Machinery and Equipment

The movements in this account are as follows:

	Building	Machinery and equipment	Construction In-progress	Total
<b>Gross Carrying Amount</b>				
December 31, 2016	P3,982,565	P11,915,071	P1,025,207	P16,922,843
Additions	61,951	516,857	750,187	1,328,995
Disposals	(211)	(29,752)	(319)	(30,282)
Reclassifications to assets held for sale	–	(376,718)	–	(376,718)
Reclassifications	27,925	166,360	(194,285)	–
December 31, 2017	4,072,230	12,191,818	1,580,790	17,844,838
Additions	914	59,314	665,892	726,120
Disposals	(684)	(3,927)	–	(4,611)
Reclassifications and transfers	7,632	449,751	(457,383)	–
<b>September 30, 2018 (Unaudited)</b>	<b>4,080,092</b>	<b>12,696,956</b>	<b>1,789,299</b>	<b>18,566,347</b>
<b>Accumulated depreciation</b>				
December 31, 2016	(153,493)	(954,539)	–	(1,108,032)
Depreciation for the period	(183,818)	(1,091,515)	–	(1,275,333)
Reclassifications to assets held for sale	–	286,089	–	286,089
Impairment	–	(175,230)	–	(175,230)
Disposals	211	10,189	–	10,400
December 31, 2017	(337,100)	(1,925,006)	–	(2,262,106)
Depreciation for the period	(226,997)	(809,099)	–	(1,036,096)
Disposals	53	942	–	995
<b>September 30, 2018 (Unaudited)</b>	<b>(564,044)</b>	<b>(2,733,163)</b>	<b>–</b>	<b>(3,297,207)</b>
<b>Carrying Amounts</b>				
December 31, 2017	P3,735,130	P10,266,812	P1,580,790	P15,582,732
<b>September 30, 2018 (Unaudited)</b>	<b>P3,516,048</b>	<b>P9,963,793</b>	<b>P1,789,299</b>	<b>P15,269,140</b>

## 8. Equity

### Common Stock

This account consists of:

	September 30, 2018		December 31, 2017	
	(Unaudited)		(Audited)	
	Shares	Amount	Shares	Amount
Authorized - P1.00 par value per share	5,195,395,454	P5,195,395	5,195,395,454	P5,195,395
Issued, fully paid and outstanding balance at beginning/end of period	5,195,395,454	P5,195,395	5,195,395,454	P5,195,395

On September 17, 2015, CASEC subscribed to 376,000 shares of stock of the Parent Company at P100 par value. Of the agreed subscription price of P37,600, only P9,400 was

paid in 2015, while the remainder of P28,200 was paid in 2016. In 2016, the Parent Company's Board of Directors approved the amendment of and increase in the authorized capital stock of the Parent Company from P150,400, divided into 1,504,000 common shares with par value of P100 per share, to P5,195,395, divided into 5,195,395,454 common shares with par value of P1 per share.

On May 20, 2016, the SEC approved the Parent Company's application for the amendment of and increase in its authorized capital stock. Accordingly, the original subscription of CASEC changed from 376,000 common shares with par value of P100 per share to 37,600,000 common shares with par value of P1 per share. Furthermore, in connection with the increase in authorized capital stock, CASEC subscribed to an additional 2,819,867,500 shares at P1 par value per share or a total par value of P2,819,868 which was fully paid. During the IPO which culminated in the listing of all of the outstanding shares of stock of the Parent Company on July 18, 2016, the Parent Company issued additional 2,337,927,954 shares at P1 par value per share or a total par value of P2,337,928 at the offer price of P10.75 per share (see Note 1).

#### Capital Management

The Company's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flow to selective investments. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Board of Directors has overall responsibility for the monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry. The Company's capital is defined as "Total Equity" as shown in the condensed consolidated interim statements of financial position.

The Company is not subject to externally imposed capital requirements. The Company's net debt to equity ratio at the reporting dates is as follows:

	<b>September 30 2018 (Unaudited)</b>	December 31 2017 (Audited)
Total liabilities	<b>P23,033,400</b>	P22,329,280
Less cash and cash equivalents	<b>(2,517,344)</b>	(1,058,267)
Net debt	<b>P20,516,056</b>	P21,271,013
	<b>P29,192,30</b>	
Total equity	<b>0</b>	P29,422,396
Net debt to equity ratio	<b>P0.70:1</b>	P0.72:1

#### **9. Related Party Transactions**

Related party relationship exists when the other party (i) has control or joint control of the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. A related party relationship is deemed to exist when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making the financial and/or operating decisions. Another criteria recognizes a related party relationship, whether or not the ability to control exists, if any of the following conditions applies to an entity: (i) the entity and the reporting

entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others, (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member), (iii) both entities are joint ventures of the same third party, (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity, or (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity (If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity).

Related party transactions are shown under the appropriate accounts in the condensed consolidated interim financial statements as at and for the period ended September 30, 2018 and December 31, 2017 are as follows:

	2018 (Unaudited)	2017 (Audited)
<b>Receivables – current</b>		
Topmix LLC <sup>1</sup> .....	P28,275	P–
APO Land & Quarry Corporation <sup>2</sup> .....	1,117	1,450
Island Quarry and Aggregates Corporation <sup>3</sup> .....	318	4,720
CEMEX Central, S.A. de C.V. (“CEMEX Central”) <sup>4</sup> .....	–	6,404
CEMEX Paving Solutions Ltd. <sup>5</sup> .....	–	13,682
Others .....	12	130
<b>Total accounts receivable from related parties .....</b>	<b>P29,722</b>	<b>P26,386</b>
	2018	2017
	(Unaudited)	(Audited)
<b>Payables – current</b>		
<i>Ultimate Parent</i>		
CEMEX, S.A.B de C.V. <sup>6</sup> .....	P7,260	P6,864
<i>Other related parties</i>		
Transenergy, Inc. <sup>7</sup> .....	922,185	1,066,157
CEMEX Construction Materials South, LLC <sup>8</sup> .....	612,521	567,135
CEMEX Asia, B.V. <sup>9</sup> .....	421,953	215,224
CEMEX Research Group AG <sup>10</sup> .....	240,826	210,045
CEMEX Central, S.A. de C.V. (“CEMEX Central”) <sup>4</sup> .....	184,635	114,666
Cemex International Trading LLC <sup>11</sup> .....	83,300	–
Island Quarry and Aggregates Corporation <sup>13</sup> .....	25,918	36,633
Sunbulk Shipping, N.V. <sup>11</sup> .....	23,394	–
APO Land & Quarry Corporation <sup>12</sup> .....	19,418	28,909
CEMEX Asia Pte., Ltd. – Philippine Headquarters (“CAPL - PHQ”) <sup>14</sup> .....	15,557	8,308
Cemex México, S.A. de C.V. <sup>15</sup> .....	10,040	9,413
Beijing CXP Import & Export Co. <sup>16</sup> .....	5,691	10,050
Cemex Internacional, S.A. De C.V. <sup>11</sup> .....	675	–
Others .....	288	–
	<b>2,573,661</b>	<b>2,273,404</b>
<b>Payable - non current</b>		
CEMEX Asia, B.V. <sup>9</sup> .....	1,073,635	1,073,635
<b>Total accounts payable to related parties .....</b>	<b>P3,647,296</b>	<b>P3,347,039</b>

<sup>1</sup> The balance, which is unimpaired, unsecured, noninterest-bearing and 30-days term, pertains to the sale of concrete equipment of the Company;

<sup>2</sup> The balance, which is unimpaired, unsecured, noninterest-bearing and due on demand includes a) receivables from service agreement amounting to P574 and P1,446 as at September 30, 2018 and December 31, 2017, respectively; and b) others amounting to P543 and P4 as at September 30, 2018 and December 31, 2017, respectively. In 2016, each of Solid and APO entered into an agreement with APO Land & Quarry Corporation wherein Solid and APO shall provide back-office and other support services to the latter. Fees are calculated at cost incurred plus fixed mark-up;

<sup>3</sup> The receivable balance, which is unimpaired, unsecured, noninterest-bearing and due on demand includes: a) receivables arising from the sale of goods with a 30-day term and without interest amounting to nil and P2,272 as at September 30, 2018 and December 31, 2017, respectively; b) receivables from service agreements amounting to P259 and P2,299 as at September 30, 2018 and December 31, 2017, respectively; and c) others amounting to P59 and P149 as at September 30, 2018 and December 31, 2017, respectively. In 2016, Solid entered into an agreement with Island Quarry and Aggregates Corporation wherein the former shall provide back-office and other support services to the latter. Fees are calculated at cost incurred plus fixed mark-up;

<sup>4</sup> The receivable balance, which is unimpaired, unsecured, noninterest-bearing and due on demand, pertains to reimbursement of fringe benefit tax on share-based compensation; while the payable balance, which is unsecured, noninterest-bearing and due on demand, pertains to business support services received by the Company. In 2009, Solid and APO entered into separate service agreements with CAPL-PHQ, whereby the latter through CAPL-PHQ shall provide to Solid and APO services relating to, among others, general administration and planning; business planning and coordination; marketing control and; sales promotion and business development. In the implementation of these service agreements, CAPL-PHQ also arranged for certain services to be performed by CEMEX Central and, accordingly, CAPL-PHQ collected from each of Solid and APO as reimbursement the fees billed by CEMEX Central for services rendered. In 2017, the arrangement between CAPL-PHQ and CEMEX Central was changed resulting in Solid and APO entering into separate service agreements directly with CEMEX Central wherein the latter shall

provide to the companies those particular services previously performed by CEMEX Central, S.A. de C.V. through the service agreements with CAPL-PHQ;

<sup>5</sup>The balance, which is unimpaired, unsecured, noninterest-bearing and due on demand, pertains to the sale of paving equipment of the Company;

<sup>6</sup>The payable balance pertains to the use of CEMEX "marks" which payable in 30 days after receipt of invoice and is unsecured and noninterest-bearing. On January 1, 2016, CAR entered into an agreement with CEMEX for the right to use of its "marks" and to further license the "marks" with other CEMEX group companies operating in the Asia territory;

<sup>7</sup>The balance pertains to purchase of coal with a term of 30 days, noninterest-bearing and unsecured;

<sup>8</sup>The balance, which is unsecured, noninterest-bearing and due on demand, pertains to the purchase of equipment for the expansion of Solid plant;

<sup>9</sup>The balance includes a) interest on short-term loan amounting to P27,607 and P525 as at September 30, 2018 and December 31, 2017, respectively; b) short term portion of loan amounting to P394,346 and P214,699 as at September 30, 2018 and December 31, 2017, respectively; and c) long-term loan that bears interest at an annual rate equal to 6-month LIBOR plus 369 basis points basis points in 2018 and 2017, respectively, for Solid and fixed interest rate for APO. On September 1, 2017, APO and CEMEX Asia, B.V. changed the currency of the loan from \$21.0 million to P1.1 billion. The loan is unsecured and is due to be paid in 2018 and 2019 for Solid and APO, respectively;

<sup>10</sup>The balance pertains to the royalties/license fees of the Company, which is unimpaired, unsecured, noninterest-bearing and due on demand;

<sup>11</sup>The balance pertains to international freight services on imports;

<sup>12</sup>The balance includes a) purchase of raw materials with a 30-day term amounting to P19,407 and P28,774 as at September 30, 2018 and December 31, 2017, respectively; b) reimbursable expenses amounting to P11 as at September 30, 2018 and c) advances amounting to P135 as at December 31, 2017. These transactions are unsecured and are noninterest-bearing. APO purchases the majority of its limestone, pozzolan and clay requirements from APO Land & Quarry Corporation pursuant to a long-term supply agreement.

<sup>13</sup>The balance includes a) unsecured payable arising from purchase of raw materials with a 30-day term and noninterest-bearing amounting to P25,915 and P29,063 as at September 30, 2018 and December 31, 2017, respectively; b) reimbursable expenses amounting to P3 as at September 30, 2018 and c) rental of equipment amounting to P7,570 as at December 31, 2017, which is unsecured, noninterest-bearing and due on demand. Solid purchases the majority of its limestone, pozzolan and clay requirements from Island Quarry and Aggregates Corporation pursuant to a long-term supply agreement;

<sup>14</sup>The balance includes a) corporate and administrative services received by the Company which is unsecured, noninterest-bearing, and has a term of 30 days amounting to P51 and P8,308 as at September 30, 2018 and December 31, 2017, respectively, and b) overpayment of transferred pension amounting to P15,506 as at September 30, 2018;

<sup>15</sup>The balance, which is unsecured, noninterest-bearing and due on demand, pertains to purchase of equipment from CEMEX Mexico, S.A. de C.V.;

<sup>16</sup>The receivable balance in 2018 pertains to the advance payment of purchases of materials and spare parts, which is unsecured, noninterest-bearing and due on demand; while the payable balance in 2018 pertains to the outstanding liability for the purchases of materials and spare parts, which is unsecured, noninterest-bearing and due on demand.

The reconciliation of opening and closing balances of long-term related party payables follows:

	<u>Amount</u>
Balance as at January 1, 2017 .....	P 15,919,322
Proceeds from drawdowns .....	849,900
Interest expense .....	252,827
Loss from early extinguishment of debt .....	64,603
Effect of exchange rate changes .....	44,713
Payments of:	
Principal .....	(15,458,475)
Interest .....	(384,031)
Balance as at December 31, 2017 .....	<u>1,288,859</u>
Proceeds from drawdowns .....	152,115
Interest expense .....	92,867
Effect of exchange rate changes .....	27,531
Payment of interest .....	(65,784)
Balance as at September 30, 2018 .....	P <u>1,495,588</u>

The main transactions entered by the Company with related parties for the three months ended September 30, 2018 and 2017 are shown below:

	<u>2018</u>	<u>2017</u>
<b>Purchases of raw materials</b>		
Transenergy, Inc. ....	P 1,651,711	1,992,954
Island Quarry and Aggregates Corporation. ....	243,499	235,463
APO Land & Quarry Corporation .....	183,595	189,267
Beijing CXP Import & Export Co. ....	26,340	-
	<u>P 2,105,145</u>	<u>2,417,684</u>
<b>Royalties and trademarks</b>		
CEMEX Research Group AG .....	P 690,392	588,697
CEMEX S.A.B de C.V. ....	23,362	23,769
	<u>P 713,754</u>	<u>612,466</u>
<b>Land Rental</b>		
APO Land & Quarry Corporation .....	P 43,657	43,657
Island Quarry and Aggregates Corporation. ....	21,592	17,456
	<u>P 65,249</u>	<u>61,113</u>

<b>Corporate services and administrative services</b>			
Cemex Central, S.A. de C.V.....	P	182,692	217,121
Island Quarry and Aggregates Corporation .....		7,171	4,423
APO Land & Quarry Corporation.....		5,668	4,379
CEMEX Asia Pte. Ltd. - Philippine Headquarters.....		-	116,970
CEMEX Strategic Philippines, Inc.....		-	55,450
	P	<u>195,531</u>	<u>398,343</u>
<b>Freight services</b>			
Cemex International Trading LLC.....	P	163,423	-
Sunbulk Shipping, N.V.....		111,060	-
	P	<u>274,483</u>	<u>-</u>
<b>Sale of equipment</b>			
Topmix LLC.....	P	28,275	-
<b>Loan drawdown</b>			
CEMEX Asia, B.V.....	P	152,115	-
<b>Interest expense</b>			
CEMEX Asia, B.V.....	P	92,867	72,995
New Sunward Holding B.V.....		-	144,327
	P	<u>92,867</u>	<u>217,322</u>
<b>Interest income</b>			
Lomez International B.V.....	P	5,997	-
New Sunward Holding B.V.....		-	2,093
	P	<u>5,997</u>	<u>2,093</u>
<b>Sales of goods</b>			
Island Quarry and Aggregates Corporation.....	P	-	55,779
APO Land & Quarry Corporation .....		-	91
	P	<u>-</u>	<u>55,870</u>
<b>Reimbursements</b>			
CEMEX Concrete (Malaysia) Sdn Bhd.....	P	-	136,647
<b>Purchase of equipment</b>			
CEMEX Construction Materials South, LLC.....	P	-	27,420
Cemex México, S.A. de C.V. ....		-	4,420
	P	<u>-</u>	<u>31,840</u>

## 10. Segment Information

The Company applies PFRS 8 for the disclosure of its operating segments, which are defined as the components of an entity that engage in business activities from which they may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's top management to make decisions about resources to be allocated to the segments and assess their performance; and for which discrete financial information is available. The Company's main activity is oriented to the construction industry through the production, distribution, marketing and sale of cement, ready-mix concrete and other construction materials. For the nine months ended September 30, 2018 and December 31, 2017 the cement sector represented approximately 86.0% and 84.5% of total net revenues before elimination of transactions between consolidated entities.

The main indicator used by the Company's management to evaluate performance is "Operating EBITDA", representing operating earnings before other expenses - net, interest, tax, depreciation and amortization, considering that such amount represents a relevant measure for the Company's management as an indicator of the ability to internally fund capital expenditures, as well as a widely accepted financial indicator to measure the Company's ability to service or incur debt. Operating EBITDA should not be considered as

an indicator of the Company's financial performance, as an alternative to cash flow, as a measure of liquidity, or as being comparable to other similarly titled measures of other companies.

## 11. Long-term bank loan

On February 1, 2017, the Parent Company signed a Senior Unsecured Peso Term Loan Facility Agreement (Facility Agreement) with BDO for an amount of up to the Philippine Peso equivalent of U.S. dollar 280 million to refinance a majority of the Parent Company's outstanding long-term loan with New Sunward Holding B.V. The term loan provided by BDO has a tenor of seven (7) years from the date of the initial drawdown on the facility and consists of a fixed rate and a floating rate tranche based on market rates plus spread. The borrowings or drawdowns on this facility amounted to P14 billion in 2017. Short-term portion of the bank loan amounted to P140,123 as at September 30, 2018 and December 31, 2017.

The debt issuance cost of this bank loan, corresponding to P145,309 and P166,591 on unamortized basis, was deducted from the total loan liability as at September 30, 2018 and December 31, 2017, respectively. Interest expense incurred as at September 30, 2018 and 2017, excluding amortized direct cost, amounted to P516.0 million and P241.4 million, respectively, which is recognized under "Financial expenses" account in the condensed consolidated interim statements of profit or loss and other comprehensive income.

The reconciliation of opening and closing balances of bank loan follows:

		Bank Loan	Accrued Interest	Total
Balance as at January 1, 2017 .....	P	-	-	-
Proceeds .....		13,831,596	-	13,831,596
Interest expense .....		14,094	571,808	585,902
Payment of:				
Principal .....		(105,092)	-	(105,092)
Interest .....		-	(473,729)	(473,729)
Balance as at December 31, 2017 .....		13,740,598	98,079	13,838,677
Interest expense .....		21,282	515,966	537,248
Payment of:				
Principal .....		(105,092)	-	(105,092)
Interest .....		-	(506,640)	(506,640)
Balance as at September 30, 2018 .....	P	13,656,788	107,405	13,764,193

Accrued interest from this bank loan amounting to P107,405 and P98,079 as at September 30, 2018 and December 31, 2017 are recognized under "Unearned revenue, other accounts payable and accrued expenses" account in the condensed consolidated interim statements of financial position.

## 12. Financial Instruments and Financial Risk Management

This note presents information on the exposure of the Company for credit risk, foreign currency risk and liquidity risk; goals, policies and procedures of the Company to measure and manage risk and the administration of the Company's resources.

### *Risk management framework*

The Company's management has overall responsibility for the development, implementation and monitoring of the conceptual framework and policies for an effective risk management.

The Company's risk management policies are intended to: a) identify and analyze the risks faced by the Company; b) implement appropriate risk limits and controls; and c) monitor the risks and the compliance with the limits. Policies and risk management systems are regularly

reviewed to reflect changes in market conditions and in the Company's activities. By means of its policies and procedures for risk management, the Company aims to develop a disciplined and constructive control environment where all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss faced by the Company if a customer or a counterparty of a financial instrument does not meet its contractual obligations and originates mainly from trade accounts receivable. As at September 30, 2018 and December 31, 2017 the maximum exposure to credit risk is represented by the balance of financial assets. Management has developed policies for the authorization of credit to customers. The exposure to credit risk is monitored constantly according to the behavior of payment of the debtors. Credit is assigned on a customer-by-customer basis and is subject to assessments which consider the customers' payment capacity, as well as past behavior regarding due dates, balances past due and delinquent accounts. In cases deemed necessary, the Company's management requires guarantees from its customers and financial counterparties with regard to financial assets.

The Company's management has established a policy of low risk which analyzes the creditworthiness of each new client individually before offering the general conditions of payment terms and delivery, the review includes external ratings, when references are available, and in some cases bank references. Threshold of credit limits are established for each client, which represent the maximum credit amount that requires different levels of approval. Customers who do not meet the levels of solvency requirements imposed by the Company can only carry out transactions with the Company by paying cash in advance.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at September 30, 2018 and December 31, 2017 is as follows:

	<b>2018</b> <b>(Unaudited)</b>	2017 (Audited)
Cash and cash equivalents (excluding cash on hand)	P2,517,274	P1,058,147
Trade receivables - net	981,613	833,259
Receivables from related parties	29,722	26,386
Other current accounts receivables	63,480	74,616
Long-term guarantee deposits (under other assets and noncurrent receivables)	641,871	607,862
	<b>P4,233,960</b>	<b>P2,600,270</b>

As at September 30, 2018 and December 31, 2017, respectively, the aging analyses per class of financial assets are as follows:

As at September 30, 2018 (Unaudited)	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		1 to 30 Days	31 to 60 days	More than 60 days		
Cash and cash equivalents (excluding cash on hand)	P2,517,274	P-	P-	P-	P-	P2,517,274
Trade receivables	827,600	51,160	19,089	83,764	17,172	998,785
Due from related parties	29,722	-	-	-	-	29,722
Other current accounts receivables	63,480	-	-	-	-	63,480



As at September 30, 2018 (Unaudited)	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		1 to 30 Days	31 to 60 days	More than 60 days		
Long-term deposits (under other noncurrent accounts receivables)	641,871	–	–	–	–	641,871
	4,079,947	51,160	19,089	83,764	17,172	4,251,132
Less: allowance for impairment losses	–	–	–	–	(17,172)	(17,172)
	<b>P4,079,947</b>	<b>P51,160</b>	<b>P19,089</b>	<b>P83,764</b>	<b>P–</b>	<b>P4,233,960</b>

As at December 31, 2017 (Audited)	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		1 to 30 days	31 to 60 days	More than 60 days		
Cash and cash equivalents (excluding cash on hand)	P1,058,147	P–	P–	P–	P–	P1,058,147
Trade receivables	638,816	61,689	17,215	115,539	36,098	869,357
Due from related parties	26,386	–	–	–	–	26,386
Other current accounts receivables	74,616	–	–	–	–	74,616
Long-term deposits (under other noncurrent accounts receivables)	607,862	–	–	–	–	607,862
	P2,405,827	61,689	17,215	115,539	36,098	2,636,368
Allowance for impairment losses	–	–	–	–	(36,098)	(36,098)
	<b>P2,405,827</b>	<b>P61,689</b>	<b>P17,215</b>	<b>P115,539</b>	<b>P–</b>	<b>P2,600,270</b>

As at September 30, 2018 and December 31, 2017 the amount of allowance for impairment losses of the Company's subsidiaries amounted to P17,172 and P36,098 considering the Company's best estimates of potential losses based on an analysis of aging and considering management's recovery efforts.

Cash in banks, short-term investments and long-term and guarantee deposits are of high grade quality as these are deposited in reputable financial entities. Of the total trade receivables, due from related parties and other current accounts receivable, 84% and 76% are neither past due nor impaired, and are considered of high grade quality as of September 30, 2018 and December 31, 2017, respectively. Other financial assets that are not considered of high grade quality are considered standard grade quality financial assets. High grade quality financial assets are those assessed as having minimal credit risk, otherwise they are of standard quality. Standard grade quality financial assets are those assessed as having minimal to regular instances of payment default due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

The credit qualities of financial assets that were neither past due nor impaired are determined as follows:

- Cash in banks, short-term investments and long-term guarantee time deposits are based on the credit standing or rating of the counterparty.
- Trade receivables, amounts due from related parties and other current accounts receivable are based on a combination of credit standing or rating of the counterparty, historical experience and specific and collective credit risk assessment.

Foreign currency risk

Foreign currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate in relation to changes in exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates mainly to its operational and financing activities. The objective of foreign currency risk management is to manage and control exposures within acceptable parameters while optimizing the return. The Company's revenues and costs are generated and settled mainly in Philippine peso. For the nine months ended September 30, 2018 and as at December 31, 2017 approximately less than 5% of the Company's net sales, before eliminations, were generated in dollars.

The Company had an exposure arising from the foreign currency denominated financial obligations as compared to the currency in which the majority of the Company's revenues are generated. The Company's only revenues denominated in dollars to cover such dollar-denominated obligations are those generated by exports. As at September 30, 2018 and December 31, 2017 the Company does not have any derivative financing hedge for foreign currency denominated financial obligation to address this foreign currency risk.

Foreign exchange fluctuations occur when any member of the Company incur monetary assets and liabilities in a currency different from its functional currency. These translation gains and losses are recognized in the condensed consolidated interim statements of profit or loss.

As at September 30, 2018 and December 31, 2017, a summary of the quantitative information of the exposure of the Company due to foreign currencies is provided to the administration on the basis of its risk management policy as follows:

<b>Amounts in thousands of dollars</b>	<b>As at September 30, 2018</b>	
	<b>(in USD)</b>	<b>(in EUR)</b>
Cash and cash equivalents .....	<b>\$20,982</b>	€-
Receivable from related parties* .....	<b>523</b>	-
Trade payables.....	<b>(3,978)</b>	<b>(592)</b>
Payable to related parties.....	<b>(46,121)</b>	-
Net assets denominated in foreign currency .....	<b>(\$28,594)</b>	<b>(€592)</b>

\*Pertains to related party transactions with entities outside the Company

<b>Amounts in thousands of dollars</b>	<b>As at December 31, 2017</b>	
	<b>(in USD)</b>	<b>(in EUR)</b>
Cash and cash equivalents .....	\$9,919	€-
Receivable from related parties* .....	402	-
Trade payables.....	(3,855)	(301)
Payable to related parties.....	(43,842)	-
Net assets denominated in foreign currency .....	(\$37,376)	(€301)

\*Pertains to related party transactions with entities outside the Company

*Sensitivity Analysis*

USD	Strengthening (Weakening) of Philippine Peso	Effect on Profit before Income Tax	Effect on Equity
2018	+8.2%	P126,661	P88,663
	-8.2%	(126,661)	(88,663)
2017	+0.4%	7,882	5,517
	-0.4%	(7,882)	(5,517)

*Amount includes intercompany balances with entities outside the Company*

EUR	Strengthening (Weakening) of Philippine Peso	Effect on Profit before Income Tax	Effect on Equity
2018	+4.6%	P1,707	P1,195
	-4.6%	(1,707)	(1,195)
2017	+14.6%	2,632	1,842
	-14.6%	(2,632)	(1,842)

The company is also exposed to foreign currency risks on eliminated foreign currency denominated intragroup balances as follows:

		September 30, 2018	December 31, 2017
		(in USD)	
<b>Amount owed by</b>	<b>Amount owed to</b>		
Parent Company	CAR	(\$64,747)	(\$51,886)
Parent Company	Falcon	(16,132)	(43,754)
Apo	CAR	(7,220)	(7,314)
Solid	CAR	(3,397)	(4,061)
		<b>(\$91,496)</b>	<b>(\$107,015)</b>

*Sensitivity Analysis*

USD	Strengthening (Weakening) of Philippine Peso	Effect on Profit before Income Tax	Effect on Equity
2018	+8.2%	P405,294	P283,706
	-8.2%	(405,294)	(283,706)
2017	+0.4%	21,373	14,961
	-0.4%	(21,373)	(14,961)

*Pertains to eliminated intragroup balances only.*

*Interest rate risk*

Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of its holdings of financial instruments. As at September 30, 2018, the Company is exposed to interest rate risk primarily on the floating interest rate tranche corresponding to P8.4 billion of the long-term bank loan with BDO (see Note 11), short-term investments in Lomez International B.V., and long-term loan payable to CEMEX Asia B.V. The short-term investments in Lomez International B.V. bear interest at a rate equivalent to the higher of WAILRF rate minus 10 basis points and zero interest (see Note 6). The long-term loan from CEMEX Asia B.V. bears interest at an annual rate equal to 6-month LIBOR plus 369 basis points in 2018 (see Note 9).

### *Sensitivity Analysis*

As at September 30, 2018 and December 31, 2017, a hypothetical 1% increase in interest rate, with all other variables held constant, the Company's profit for the nine months ended September 30, 2018 and for the year ended December 31, 2017 would have decreased by approximately P56,060 and P57,165 net of tax, respectively. Conversely, a hypothetical 1% decrease in interest rate would have the opposite effect.

### *Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient funds available to meet its obligations. The Company has fulfilled its operational liquidity needs primarily through its own operations and expects to continue to do so for both the short and long-term liabilities. Although cash flow from the Company's operations has historically covered its overall liquidity needs for operations, servicing debt and funding capital expenditures and acquisitions, the consolidated entities are exposed to risks from changes in foreign currency exchange rates, prices and currency controls, interest rates, inflation, governmental spending, social instability and other political, economic and/or social developments in the countries in which they operate, any one of which may materially decrease the Company's net income and reduce cash flows from operations. Accordingly, in order to meet its liquidity needs, the Company also relies on cost-control and operating improvements to optimize capacity utilization and maximize profitability. The Company's consolidated net cash flows provided by and used in operating activities, as presented in its unaudited condensed consolidated interim statement of cash flows, was P2,088,725 and P1,077,528 as at September 30, 2018 and 2017, respectively. The Company's trade payables, due to related parties, taxes payable and other accounts payable and accrued expenses are expected to be settled within one year. Trade payables are noninterest-bearing and are normally settled on a 30-days term. In addition, there is no significant concentration of a specific supplier relating to the purchase of raw materials.

The table below summarizes the maturity profile of the Company's long-term loans with bank and related parties as at September 30, 2018 and December 31, 2017.

	September 30, 2018 (Unaudited)				
	Carrying Amount	Contractual Cash Flow	One year or less	More than one year but less than five years	More than five years
Bank loan	P13,656,788	P17,094,469	P862,767	P16,231,702	P -
Long-term payable to related parties	1,467,981	1,572,667	425,200	1,147,467	-
	<b>P15,124,769</b>	<b>P18,667,136</b>	<b>P1,287,967</b>	<b>P17,379,169</b>	<b>P-</b>

	December 31, 2017 (Audited)				
	Carrying Amount	Contractual Cash Flow	One year or less	More than one year but less than five years	More than five years
Bank loan	P13,740,598	P17,316,569	P786,759	P14,847,076	P1,682,734
Long-term payable to related parties	1,288,334	1,474,068	326,601	1,147,467	-
	<b>P15,028,932</b>	<b>P18,790,637</b>	<b>P1,113,360</b>	<b>P15,994,543</b>	<b>P1,682,734</b>

### *Insurance Risk management*

As mentioned in Note 1, the Parent Company incorporated Falcon to create its own reserves and reinsure in respect of the Company's property, non-damage business interruption and political risks insurance. Falcon is expected to retain 10% of the risk in connection with

property insurance and 100% of the risk in connection with earthquake and wind stop loss, non-damage business interruption and political risks insurance, and cyber risks and professional liabilities of the Parent Company's operating subsidiaries. As a result of these arrangements, the Company will effectively self-insure these risks to the extent of Falcon's retained liability. There can be no assurance that the reserves established by Falcon will exceed any losses in connection with the Company's self-insured risks. In addition, the Company's insurance coverage is subject to periodic renewal. If the availability of insurance coverage is reduced significantly for any reason, the Company may become exposed to certain risks for which it is not and, in some cases could not be, insured. Moreover, if the Company's losses exceed its insurance coverage, or if the Company's losses are not covered by the insurance policies it has taken up, or if Falcon is required to pay claims to its insurer pursuant to the reinsurance arrangements, the Company may be liable to cover any shortfall or losses. The Company's insurance premiums may also increase substantially because of such claim from the Company's insurers. The foregoing risk exposure is mitigated, through making reasonable approximation after an evaluation of reported claims in the past of the Parent Company's operating subsidiaries, by retaining only insurance risk from insurance policies in which the operating subsidiaries have low probability of incurring losses.

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### 13. Fair values of financial assets and financial liabilities

The fair values of cash and cash equivalents, trade receivables, amounts due from and due to related parties, other current accounts receivable, other accounts payable and accrued expenses reasonably approximate their carrying amounts considering the short-term maturities of these financial instruments. The fair value of the long-term payable to CEMEX Asia B.V., which is based on the present value of future cash flows discounted at market rate of interest at the reporting date (discounted cash flows under level 2 of the fair value hierarchy), approximates its carrying amount as at September 30, 2018 and December 31, 2017 as the said financial instruments bear interest at LIBOR rates, which is approximately similar to the market interest rate. The fair values of short term investments to Lomez International B.V. and New Sunward Holding B.V., which are also based on the present value of future cash flows discounted at market rate of interest (discounted cash flows under level 2 of the fair value hierarchy), approximate their carrying amounts as at September 30, 2018 and December 31, 2017, respectively, as these financial instruments bear interest at rates which are approximately similar to market interest rates. The fair value of the rental guaranty deposits approximate its carrying amount since the Company does not anticipate its carrying amount to be significantly different from the actual amount that the rental guarantee deposits would eventually be collected.

The bank loan provided by BDO consists of a fixed rate and a floating rate tranche based on market rates plus spread. The following is the comparison of the carrying amount and fair value of bank loan:

<b>Bank loan</b>	<b>September 30, 2018</b>	December 31, 2017
Carrying amount .....	<b>P13,656,788</b>	P13,740,598
Fair value .....	<b>14,223,434</b>	14,688,476

The fair value of bank loan is based on the present value of expected cash flows using the discount rates based on current market rates of similar instruments and categorized as Level 2 of the fair value hierarchy.

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#### 14. Contingencies

As at September 30, 2018, the Company is involved in various legal proceedings of minor impact that have arisen in the ordinary course of business. These proceedings involve: 1) national and local tax assessments; 2) labor claims; and 3) other diverse civil actions. The Company considers that in those instances in which obligations have been incurred, the Company has accrued adequate provisions to cover the related risks. The Company believes these matters will be resolved without any significant effect on its business, consolidated financial position or consolidated financial performance. In addition, in relation to ongoing legal proceedings, the Company is able to make a reasonable estimate of the expected loss or range of possible loss, as well as disclose any provision accrued for such loss. However, for a limited number of ongoing proceedings, the Company may not be able to make a reasonable estimate of the expected loss or range of possible loss or may be able to do so but believes that disclosure of such information on a case-by-case basis would seriously prejudice Company's position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in these cases, the Company has disclosed qualitative information with respect to the nature and characteristics of the contingency, but has not disclosed the estimate of the range of potential loss.

A massive landslide occurred in Naga, Cebu last September 20, 2018, which prompted local and national authorities to order the suspension of the mining operations of APO Land & Quarry Corporation (ALQC), a major supplier of raw materials of APO Cement Corporation. Business continuity plans have been put in place by APO Cement Corporation and are currently being implemented to address the disruption in the supply arrangement with ALQC.